

Cabinet
Council

7th January 2020
14th January 2020

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration – Councillor O’Boyle

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

All

Title:

UKBIC Additional Grant Funding Award from Innovate UK

Is this a key decision?

Yes – income/additional funding is in excess of £1m.

Executive Summary:

The UK Battery Industrialisation Centre is a cutting-edge research facility which will bridge the gap between battery research in universities and large-scale manufacturing. The project is funded through Innovate UK alongside an £18m loan from the WMCA which was accepted by Cabinet and Council in the report “UK Battery Industrialisation Centre: Loan from WMCA” in October 2019.

Following further industry engagement and technological developments, Innovate UK have offered a further £3.1m in order to fund and cover the increased costs and future proof against technology changes.

It is likely that between now and the end of the project there will be further adjustments needed and more funding will be forthcoming which will ensure that the battery facility is able to adapt to technological changes. Therefore, this report seeks authority to accept up to a total of £15m of additional funding from Innovate UK if additional cash beyond the £3.1m currently offered to the becomes available between now and the end of the project.

The UKBIC programme is part-way through development and progressing well. The programme is due for completion in March 2020 when the UKBIC facility will open for business. The shell core of the building has now been completed and handed over and a team of 50 has been recruited to date to work for the new company UKBIC Ltd.

Recommendations:

Cabinet is asked to recommend that Council:

- 1) Authorise the Council to act as Accountable Body and accept £3.1m from Innovate UK and also to make the necessary adjustment to the Capital Programme.
- 2) Should further grant funding be made available by Innovate UK, authorise the Council to act as Accountable Body and accept up to a total sum of £15m and make the necessary adjustment as required to the Capital Programme.
- 3) Delegate authority to the Director of Business Investment and Culture, the Finance Manager (Corporate Resources) and the City Solicitor and Monitoring Officer, following consultation with the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Strategic Finance and Resources, to undertake the necessary due diligence, negotiate the terms and conditions of the funding agreement with Innovate UK and enter into the necessary agreement to bring into legal effect the recommendations set out in (1) and (2) above.

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- 3) Delegate authority to the Director of Business Investment and Culture, the Finance Manager (Corporate Resources) and the City Solicitor and Monitoring Officer in consultation with the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Strategic Finance and Resources, to undertake the necessary due diligence, negotiate the terms and conditions of the funding agreement with Innovate UK and enter into the necessary agreement to bring into legal effect the recommendations set out in (1) and (2) above.

List of Appendices included:

None

Background papers:

None

Other useful documents

Faraday Challenge: <https://youtu.be/TGFRbGj29E>

UK Battery Industrialisation Centre: Loan from WMCA
Cabinet 8th October 2019

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=124&MId=11943&Ver=4>

National Battery Manufacturing Development Facility - Faraday Challenge Paper

Cabinet 28th November 2017

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=124&MId=11478&Ver=4>

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes – 14th January 2020

Report title: UKBIC Additional Grant Funding Award from Innovate UK

1 Context (or background)

- 1.1 The Cabinet Report “UK Battery Industrialisation Centre: Loan from WMCA” in October 2019 secured the acceptance of an £18m loan from the West Midlands Combined Authority as part of a total project cost of £126m project with the rest of the funding coming from Innovate UK.
- 1.2 Through ongoing engagement with industry and government, there is now a need for further enhancements with the latest technology to attract top-tier automotive manufacturers and research and development companies. In addition, the West Midlands region continues to seek to secure further investment in the sector and establish larger multi-gigawatt-scale annual production of batteries in the UK (a “Gigafactory”).
- 1.3 To secure these opportunities and meet industry need, additional funding is needed to ‘pull forward’ delivery of a manufacturing development facility which is fully specified to industry leading standards. Innovate UK have currently offered an additional £3.1m and there is likely to be more funding awarded before the end of the project.
- 1.4 This report therefore seeks authority to accept the additional £3.1 million as well as a further authority to accept up to a total of £15m through Innovate UK to deliver a cutting-edge facility that meets industry needs and unlocks future investment and development.
- 1.5 The 18,000m² facility, which is due for completion in March 2020, will initially employ an estimated 100 people once fully operational. Additional jobs will also be generated in the supply chain, and further employment and training opportunities will be created in the future.
- 1.6 The UKBIC programme is part-way through development with the construction of the shell core of the facility having been practically completed and handed over to the Council. Construction work is ongoing on the site on the outskirts of Coventry alongside the procurement of machinery and a team of c50 has been recruited to date, including UKBIC Managing Director Jeff Pratt. This team has extensive and valuable experience in both industrial battery production and delivering complex, large scale manufacturing projects.

2 Options considered and recommended proposal

2.1 Not accept the grant award from Innovate UK (Not Recommended)

The option to not accept the funding would result in a facility which does not deliver what industry needs and does not unlock further investment and opportunities within the automotive sector.

2.2 To accept the grant award from Innovate UK (Recommended)

For the reasons outlined within the report, it is recommended that the additional funding from Innovate UK is accepted.

3 Results of Consultation Undertaken

No consultation has been undertaken.

4 Timetable for implementing this decision

- 4.1 The project needs to make commitments based on the additional funding in early 2020. It is therefore critical that a decision is made as soon as possible.

5 Governance Arrangements

- 5.1 The UKBIC CCC Programme Board comprises senior management from relevant services and is chaired by the Deputy Chief Executive (Place). This Board meets monthly to monitor progress and ensure that the best interests of the Council are maintained.
- 5.2 The Director of Property and Project Management and the Director of Finance and Corporate Services have been appointed directors of the new company UKBIC Ltd and also attend the UKBIC CCC Programme Board as observers. The directors of the company must ensure that the company does everything it is obliged to do by law and that any decisions they make are in the best interests of the company.

6 Comments from Director of Finance and Corporate Services

6.1 Financial implications

- 6.1.1 The additional grant funding will ensure that a facility is delivered which is fit for industry needs and future proofed for changes in technology.
- 6.1.2 The additional £3.1m grant will bring the updated project cost to a revised total of £129.1m, of which £111.1m is grant funded through Innovate UK, the remaining £18m via a loan from the WMCA. Any additional Innovate UK grant funding successfully awarded beyond the initial £3.1m and up to the approval limit requested in this report would increase these levels further.
- 6.1.3 To date, over £69m has been spent and claimed from Innovate UK in grant by Coventry City Council and the project has been successfully audited by Grant Thornton demonstrating the robust governance and financial management in place.

6.2 Legal implications

- 6.2.1 This report seeks authority to accept a grant award by Innovate Agreement and to enter into a grant agreement with Innovate UK. There is also a delegated authority being sought to accept (where offered by Innovate UK) further grant awards up to a total sum of £15 million pounds.
- 6.2.2 s1 Localism Act 2011 gives the Council a general power of competence and as such the Council has the power to receive grant funding and enter into a grant agreement.
- 6.2.3 The Council will need to ensure that the terms of and conditions of the grant award as set out by Innovate UK are adhered to. The Council's Economic Development Service will be responsible for ensuring that the grant is managed correctly, and Legal Services will provide the necessary support to address any legal issues associated with the acceptance of the grant awards.

7 Other implications

- 7.1 **How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?**

7.1.1 The establishment of the UKBIC will make a significant contribution to the Council Plan. Coventry is already a focal point for the UK auto industry and securing the UKBIC will make the area hugely attractive to investors from the industry. The manufacture in Internal Combustion Engines is expected to decline steadily over the next twenty years as more and more car manufacturers plan to move towards electric fleets. It is expected that the market for battery technology in the EU will be worth as much as EUR50Bn during this period, and with the UKBIC operating in Coventry this will provide an excellent incentive for inward investment and job creation, in line with the aims of the Council Plan.

7.2 How is risk being managed?

7.2.1 With a project as large and complex as this one, detailed work on risk management is ongoing, and the joint CCC-CWLEP-WMG project team has devoted considerable resources to assessing risks and planning mitigation actions.

7.2.2 In any project that uses public funding to support private businesses, particularly with a grant as large as this one, it is important to assess any state aid risks created as a result on an ongoing basis. A specialist firm, Oxera Consulting, is on board to advise partners on the state aid implications of the UKBIC proposals.

7.3 What is the impact on the organisation?

7.3.1 Two new posts have been created within the Economic Development Service and officer time from existing staff in Finance, Legal and Procurement teams will continue to be required. The costs for both the new posts and existing officer time will continue to be recovered from the grant.

7.4 Equality and Consultation Analysis (ECA)

7.4.1 This project is not expected to have any negative equalities impacts. CCC and CWLEP will place requirements upon the new company to ensure that appropriate equalities impact assessment work takes place as it begins to run its services.

7.5 Implications for (or impact on) climate change and the environment

7.5.1 This project has the potential to have a positive environmental impact. As the UK auto industry moves to electrification there will be a huge reduction in emissions from road vehicles on the country's road. The work of the UKBIC aims to speed up this transition, and therefore have a positive environmental impact.

7.6 Implications for partner organisations?

7.6.1 Establishing the UKBIC here will allow the University of Warwick and WMG to cement their position among the top universities in the world for advanced engineering and automotive R&D. In turn this will lead to further benefits for the city.

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Names of approvers for submission: (officers and members)				
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