
Cabinet Member for Jobs and Regeneration and Climate Change

22 June 2022

Name of Cabinet Member:

Cabinet Member for Jobs, Regeneration and Climate Change - Councillor J O'Boyle

Director approving submission of the report:

Director of Property Services and Development
Director of Business, Investment and Culture

Ward(s) affected:

All

Title: West Midlands Gigafactory

Is this a key decision?

No

Executive summary:

The delivery of a Gigafactory, making batteries for electric cars on a mass scale, is a key national and regional priority and will be a key part of the UK's efforts to deliver the technology that can remove the UK's dependence on fossil fuels. The Council believes that Coventry and Warwickshire is well placed to be the location for a Gigafactory given its proximity to large scale automotive production throughout the west Midlands.

A Gigafactory could deliver up to 6,000 new jobs directly, as well as thousands more in the supply chain, and would lead to significant investment into the local economy. The West Midlands Mayor, the West Midlands Combined Authority (WMCA) and the leaders of all its constituent authorities have all agreed that Coventry Airport is the preferred regional site for a Gigafactory.

Following the creation of the joint venture with Coventry Airport Ltd (CAL) and the subsequent submission of a planning application, planning consent has now been achieved for a Gigafactory on the airport site at a cost of c£1.1m per partner. Now that planning permission has been secured it is necessary to market the site to the widest possible range of international battery manufacturers and investors in both the automotive and non-automotive sectors, and to make the site available for such an investor as quickly as possible.

This report is therefore seeking approval for an additional budget of £500,000. The funding (which is a 50% share of costs) will be used to undertake detailed pre-development design work on highways infrastructure, undertake detailed ground investigation, ecological and archaeological work to make the site ready for development and thus minimise pre-construction delays once an occupier is contracted. It will also be used to market the site to battery manufacturers around the world. Making

the site available for development quickly will be essential to attracting the right battery manufacturer; these investment decisions are being made in the industry now, and only sites which can allow development to begin almost immediately will be considered seriously.

Recommendations:

Cabinet Member is recommended to:

- 1) Approve expenditure of up to £0.5m (as a 50% share) to be funded from reserves (in advance of future capital receipts) to fund the work streams required to undertake the work project activities set out in this report.

List of Appendices included:

None.

Background papers:

None.

Other useful documents

None.

Has it or will it be considered by scrutiny?

No

Has it or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Title: West Midlands Gigafactory

1. Context (or background)

- 1.1. Tackling the causes and consequences of climate change is one of the Council's most important priorities, and with the city's role at the centre of a world-class automotive cluster its essential that we play our part in moving the industry away from internal combustion engines to cleaner technologies. It is now less than ten years until the sale of new petrol and diesel vehicles is banned in 2030, and hybrid vehicles will follow in 2035. If the UK automotive industry is to survive this transition, it will be necessary to secure enough battery production in the UK to support the demand for UK electric vehicles which is rising rapidly. If UK battery supply cannot be established, the automotive industry will gradually relocate towards the areas that can meet this demand.
- 1.2. A Gigafactory is a high-volume production facility for batteries principally for the automotive sector but also with potential future applications across other industries, including rail, aerospace and energy storage. Several Gigafactories will be required to meet demand for UK electric vehicles, and so far, two other facilities on this scale have been announced; AESC Envision in Sunderland which will produce 38GWh of batteries per annum (enough for c. 400,000 vehicles) and BritishVolt in Blythe which has a capacity of 30GWh (c. 330,000 vehicles).
- 1.3. In February 2021, Coventry City Council announced plans for a Gigafactory on the site of Coventry Airport, which is in the Warwick District Council Municipal Area. A joint venture was formed with Coventry Airport Ltd (CAL) which holds a long leasehold on the site, and an outline planning application for 530,000m² facility on the 309-acre site was submitted to both Warwick District Council and Coventry City Council in July 2021.
- 1.4. Both authorities resolved to grant the outline planning application in January 2022, and because the site is considered to be part of the greenbelt, the matter was referred to the Secretary of State. The application was not called in by the Secretary of State, and accordingly planning consent has now been formally granted following the signing of the Section 106 Agreement.
- 1.5. The West Midlands Mayor, the West Midlands Combined Authority (WMCA) and the leaders of all its constituent authorities have all agreed that Coventry Airport is the preferred regional site for a Gigafactory.
- 1.6. Detailed work was completed in support of the planning application which showed that the site was capable of producing up to 60GWh of batteries per annum (enough for c. 660,000 vehicles) and will employ up to 6,000 people. The site will support the full battery production process, taking in raw material to produce individual cells before combining them into the battery modules packs which are installed in vehicles. The site will also accommodate battery recycling and will have 500,000m² of photovoltaic cells on the roof.

2. Options considered and recommended proposal

- 2.1 Now that planning permission has been secured it is necessary to market the site to the widest possible range of international battery manufacturers and investors in both the automotive and non-automotive sectors. Detailed work has been completed to compile a detailed list of 20+ target companies which have the necessary battery technology and investment capability for an operation on this scale, and all of these will be contacted during June-August 2022 to develop investment leads.

2.2 The CCC and CAL team are working with specialist advisors to support the process of securing an investor:

- A senior business executive in the automotive battery industry is advising the joint venture on battery technology in the automotive industry and helping to further develop our approach to business development
- Hatch is a global consulting firm which is advising several Gigafactory clients, particularly in North America. Hatch will use the detailed knowledge which they have developed of the world market for battery production, and of the raw material supply chains to develop leads for the investors in the Coventry Airport site.
- An Independent Distribution Network Operator (IDNO) will work with the joint venture as the site's strategic energy partner and will work with us to provide the 100% renewable power supply to the site which will be needed to meet the needs of the selected battery supplier.
- CBRE will work to provide strategic disposal advice by analysing the market for investments of this type and scale. Using their global contacts in the property industry, and a targeted marketing campaign, they will generate an additional list of target investors, and arrange introductions to them.
- Influence Automotive, a specialist automotive PR agency which works to ensure that the West Midlands Gigafactory gets the attention of decision makers in the automotive industry around the world and helps us produce the public-facing and investor material which are used to promote the site.

2.3 Making the site available for development quickly will be essential to attracting the right battery manufacturer; these investment decisions are being made in the industry now, and only sites which can allow development to begin almost immediately will be considered seriously. It is therefore recommended that the following works are undertaken:

- Detailed design of the primary highway access and completion of S278 Agreement with Warwickshire County Council CC.
- Detailed site investigation to ensure no significant remediation is required
- Additional ecological and archaeological surveys.

2.4 To date a total of £1.25m of CCC expenditure has been approved for use on the project, which has been matched by the same amount from CAL.

2.5 The current CCC expenditure and commitments can be summarised as follows:

Activity	Total
Phase 1 to 3 Pre Planning Activity (completed)	£ 717,090
Phase 4 - post planning activity (committed)	£ 216,815
Comms, Business Development, Delivery resource (committed)	£ 250,000
Total	£ 1,183,905

2.6 This leaves a contingency of £66,095.

2.7 In order to progress the next phase of activity, a further £500k of investment funding is requested, which will be used for the following activities:

- CBRE strategic disposal advice
- Hatch strategic disposal advice
- Power supply / Strategic Power Partner
- Highways / Section 278 Design Fees for Access 1
- Priority Ground Investigation Surveys
- Discharging relevant pre-commencement conditions
- Project Management / QS support
- Marketing / Corporate Communications

This investment funding will be recovered from the capital receipt obtained when the site is disposed of to an investor.

2.8 The figures above represent 50% of the overall project costs, with the remainder being met by CAL, who will also commit to a further £500k of additional expenditure.

2.9 As well as the direct contribution from CCC and CAL, the project's regional partners in the West Midlands have committed to funding an incentive package worth almost £1bn which will be offered to major OEMs or battery manufacturers in order to secure an investment in the entire site and creation of jobs on the scale outlined above. This demonstrates that while CCC and CAL are funding the project development costs between them, the rest of the region is prepared to make a large financial commitment to the project in return for the right economic outcomes.

2.10 As set out above, the Local Planning Authority, Warwick District Council (WDC), is fully supportive and has already approved the outline planning application. WDC officers will be recommending to their Members a Business Rates discount as part of the total local and regional partner incentives to secure an investor on the site, which we know is paramount to realising this significant, and potentially largest UK inward investment. Subject to formal approval a 5-year business rates relief on a building this size could be worth £75m.

2.11 It is clear from discussions with industry that a considerable package of incentives will need to be offered by any country or region seeking to secure a Gigafactory investment. There is credible information available publicly which shows that every Gigafactory deal announced in Europe and the US has been backed by considerable government and regional support. The regional partnership which is backing the West Midlands Gigafactory proposal is developing a highly competitive incentive package for the site which will include relief from business rates, provision of power infrastructure on the site, continued investment in transport infrastructure serving the site, investment in skills, and investment in the supply chain. This has been designed to complement the UK Government's incentive offer, which will primarily be made through the £1bn Automotive Transformation Fund.

2.12 The following options have been considered.

2.13 **Option 1: No further budget for Gigafactory proposal.** If CCC and CAL were not to proceed with the proposal set out above, two key implications should be noted as follows.

2.14 The first implication is that it would make the delivery of a Gigafactory in the local area less likely. Any occupier considering the site will want to be assured that any serious impediments or uncertainties pertaining to the development of the site have been addressed and risks

mitigated. By undertaking further investigation work and by addressing the detailed highways design these risks are addressed.

- 2.15 Secondly, we need to be able to market the site to the global battery industry. Many of the potential occupiers of the site will be Far Eastern based and will not be familiar with the UK property market. As there are a relatively small number of potential occupiers it is possible to undertake a targeted marketing campaign to engage with these companies as outlined above.
- 2.16 It is also likely that regional partners would reduce or remove their elements of the incentives on offer if CCC and CAL do not commit to the work required to secure an investor on the site.
- 2.17 **Option 2: Agree to fund the additional costs.** This option is favoured because it will provide the best opportunity to secure an occupier for the Gigafactory site using the approach outlined above and secure the considerable economic benefits for the city and region.

3. Results of consultation undertaken

- 3.1. Appropriate consultation work was completed in support of the planning application, which was approved as set out above.

4. Timetable for implementing this decision

- 4.1. Subject to Cabinet Member approval the work set out in this report will continue throughout 2022/23.

5. Comments from Chief Operating Officer (Section 151 Officer) and Director of Law and Governance

5.1. Financial Implications

The Joint Venture (JV) Arrangement involves the Council and Coventry Airport Limited (CAL) participating in a contractual arrangement on a 50:50 basis, with both Parties investing equally to fund the costs so far in achieving planning permission, and any further costs identified in this report to market the site and make it available for development.

Cost incurred to date are c£1.1m which represents half of the total costs incurred by the JV in getting to the point of granting of planning permission. The recommended option of this report requires the Council to incur further costs of up to £0.5m as a 50% share of the costs specified earlier in the report as being required to ready the site for disposal. If approved, these costs would be funded initially from reserve balances in advance of an anticipated capital receipt following the disposal.

Eventual disposal proceeds would be shared on a 50:50 basis with CAL.

5.2. Legal Implications

By virtue of section 1 of the Localism Act 2011 the Council has power to do anything that individuals with capacity generally may do, subject to any relevant legal limitations.

Approval by cabinet member is necessary in order to comply with our financial procedure rules due to the source of the funding.

Any procurement activity undertaken by the Council will be in accordance with the Council's contract procedure rules and procurement regulations (where applicable)

6. Other implications

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

The delivery of the proposal outlined in this report will help deliver a range of economic development, sustainability and climate change objectives that will help to realise the Council's strategic ambitions for a more vibrant and economically prosperous city.

6.2. How is risk being managed?

The Council's key requirements for this project are to ensure that every opportunity is explored to secure a Gigafactory for the Coventry and Warwickshire economy. Furthermore, if a Gigafactory is not able to be realised then the opportunity to create sustainable employment uses and drive jobs growth will need to be considered. The established joint venture set out to achieve these objectives through arrangements where the parties participate financially on a 50/50 basis, take decisions on a 50/50 basis and realise benefits on a 50/50 basis. The contractual obligations that contained within the JVA are the basis on which risks to the key requirements identified above will be managed.

6.3. What is the impact on the organisation?

There will be no impact on the organisation. The Gigafactory project will continue as currently resourced by staff from the Economic Development Service and Property Services and Development with support from Finance and Legal Services.

6.4. Equalities / EIA

Section 149 of the Equality Act 2010 requires the Council in the exercise of its functions to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and other form of conduct prohibited under the act; and,
- to advance equality of opportunity and to foster good relations between persons who share a relevant protected characteristic (age, disability, gender re-assignment, pregnancy and maternity, race, religion and belief, sex, and sexual orientation) and persons who do not share it.

Having regard to the need to advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share it involves having due regard in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of the persons who share that characteristic that are different from the needs of persons who do not share it; and,
- encourage persons of the relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The Equality Duty has been considered and it is felt that an Equalities Analysis is not required as the proposal concerns the potential disposal of land for redevelopment and no Council service or group will be impacted.

6.5. Implications for (or impact on) climate change and the environment?

Development of a Gigafactory would help to create the conditions for the increased roll out and take-up of low emission vehicles, particularly as the UK Government aspires to cease the sale of petrol and diesel vehicles by 2030. This would play an important role in reducing greenhouse gas emissions, particularly along key local routes and within the city centre and would make an important contribution to the West Midlands Combined Authority's aim for the region to be net zero by 2041. The location of a Gigafactory to complement UKBIC and associated charging infrastructure, would also further strategically position Coventry and the surrounding area as taking the lead nationally on expanding production and take-up of low emission vehicles to tackle the climate change challenge.

The Gigafactory would play a significant role in the nation's transition to low emission zero carbon vehicles assisting the City in its drive to become a Zero Carbon City and also assisting the implementation of the City's Air Quality Management Plan.

The presence of a high-profile development will also help to act as a catalyst for the city to be seen as a centre for the development of environmental technologies.

The development of the Gigafactory and its immediate impacts upon biodiversity can be offset through support for the River Sherbourne Living Landscapes project which shows significant potential for habitat enhancement.

Any potential Gigafactory development will be undertaken in accordance with this Council's and Warwick District Council's planning policies for sustainable development.

6.6. Implications for partner organisations?

Subject to approvals WDC will offer relief from business rates for the occupier of the site.

Report author(s):

Steve Weir
Head of Economic Development

Service:

Economic Development Service

Tel and email contact:

Tel: 024 7697 1074
Email: stephen.weir@coventry.gov.uk

Enquiries should be directed to the above person

Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
Contributors:				
Adam Hunt	Strategic Lead – Property and Development	Property and Development	6 th June 2022	10 th June 2022
Suzanne Bennett	Governance Services Co-ordinator	Law and Governance	9 June 2022	9 June, 2022
Other Members				
Names of approvers for submission: (officers and members)				
Finance: Phil Helm	Finance Manager	Finance	6 th June 2022	9 th June 2022
Legal: Oluremi Aremu	Head of Legal and Procurement	Law and Governance	6 th June 2022	9 th June 2022
Director: Andy Williams	Director Business Investment and Culture	-	6 th June 2022	10 th June 2022
Director: Richard Moon	Director of Property Services and Development	-	6 th June 2022	10 th June 2022
Councillor J O'Boyle	Cabinet Member for Jobs and Regeneration and Climate Change	-	10 th June 2022	13 th June 2022

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