
Cabinet Member for Jobs and Regeneration and Climate Change

5 July 2023

Name of Cabinet Member:

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

Directors 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 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 entry into of the joint venture agreement 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. With planning permission secured it is necessary to continue to market the site and respond to enquiries 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 split £250,000 in financial year 2023/24 and £250,000 in 2024/25. Previously a Cabinet decision in February 2021 approved £1.25m of expenditure and a Cabinet Member report in June 2022 approved £0.5m of expenditure. The additional funding (which is a 50% share of required costs) will be used to continue project delivery, provide planning, quantity surveying, architectural, technical, battery specialist and

power support services, power Independent Distribution Network Operator (IDNO) partner, ground investigations, detailed design of off-site highways, battery and recruitment experts and to provide ongoing PR / marketing support and enquiry responses.

It should be noted that this report concerns necessary funding to continue to deliver the project and site readiness costs. In the event that an investor is secured there will be additional project realisation costs that will require future approvals.

Recommendations:

The Cabinet Member for Jobs, Regeneration and Climate Change is recommended to:

- 1) Approve expenditure of up to £0.5m, split £0.25m in 2023/24 and £0.25m in 2024/25 (as a 50% share with CAL) 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; and
- 2) Endorse and affirm Council Officers endeavours to continue the current conversations with potential Global Investors who are considering Coventry Airport as the location for investing in a Gigafactory to produce batteries for the UK.

List of Appendices included:

None.

Background papers:

None.

Other useful documents

None.

Has it or will it be considered by scrutiny?

No – West Midlands Gigafactory is on the 23/24 workplan for Business, Economy & Enterprise Scrutiny Board and a report on the progress of the project to date will be provided.

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

Report Title: West Midlands Gigafactory

1. Context (or background)

- 1.1. Coventry is proud of its heritage as the home of the UK automotive industry and maintaining the city's position at the centre of a world class advanced manufacturing and R&D cluster is essential to achieving the One Coventry Plan's objective of increasing the economic prosperity of the city and region. Since 2021, Coventry City Council (CCC) has been working on plans for a Gigafactory on the site of Coventry Airport, along with its joint venture partner Coventry Airport Ltd (CAL) which has a long leasehold on the 309-acre site. The site is in the Warwick District Council municipal area, and in January 2022, outline planning permission was granted for a 530,000m² facility which could employ up to 6,000 people.
- 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. By 2030, every vehicle manufactured in the UK will require a battery. It is essential that UK secures domestic battery production; over time, vehicle production will become focused on countries and regions that are producing batteries. For example, since 2018 Jaguar Land Rover has produced the I-Pace in Graz, Austria with batteries supplied 300 miles away by LG Chem in Poland. If the UK cannot secure volume battery manufacturing the future of the automotive industry here will be in serious doubt. In Coventry and Warwickshire this would put an estimated 40,000 jobs at risk.
- 1.3. The West Midlands Combined Authority (WMCA) and the Leaders of all its constituent authorities continue to support Coventry Airport as the preferred regional site for a Gigafactory.

2. Options considered and recommended proposal

- 2.1 **Option 1. No further expenditure.** One possible option would be to commit no further expenditure to the project now that planning permission has been secured. Outline planning permission has been secured for a Gigafactory, and this fact has been widely publicised internationally. Whilst it would be possible to wait for an investor to come to us whilst incurring minimal additional costs, this option is not recommended. When an enquiry of this type comes in, we must be in a position to produce detailed site layouts, masterplans, provide data on the availability of power and other utilities in order to demonstrate that the site can meet investors' requirements. It would not be possible to provide a credible response to these enquiries without committing to maintaining the necessary professional support for the project, therefore this option has been discounted.
- 2.2 **Option 2. Maintain minimum necessary expenditure to continue to market the site and respond to enquiries.** Securing outline planning permission for a facility is the costliest part of this project, and this is now complete. It will not be necessary to commit to the same levels of expenditure as it was during this phase of the project. However, in order to maintain the necessary capacity to market the site and to respond credibly to enquiries generated as a result will require some commitment to ongoing costs from the joint venture partners. Therefore the recommended option is to maintain the minimum necessary expenditure for these activities, which is estimated at a cost of £250k per year to CCC.
- 2.3 Since the award of planning permission, work has been underway to market the site to international battery manufacturers in both automotive and non-automotive sectors. There has been considerable interest in the site and dialogue, commercial in nature and legally bound by non-disclosure agreements, is ongoing with several interested parties. Conversations are significantly advanced, and of a sufficient quality, with a number of global investors to warrant the continued necessary expenditure in the site to ensure that it remains an attractive option for a Global Investor.

2.4 To date a total of £1.75m of CCC expenditure has been approved for use on the project, of this £1.5m has been used to fund the activities set out in the joint venture agreement with CAL and is matched pound for pound by them. The remaining £250k has been used to fund activities delivered directly by CCC. Previously a Cabinet decision in February 2021 approved £1.25m of expenditure and a Cabinet Member report in June 2022 approved £0.5m of expenditure.

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 (completed)	£ 216,815
Phase 5 – Project delivery (completed)	£ 242,934
Phase 5 – Project delivery (committed)	£ 546,224
Total	£ 1,723,063

2.6 This leaves a contingency of £26,937.

2.7 In order to progress the next phase of activity, a further £250k per annum of investment funding is requested for 23/24 and 24/25, which will be jointly matched by CAL and used for the following activities:

- Ongoing planning consultancy support to discharge pre-commencement conditions for the outline planning application, discharge of Section 106 obligations and to advise potential occupiers on future reserve matters applications.
- Retaining architectural services for master planning, producing site layouts in response to investor enquiries
- Technical support from Hatch Regeneris to understand the global context of Gigafactories and the market they operate in, the technical requirements of potential occupiers in terms of materials, power and other utilities.
- Technical support with ongoing dialogue with National Grid on the site's power connection offer and with Severn Trent regarding the site's water supply.
- Work with the project's partner IDNO, an independent power network operator which will be responsible for advising on the power infrastructure connecting the site to the National Grid network.
- Ground investigation, ground sampling, understanding any contamination and necessary remediation.
- Continuing with detailed design of off-site highways.
- Quantity Surveyor support with estimating demolition costs, infrastructure costs and producing project programmes in support of occupier enquiries.
- PR support, marketing, and enquiry response material design / production
- Battery and Recruitment Experts providing ongoing technical support and expertise to all elements of project realisation

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

2.8 The amount requested represents 50% of the overall additional costs required, with the remainder being met by CAL, who will also commit to a further £250k of additional expenditure in both 23/24 and 24/25.

- 2.9 Coventry City Council and partners are currently working with the West Midlands Combined Authority to ensure that the Airport site is included as a key element of the West Midlands Investment Zone (IZ) or Levelling Up Zone (LUZ).
- 2.10 The latest plans for Investment Zones were announced by the Chancellor in the 2023 Spring Budget. In the announcement the Government set out a programme that will grant a small number of dedicated geographic areas tax and regulatory rules intended to drive economic growth. Eight zones are planned for England of which the West Midlands will be one. Formal announcement of the specific zones and coverage is scheduled for the 2023 Autumn Statement.
- 2.11 Investment Zones would stimulate investment in the identified areas through innovation, skills and startup support together with the provision of tax incentives for occupiers, including:
- Stamp Duty Land Tax relief
 - Relief from business rates
 - Enhanced capital allowance
 - Enhanced structure and buildings allowance
 - Employer National Insurance Contributions relief
- 2.12 In addition to occupier benefits delivered by securing Investment Zone status and in line with other Gigafactory investments agreed globally, it is clear that a significant package of incentives will be required from local, regional and national Government. The regional partnership which is backing the West Midlands Gigafactory has developed a highly competitive incentive package proposal for the site which includes provision of power infrastructure, continued investment in transport infrastructure, investment in skills, and investment in the supply chain and these incentives will be provided when the right investor is identified. West Midlands partners will also engage closely with any would be investor and national government in order to maximise the draw down of further national incentives, such as those that can be drawn down from the Automotive Transformation Fund.
- 2.13 It should be noted that this report concerns necessary funding to continue to deliver the project and site readiness costs. In the event that an investor is secured there will be additional project realisation costs that will require future approvals. It is anticipated that any future approval request would either be business case based or be funded from the capital receipt.

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 2023/24 and 2024/25.

5. Comments from Chief Operating Officer (Section 151 Officer) and Chief Legal Officer

- 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 necessary to continue to market the site and make it available for development.

To date a total of £1.75m of CCC expenditure has been approved for use on the project, of this £1.5m has been used to fund the activities of the joint venture with CAL and is matched pound for pound by them. The remaining £250k has been used to fund activities delivered directly by CCC.

The recommended option of this report requires the Council to incur further costs of up to £0.5m (£0.25 in 2023/24 and £0.25m in 2024/25) 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.

Under the Council's Constitution, 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 One Council Plan?

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 are 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.

Additionally, it is likely that a Gigafactory operator would also supply batteries outside of the low emission vehicle sectors. Energy storage both commercial and residential will be a significant requirement as society transitions from a reliance on fossil fuels. The presence of a high-profile development of this type will also help to act as a catalyst for the city to be seen as a centre for the development of environmental technologies.

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?

It should be noted that the site sits in the Warwick District municipal area and will therefore be subject to the WDC formal decision-making processes, for example the approval of a detailed planning application. WDC is also the relevant rating authority.

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