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**A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.**

Coventry Shareholder Committee

26 September 2023

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Chief Operating Officer (S151 Officer)

**Ward(s) affected:**

None

**Title:**

**UKBIC Ltd Annual Performance Report year ended March 31 2023 and UKBIC 23/24 forecasts**

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**Is this a key decision?**

No – An update on the position for the period covering April 2022 to March 2023.

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**Executive summary:**

The Annual Performance Report is focused on a backward look over the period of operation covering 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023 for UKBIC Ltd and provides a summary of forecasts for the coming financial year.

UKBIC is a state of the art battery manufacturing research and development facility, funded by £108m from the UK Government (through Innovate UK, part of UK Research & Innovation) and £18m from the West Midlands Combined Authority (WMCA). The facility is operated by UKBIC Ltd which is owned by Coventry City Council (CCC). The Council is also accountable body for the grant funding used to establish the facility.

An Annual Performance Report for UKBIC Ltd has been prepared which is appended to the private section of this report.

**Recommendations:**

The Coventry Shareholder Committee is recommended to:

(1) Accept the Annual Performance Report attached to Appendix 1 of the corresponding private report for the UKBIC Ltd up to the year ended 31<sup>st</sup> March 2023.

**List of Appendices included:**

The following appendices are attached to the corresponding private report:

Appendix 1 – UKBIC Ltd – Annual Performance Report for 2023

**Background papers:**

None.

**Other useful documents**

None.

**Has it or will it be considered by Scrutiny?**

No – However, a separate report will be submitted to the Audit and Procurement Committee

**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: UKBIC Ltd Annual Performance Report year ended March 31 2023

### 1. Context (or background)

- 1.1. The UK Battery Industrialisation Centre (UKBIC) Limited is a state of the art, 20,000m<sup>2</sup> battery manufacturing research and development facility on Rowley Road which was formally opened in July 2021. UKBIC is an open access facility designed to allow UK manufacturers to trial and industrialise the next generation of batteries for electric vehicles and other applications, which is essential to the UK's net zero ambitions.
- 1.2. Between November 2017 and October 2019, the Council approved the acceptance of £108m grant funding from Innovate UK's Faraday Battery Challenge towards the total cost of £126m to develop the UKBIC facility. The remaining £18m was provided in the form of an £18m repayable grant (essentially an interest free loan) from WMCA.
- 1.3. The Faraday Battery Challenge was established by government in 2018 to invest in research and innovation projects, and facilities, to drive the growth of a strong battery business in the UK. Securing UKBIC in the Coventry area is critical to the future of the area's world-class automotive and advanced manufacturing cluster.
- 1.4. UKBIC Ltd was established in order to operate the facility. CCC owns 100% of the shares in UKBIC Ltd, and has two CCC directors who sit on the board, including the Chair. The remaining board seats are made up of the UKBIC Managing Director and Finance Director, a representative from Government's Advanced Propulsion Centre (APC) and independent battery / automotive industry experts. In addition, the Faraday Challenge Director attends the board as an observer.
- 1.5. The Faraday Battery Challenge reviews and approves the UKBIC Ltd business plan on a regular basis to ensure that the business is sustainable and that it is meeting the technology needs of the UK automotive industry, and is currently providing core operational funding to UKBIC Ltd.

### 2. Options considered and recommended proposal

- 2.1. **Option 1- Do Nothing.** The Council's governance and reporting requirements for companies in its ownership requires the presentation of an Annual Performance Report to the Shareholder Committee each year. Failure to present this report will mean that the Council is not provided with visibility over the performance of this company. This report has therefore been prepared to meet this requirement.
- 2.2. This is not the recommended option.
- 2.3. **Option 2 – Accept the Annual Performance Report.** The Annual Performance Report appended to this report sets out the performance of UKBIC Ltd up to the year ending on March 31<sup>st</sup> 2023, and provides a summary of forecasts for the coming financial year, as well as setting out UKBIC priorities for that period. This has been drafted in line with the Council's governance and reporting requirements for companies in its ownership.
- 2.4. The most important points in the UKBIC annual performance report are summarised in the private section of this report.
- 2.5. The preferred option is acceptance of the UKBIC Annual Performance Report.

### **3. Results of consultation undertaken**

3.1. No consultation has been undertaken.

### **4. Timetable for implementing this decision**

4.1. Upon the approval of this report, UKBIC Ltd will be notified that the Shareholder has accepted the performance position for the year ending 31<sup>st</sup> March 2023.

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

#### **5.1. Financial Implications**

The Council advanced a £0.5m cashflow loan to UKBIC Ltd on 4<sup>th</sup> April 2022. The final repayment is due in 2027/28.

During the capital project phase, between April 2018 and March 2022, the Council purchased plant and machinery assets on behalf of UKBIC using grant funding from Innovate UK and a loan from WMCA. These assets were transferred to UKBIC under a peppercorn lease.

UKBIC receives grant funding from Innovate UK towards its operating expenses.

The Council will consolidate the results of UKBIC into its group accounts as it has control over the company as the sole shareholder.

The corresponding private report provides an update on UKBIC's business planning and forecasts for the coming financial year.

#### **5.2. Legal Implications**

There are no legal implications arising from the content of this report.

### **6. Other implications**

#### **6.1. How will this contribute to the One Coventry Plan?**

The Council's ownership of UKBIC contributes to the Economic Prosperity theme in the One Coventry Plan. In Coventry and Warwickshire, almost 40,000 people are employed in the automotive industry, and with the sale of new internal combustion engine vehicles due to cease in 2035 it is essential that CCC supports our local automotive industry to transition to design, development and production of electric vehicles. Having UKBIC in the area along with other world class innovation assets such as WMG, Coventry University, MTC and MIRA makes the area highly attractive for investment in electric vehicles and other clean technologies.

#### **6.2. How is risk being managed?**

A key risk mitigation is the Council's Directors having two seats on the UKBIC Ltd board, including the chair. No decisions can be taken on the operation of UKBIC without the approval of the Council's two director board members. Financial risks for example linked to the WMCA Loan are mitigated by the fact that CCC has security of UKBIC's land and buildings. Finally, the oversight provided by the Faraday Battery Challenge provides essential input on UKBIC's business plan to ensure that it is meeting the needs of the UK automotive industry, as well as the associated grant funding that they provide.

### **6.3. What is the impact on the organisation?**

In order to manage Coventry City Council's (CCC) ownership of UKBIC Ltd it is necessary for staff in the Economic Development Service, Finance and Legal to ensure that UKBIC is reported correctly in the Council's accounts, and that conditions of the original Innovate UK grant continue to be met, and that the terms of the WMCA loan are complied with. There is also an ongoing time commitment from the two CCC Directors who sit on the UKBIC Board.

### **6.4. Equalities / EIA?**

No equalities impact assessment has been undertaken.

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

UKBIC's work in supporting the transition to electric vehicles and away from internal combustion engines will contribute to CCC's plans to tackle climate change and improve the environment.

### **6.6. Implications for partner organisations?**

UKBIC is based in the Warwick District Council (WDC) municipal area. CCC has supported UKBIC Ltd to ensure that they have a good working relationship with WDC.

#### **Report author(s):**

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**Service Area:** Business, Investment and Culture.

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Finance: Mike Phillips	Lead Accountant – Business Partnering	Finance	29/08/23	29/08/23
Other Members				
<b>Names of approvers for submission:</b> (officers and members)				
Finance: Phil Helm	Head of Finance	Finance	29/08/23	01/09/23
Legal: Oluremi Aremu	Head of Legal and Procurement Services	Law and Governance	25/08/23	28/08/23
Director: Barry Hastie	Chief Operating Officer	-		
Members: Cllr G Duggins	Leader of the Council	-		

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