

Cabinet
Council

12 March 2024
19 March 2024

Name of Cabinet Member:

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

Director approving submission of the report:

Director of Regeneration and Economy

Ward(s) affected:

Cheylesmore

Title:

West Midlands Investment Zone

Is this a key decision?

Yes - the proposals involve financial implications in excess of £1m

Executive summary:

The UK Government has invited the West Midlands Combined Authority (WMCA) to prepare a proposal for a West Midlands Investment Zone (WMIZ). The sectoral focus for WMIZ will be advanced manufacturing, which is an excellent fit with the One Coventry Plan ambition to increase the economic prosperity of the city and region. A total of £160m in funding is available for WMIZ over a ten-year period, and this will be used for tax incentives for investors in WMIZ sites, capital funding to prepare these sites for development, and revenue schemes designed to develop the target sector. The WMIZ proposals will also allow business rates growth on designated sites to be retained locally for 25 years for reinvestment in the development of the Advanced Manufacturing Sector. Business rates will be retained above existing levels on a "no detriment" basis such that no Local Authority will be worse off through its involvement in the WMIZ.

The WMIZ includes sites in Coventry/Warwick, Birmingham and Wolverhampton. There are four sites in Coventry and Warwick District; Whitley East in Coventry and Whitley South, Coventry Airport and Segro Park in Warwick District. Whitley East has been allocated as an employment site in the Coventry Local Plan. The WMIZ £160m budget includes an initial £23m for infrastructure works to prepare the Coventry Airport site for development, and this report seeks approval to accept that funding together with any additional funding that becomes available from the IZ budget up to a total value of £35m. It also seeks delegated

approval to enter into a Memorandum of Understanding for business rates retention related to the Whitley East site.

Governance decisions for WMIZ will be taken by a WMIZ Joint Committee / Board which Coventry City Council, Warwick District and Warwickshire County Council will all be represented on. West Midlands Universities including Coventry University and University of Warwick are also non-voting members of this group. A Coventry and Warwickshire Investment Zone office group will meet to ensure that consistent briefings are provided to Coventry and Warwickshire members of the WMIZ Joint Committee / Board.

Recommendations:

Cabinet is recommended to:

- 1) Note the aspirations of, and supports the principle of participation in, the West Midlands Investment Zone (WMIZ) proposed to benefit the WMCA area and Warwick District, conditional upon there being agreed no detriment position in respect of business rates income.
- 2) That Cabinet notes the governance arrangements for the WMIZ as set out in Appendix 2 to the report.
- 3) Agree in principle to entering into a Memorandum of Understanding (MoU) regarding business rates and their retention across the WMCA area and the Warwick District Council (WDC) area and delegate authority to the Director of Finance and Resources (s151) and the Cabinet Member for Strategic Finance and Resources to enter into this agreement.

Cabinet is asked to recommend that Council:

- 4) Approve acceptance of up to £35m in West Midlands Investment Zone (WMIZ) funding, noting that initially £23m will be available for infrastructure provision on the Coventry Airport site (subject to the conditions of the grant being satisfactory).
- 5) Grant delegated authority to the Director of Regeneration and Economy, following consultation with the Director of Finance and Resources, the Director of Law and Governance, and Cabinet Member for Jobs, Regeneration and Climate Change, to:
 - a) Undertake all necessary due diligence in relation to acceptance of the WMIZ funding allocation.
 - b) Continue to negotiate on all the matters associated with this report and to take such action as is deemed necessary, incidental or ancillary to or in consequence of bringing into effect the recommendations contained in this report, including but not limited to entering into any associated legal agreements (including the authority to effect any lease variations/surrender and any associated documents if appropriate) that are necessary to deliver the West Midlands Investment Zone.

- 6) Authorise the Council to add to the 5 Year Capital and/or Revenue Programme (as appropriate) any West Midlands Investment Zone funding received by the Council up to a maximum of £35m.

Council is recommended to:

- 1) Approve acceptance of up to £35m in West Midlands Investment Zone (WMIZ) funding, noting that initially £23m will be available for infrastructure provision on the Coventry Airport site.
- 2) Grant delegated authority to the Director of Regeneration and Economy, following consultation with the Director of Finance and Resources, the Director of Law and Governance, and Cabinet Member for Jobs, Regeneration and Climate Change, to:
 - a) Undertake all necessary due diligence in relation to acceptance of the WMIZ funding allocation and conditions.
 - b) Continue to negotiate on all the matters associated with this report and to take such action as is deemed necessary, incidental or ancillary to or in consequence of bringing into effect the recommendations contained in this report, including but not limited to entering into any associated legal agreements (including the authority to effect any lease variations/surrender and any associated documents if appropriate) that are necessary to deliver the West Midlands Investment Zone.
- 3) Authorise the Council to add to the 5 Year Capital and/or Revenue Programme (as appropriate) any West Midlands Investment Zone funding received by the Council.

List of Appendices included:

The following appendices are attached to the report:

Appendix 1 – Map of Investment Zone Sites

Appendix 2 – Investment Zone Joint Committee (IZ Board) – Terms of Reference

Appendix 3 – Equalities Impact Assessment

Background papers:

None

Other useful documents

UK Government Investment Zones Policy Prospectus:

<https://www.gov.uk/government/publications/investment-zones/investment-zones-policy-prospectus>

Coventry City Council Cabinet Report, 23 Feb 2021: [Entering into a Joint Venture Arrangement to Promote a Strategic Land Opportunity](#)

Warwick District Council Cabinet Report, 15 November 2023: [Participation in the West Midlands Investment Zone](#)

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?

Yes – 19th March 2024

Report title: West Midlands Investment Zone

1. Context (or background)

- 1.1 In March 2023, the UK published an Investment Zones Policy Prospectus, which invited the 8 mayoral combined authority areas in England, including the West Midlands Combined Authority (WMCA) to submit proposals for Investment Zones (IZ) in their areas. Within IZs, underdeveloped sites can be designated to provide new occupiers with tax incentives such as relief from business rates, national insurance contributions and stamp duty. The policy also offers the ability to designate sites for local retention of business rates growth for reinvestment into activities to develop a selected industrial sector. Finally, government announced that £80m, later increased in £160m in flexible capital and revenue funding would be made available for each IZ to support development of sites and the sectors they serve. Since March 2023, WMCA officers have worked with CCC and other local authorities to develop proposals for a West Midlands Investment Zone (WMIZ). This report summarises the benefits to Coventry of participation in the WMIZ.
- 1.2 The WMIZ proposal is being “co-developed” between government, WMCA and local authorities including Coventry. The work is being completed in stages, working towards having all the necessary details agreed and arrangements in place for the WMIZ to be established at the start of the 2024/25 financial year. The funding and other benefits available through the zone will then be available for ten years, recently increased from five in the original announcement.
- 1.3 The first of these stages was to select a sectoral focus for WMIZ from a list of five priority sectors set out in the IZ Policy Prospectus. These are Digital and Tech, Green Industries, Life Sciences, Advanced Manufacturing and Creative Industries. Given the West Midlands regional strength in advanced manufacturing, this was selected as the sectoral focus for WMIZ. This is an excellent fit with Coventry’s ambitions to secure a major automotive battery manufacturer and associated supply chain on the site of Coventry Airport and build on the city’s world class automotive specialism. The WMIZ submission also talks about the importance of the interface between advanced manufacturing and other priority sectors such as digital, green industries and life sciences.
- 1.4 The next stage was to select a set of sites which could most effectively use the tax incentives and the ability to retain and reinvest business rate in order to develop the West Midlands advanced manufacturing sector. Three sites were selected and put forward to government, a main “hub” site and two smaller “spoke” sites.
 - 1.4.1 **Coventry & Warwick Gigapark.** This is the hub site and the largest in the WMIZ, totalling 241.4Ha. The overall gigapark is made up of four individual sites. One of these, Whitley East is in Coventry, and further detail about that site is included in section 1.19 onwards. The remaining sites: Coventry Airport, Whitley South and Segro Park are all in Warwick District. A map of the Gigapark sites is included at Appendix 1. Both tax incentives and business rates have been requested for these sites, with the exception of the southern section of Segro Park which is already developed in the most part and is therefore not eligible for tax incentives.

- 1.4.2 **Birmingham Knowledge Quarter.** This is WMIZ's second tax incentives and business rates retention site and will run North East from Aston University through Duddeston and Nechells to Aston. The 55ha site has the potential to create more than 8,600 new jobs, and core to the proposals will be for universities, other public bodies and the private sectors to work together to stimulate R&D and innovation in digital applications that will service a wide range of sectors, notably Advanced Manufacturing. A new £70m investment from Bruntwood SciTech and Woodbourne Group has been announced as the anchor investment for this site.
 - 1.4.3 **Wolverhampton Green Innovation Corridor.** This will connect the University of Wolverhampton Springfield Campus to the East of the city centre with University of Wolverhampton Science Park, and will stimulate the growth of new green industries and skills, many of which will feed into Advanced Manufacturing supply chains and processes. Through a Local Authority – University partnership approach, this 3.74ha site has the potential to create over 400 new jobs through the Investment Zone, which is expected to entail infrastructure investments through the capital funding allocation to accelerate development on the site.
- 1.5 The following tax incentives will be available on designated sites:
- 1.5.1 **Stamp Duty Land Tax (SDLT):** a full SDLT relief for land and buildings bought for commercial use or development for commercial purposes
 - 1.5.2 **Business Rates:** 100% relief from business rates on newly occupied business premises, and certain existing businesses where they expand in Investment Zone tax sites.
 - 1.5.3 **Enhanced Capital Allowance:** 100% first year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites.
 - 1.5.4 **Enhanced Structures and Buildings Allowance:** accelerated relief to allow businesses to reduce their taxable profits by 10% of the cost of qualifying non-residential investment per year, relieving 100% of their cost of structures and buildings over 10 years.
 - 1.5.5 **Employer National Insurance Contributions relief:** zero-rate Employer NICs on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £25,000 per year, with Employer NICs being charged at the usual rate above this level. This relief can be applied for 36 months per employee.
- 1.6 Sites which are selected for business rates retention will allow 100% retention of business rates growth above an agreed baseline for 25 years. Collection of rates will remain the responsibility of the collecting authority for use in a reinvestment strategy designed to encourage economic growth in the West Midlands, particularly in the target sector, advanced manufacturing.
- 1.7 Importantly, WMCA has agreed a "no detriment" position with LAs involved in WMIZ business rates retention as follows: "The allocation of retained business rates to be allocated by the WMCA through the established governance arrangements will be

subject to a robust investment plan to be developed and approved by the IZ governance body. There will be a requirement within the investment plan that, over an agreed accounting cycle (not greater than 5-years), sufficient investment will be in projects in those authorities who would otherwise be benefitting from alternative business rate regimes, to ensure that they are no worse off than if they had not agreed to participate in the WM Investment Zone. This will also reflect agreement between WMCA and Government that up until the point of a reset of business rates baselines, Government will allow relaxation of spending requirements within the Investment Zone business rates retention site to allow those rates retained to be invested in local growth.”

- 1.8 This will mean that Coventry, Warwick District or any other LA involved in WMIZ should not be worse off as a result of involvement in WMIZ. However, it will be necessary to ensure that the investment plan developed for the WMIZ is acceptable to CCC and that sufficient protections are built in to achieve the position outlined above. This investment plan will be agreed by the WM Investment Zone Joint Committee / Board on which CCC will be represented. Further detail is included in section 1.23.
- 1.9 A total of £160m in capital and revenue funding is available from government to support the WMIZ. This was increased from the original allocation of £80m in the November 2023 Autumn Budget Statement. Capital funding of £39m is currently earmarked for physical development of the three sites, including £23m for highways and associated works which will accelerate the development of the Coventry Airport site and prepare it for occupation by a battery manufacturer. The nature and detail of these infrastructure works will be agreed between CCC and its Joint Venture Partner, Coventry Airport Ltd.
- 1.10 It should be noted that the allocation of capital funding so far has been based on the original £80m budget; it is possible that additional capital or revenue grant will be available for Coventry and Warwickshire sites, or for other capital / revenue projects in the area linked to the overall aims of WMIZ once full details of how and when the additional money will be made available are confirmed. This report seeks authority to accept up to £35m in total in the event that further IZ funding becomes available, and grant conditions are acceptable.
- 1.11 Revenue funding is currently proposed for use in the following activities. Again, it should be noted that these allocations are based on the original £80m allocation, and further work will be required once details of the increased £160m budget are confirmed.
 - 1.11.1 **Inward Investment.** £2m. Additional regional and local capacity for attracting inward investment into WMIZ sites and the advanced manufacturing sector.
 - 1.11.2 **Supply chain development.** £5m. Programme of targeted support to enable West Midlands businesses to pivot, diversify and service the new occupiers at the Investment Zone core sites across the region, as well as service growing global market opportunities. This will safeguard and increase the competitiveness of West Midlands businesses in target sectors and support the safeguarding and creation of jobs.
 - 1.11.3 **RD&I Grants.** £5m. Programme of grants to complement the supply chain programme to enable businesses to accelerate product and service innovations

that will enable them to service expanding global markets in the target advanced manufacturing sectors, which will expand their competitiveness.

1.11.4 Equity Investment Top Up. £2m. This will expand the availability of equity finance as a further option for accelerating investment in those businesses operating in Advanced Manufacturing sectors in the West Midlands, or new firms investing in the region in these sectors, that present the potential to grow or scale rapidly.

1.11.5 Skills Programmes. £5m. This will focus on the delivery of Level 4/5 provision to equip the region’s workforce with the high level skills required to fill the new good quality jobs that will emerge at the Investment Zones priority sites and in the wider Advanced Manufacturing cluster as businesses grow. The provision will also include entry and intermediate skills levels, reflecting the diversity of vacancies that are expected to emerge, and will consist of both short courses/bootcamps and longer courses, tailored to the needs of investors.

1.11.6 Regional Delivery and Matching. £7m. Funding to service the management and co-ordination of delivery of Investment Zone activities. The fund will cover project management and co-ordination resource both region-wide and specific to the priority sites, and will cover additional Planning, Highways and Environment capacity across various parts of the region, as well as funds to undertake master planning and Feasibility Studies, to help accelerate the development of priority sites.

1.12 The remaining funding is the estimated value of tax incentives. The WMIZ budget can therefore be summarised as follows:

Flexible Spend: Capital Funding for WMIZ sites <ul style="list-style-type: none"> • Coventry-Warwick Gigapark £23m • Birmingham Knowledge Quarter £9m • Wolverhampton Green Innovation Corridor £7m 	£39m
Flexible Spend: Revenue Activities <ul style="list-style-type: none"> • Inward Investment £2m • RD&I Grants £5m • Supply chains £5m • Level 4/5 skills support £5m • Regional Delivery and Matching £7m • Equity Investment Top Up £2m 	£26m
Tax Incentives	£15m
Additional funding announced in 2023 Autumn Statement for the period 2029-2034	£80m
Total	£160m

1.13 Government is yet to release details regarding the way in which in the additional funding will be allocated, or conditions that may be attached. However, it is safe to assume the funding is likely to be made available in the second half of the ten-year period during which Investment Zone funding will be available, and that established principles such as a 60% capital 40% revenue split for flexible spend activities will continue to apply. It

is also reasonable to assume approximately an additional £15m will be directed towards tax incentives, leaving an additional £65m split between capital and revenue activities.

- 1.14 Each WMIZ site must have a “delivery vehicle”. In the case of the Coventry Airport site this is well established; CCC formed a joint venture (JV) with Coventry Airport Ltd (CAL) in 2021 to secure planning permission for a battery gigafactory on the site. The JV will form the delivery vehicle for the capital works on the site funded by WMIZ. CCC will be the accountable body for the WMIZ funding, approval for which is sought to add to the CCC capital programme. The implementation of the infrastructure works to the Coventry Airport site may require variations to the existing Joint Venture Agreement and associated legal documents under which CAL hold the Airport.
- 1.15 For the other Coventry and Warwickshire IZ sites, the delivery vehicle would be a partnership between CCC, WDC, WCC and the developers or landowners of each site.
- 1.16 Of the four Coventry and Warwickshire IZ sites, three are in Warwick District (Coventry Airport, Whitley South and Segro Park). WDC’s Cabinet approved in principle inclusion of these sites in the WMIZ in November 2023 and are due to take a further decision in March 2024.
- 1.17 The section of the IZ within the Coventry boundary, called Whitley East on the map at Appendix 1 to the report consists of land allocated for employment uses in the current Coventry Local Plan.
- 1.18 This includes two sites eligible for both retention of new business rates, and tax reliefs on new development:
 - Land which Meadow Park School (part of Finham Park Multi Academy Trust) has freehold over.
 - Land which King Henry VIII School has leasehold over.
- 1.19 A further site would be eligible business rates retention only:
 - The site of Baginton Fields school.
- 1.20 Inclusion in the IZ does not force and freeholder or leaseholder to do anything against their wishes. The IZ may serve to make sites more attractive for development in future, but this would not force any party involved to sell its land or surrender its leasehold unless it chose to do so on terms which it found favourable.
- 1.21 With regards to Baginton Fields School, whilst CCC would have the ability to retain business rates in the event of new development on the site during the next 25 years, this does not create a commitment for CCC to redevelop the site and will not affect plans for provision of additional specialist secondary school places on the site.
- 1.22 Baginton Fields Nature Reserve has been excluded from the IZ.
- 1.23 Subject to approval of this report, it is proposed that CCC will enter into a memorandum of understanding (MOU) regarding the collection of business rates at the Whitley East site. The MOU will set out the intention for CCC to collect business rates for the site, which would then be reinvested in line with an Investment Plan and approved by the

WMIZ Board and WMCA Board. As set out in the governance section above, the MOU sets out that WMCA will work to ensure as far as possible that the area is no worse off than it would have been had it not agreed to participate in the WMIZ. The MOU is not legally binding. Further comment is included in the financial implications section of this report.

Proposed Governance Arrangement

- 1.24 As Warwick District Council (WDC) is currently neither a Constituent nor Non-Constituent Authority of WMCA, it cannot be granted voting rights on any of the WMCA's existing boards or committees. However, as the Billing Authority collecting business rates and implications for allocation of surplus business rates, WDC (and WCC as beneficiary of WDC rates collected) expect to have full voting rights on any Investment Zone decision-making body. As such, the proposal is to establish a new Investment Zone Joint Committee as part of both the WMCA Governance arrangements as accountable body, with delegated authority from the WMCA Board to make all decisions in relation to the Investment Zone up to a financial threshold to be set by WMCA Board as the Investment Zone's accountable body.
- 1.25 The new Investment Zone Joint Committee (IZ Board) would have a remit for taking decisions only in relation to Investment Zone matters. Decisions of the Joint Committee would be reported to the WMCA Board in the same way as the decisions of its Investment Board.
- 1.26 It is proposed that the Joint Committee (IZ Board) would be chaired by the Mayor of the West Midlands. It would include members nominated by each of the Authorities whose area is affected by the Investment Zone, including both WDC and WCC whose members would have full voting rights on the Board. All WMCA Constituent Authorities would be entitled to nominate members. Universities that have signed up to Investment Zone Sites will be non-voting members of the Board. In January, full Council approved the Cabinet Member for Jobs, Regeneration and Climate Change as Coventry's representative on the WMIZ Board. The proposed membership of the Board is set out in the Terms of Reference at Appendix 2 of the report.
- 1.27 In addition, a local Coventry and Warwick Investment Zone officer group has been established which will:
 - Advise CW representatives on the WM IZ Board on how to best represent the interests of CW and CW IZ sites, for example on plans for reinvestment of retained business rates, and the strategic direction of WMIZ as a whole.
 - Work together to attract the right occupiers to CW IZ sites and making sure regional resources (WMGC etc.) are aligned.
- 1.28 Membership of the group will be made up of LA officers and University representatives, and individual LAs will be responsible for briefing their elected members, ensuring a common approach to WMIZ Board.

2. Options considered and recommended proposal

- 2.1 The following options were considered with regards to CCC's involvement in WMIZ.
- 2.2 **Option 1. No Coventry and Warwickshire sites in WMIZ (Do nothing).** It would be possible for Coventry to access some of the wider benefits of WMIZ such as the skills and supply chain programmes without including any sites in the area in the business rates retention or tax incentives. Because these schemes are open to the whole West Midlands region, these schemes would be open to Coventry businesses even if CCC chose not to participate in development of the WMIZ proposals (effectively a "Do Nothing" option.). This option was discounted because the availability of government backed incentive packages including tax relief has been a crucial decision-making factor for battery manufacturers investing in European sites. If the Council chose not to include the Coventry Airport site in WMIZ, the lack of tax incentives would be a significant disadvantage in securing investment in the site, and CCC and partners would also be turning down the opportunity to use these incentives to attract investment to the neighbouring sites. It would also mean that the reinvestment of business rates would not be available on these sites. This option is not recommended.
- 2.3 **Option 2. Inclusion of Coventry-Warwick Gigapark site in WMIZ.** The recommended option is for the Coventry-Warwick Gigapark site, including Whitley East to be included in the WMIZ. This will grant access to tax incentives, business rates retention and re-investment and direct capital funding for these sites.

3. Results of consultation undertaken

- 3.1 Individual planning applications for each of the sites included in the WMIZ have been subject to consultation through the statutory planning process overseen by the relevant Local Planning Authority which for Whitley South, Coventry Airport and Segro Park is Warwick District Council. In Coventry, Whitley East's allocation as employment land was subject to public consultation through the Local Plan process. In development of the WMIZ proposals, WMCA has consulted regularly with its constituent LAs through regular working groups and through bi-lateral meetings with individual LAs and their local partners notably the Universities. The feedback from these sessions has been used to develop and shape WMCA's submissions to government for each phase of the "co-development" process for WMIZ.

4. Timetable for implementing this decision

- 4.1 WMIZ funding and tax incentives will become available from 1st April 2024 onwards for a period of 10 years. Subject to approval, CCC and the other WM LAs with WMIZ sites earmarked for business rates retention will enter into the MOU to allow government to designate the sites for rates retention by legislation which will come into effect at the start of the 2024/25 financial year. Subject to confirmation and contracting of WMIZ funding to CCC, capital works on the Coventry Airport sites are could commence in 2025.

5. Comments from Director of Finance & Resources and Director of Law and Governance

5.1 Financial Implications

5.1.1 WMIZ Grant Funding

The total costs of delivering the initial phase of the physical development works associated with the Coventry Airport site are anticipated to be in the region of £23m. This report seeks acceptance of funding to deliver the first phase plus potentially the second phase of the project.

A total of £160m in capital and revenue funding is available from government to support the WMIZ. Of this £160m, capital funding of £39m is currently earmarked for physical development of the three sites. This includes £23m for phase one of the highways and associated works at the Coventry Airport site. It is estimated that these works amount to £23m and are carried out by CCC and will therefore be wholly funded by this WMIZ funding. This report proposes that this grant is accepted provided that the final terms are acceptable to the Council.

In addition to the £39m capital funding above, there is £26m earmarked for revenue spend and £15m for tax incentives, plus an additional £80m that has been allocated to the WMIZ. It has not yet been determined how these amounts are to be allocated across the three sites. This report seeks approval to accept further amounts of up to an additional £12m of this funding in anticipation that additional funds are allocated to the Coventry Airport site to support the delivery of the investment zone. This £12m could include both Capital and Revenue funding. The revenue funding would support activities outlined in section 1.12 of this report, whilst the Capital funding would continue to deliver infrastructure works associated with the Coventry Airport site. Note that this report seeks approval to accept only WMIZ funding.

5.1.2 Memorandum of understanding & Business Rate Retention

The MOU will set out the intention for CCC to collect business rates for the Whitely East site, which would then be reinvested in line with an Investment Plan and approved by the WMIZ Board and WMCA Board.

In order to reinvest the business rates it is necessary for collecting authorities to ringfence all new business rates within the WMIZ for reinvestment. The business rates currently collected by CCC within the proposed WMIZ are limited to the rates associated with the Whitely East site. In 2022/23 these amounted to £1,043 per annum after deduction of rates relief.

Similarly, business rates that are currently collected by Warwick District Council for the Whitley South, Coventry Airport and Segro Park sites in excess of an agreed baseline would become available for ringfencing and reinvestment into the site, net of any debt servicing requirement.

Depending on the speed with which IZ sites are developed, and the amount of new floor space completed, initial modelling shows that hundreds of millions of additional business rates could potentially be generated over a 25-year period.

5.1.3 Wider investment programme

The IZ grant funding availability for some IZ sites/projects may be sufficient to deliver the necessary infrastructure to bring sites forward for investment. Where this is not the case, investment may be required from other sources including further government funding, private sector investment and potentially WMCA/local authority gap funding.

Whilst an initial investment of £23m (funded from the WMCA IZ budget) has been identified for the Coventry & Warwick Gigapark, the wider medium term investment programme is still in development, both in terms of spending requirements, and what any funding solution might be.

Very high-level estimates indicate that this medium term view could require significant investment over the next 10 years, however much work is required to establish this in greater detail. The £23m for which approval is sought in the report for the Gigapark is considered sufficient for the next 3-4 years.

5.1.4 WMCA/Local Authority funding

There is currently no expectation that any borrowing will be required for either the Coventry & Warwick Gigapark, or the other 'spoke' IZ sites. However, as sites develop, and opportunities arise, this is a possibility. In the event that a local investment is required, there may be an option for individual authorities to invest, but the default is that this would be carried out at a regional level by the WMCA on behalf of its members. Any investment required would need to demonstrate a sound business case whereby the financial benefits of additional business rates are more than sufficient to service any debt incurred. As a full member of the IZ joint committee and WMCA Board, and one of the 7 Met Councils underwriting the WM Combined Authority, Coventry and the other Mets through officer (Finance Director) due diligence and member voting (for which unanimity would be required) would be in a position to approve (or reject) any such investment.

5.2 Legal Implications

The decision set out in this report is made pursuant to the general power of competence contained in Section 1 of the Localism Act 2011.

The Business Rate Retention proposals and the governance will be the subject of further discussions between the partners and Legal and Procurement Services will support the service areas to ensure that the Council's position is adequately protected.

6. Other implications

6.1 How will this contribute to the One Coventry Plan?

(<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)

The WMIZ proposals will contribute to the One Coventry Plan's ambition of improving the economic prosperity of the city and region by creating jobs in the advanced manufacturing sector. Tax incentives will make the sites included in the zone highly attractive to companies seeking locations for expansion or establishment of new ventures. The ability to retain business rates and re-invest it into projects which further develop the sector will ensure that more of the benefits of this work stay in the city and the region. In addition, the regional supply chain, grant programme and skills programme will provide new opportunities for Coventry residents and businesses in this sector which is crucially important to the local economy.

6.2 How is risk being managed?

A comprehensive Investment and Delivery Plan is being developed for the WMIZ, and CCC will be responsible for the section of the plan related to the Coventry and Warwick sites in the zone. This plan will be developed using the information submitted to government as part of the comprehensive approval process for investment zones which has been underway since June 2023. This includes setting out the approach to programme and risk management for the Coventry and Warwick sites, and a risk register covering the delivery of the capital project on the Coventry Airport site. CCC will be responsible for working with the JV to manage and mitigate these risks and report them both to the WMIZ Board and internally to the Council's Capital Programme Board. It is not anticipated that any of these risks will need to be reported on the Council's Corporate Risk Register, but this will be monitored over the lifetime of the project and WMIZ activities.

Coventry will through the proposed governance arrangements for the IZ will be in a position to approve or reject the investment programme proposals as they come forward.

6.3 What is the impact on the organisation?

Successful implementation of CCC's involvement in WMIZ will likely require additional capacity in terms of managing a large grant funded capital project, and the investment promotion associated with securing investors on the various investment zone sites. However, it should be noted that capacity fund for delivery is included in the overall WMIZ budget which CCC will be able to access in order to provide extra resource for these purposes.

6.4 Equalities / EIA?

An equalities impact assessment has been prepared for the proposed Investment Zone and Gigafactory development at Coventry Airport which is appended to this report (Appendix 3 refers). No negative equalities impact is expected as a result of this proposal. As the work on the remaining Investment Zone sites progresses, it will be necessary to undertake further EIA work in support of new planning applications etc.

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

Development of a Gigafactory and its associated supply chain across the WMIZ sites would help to create the conditions for the increased take-up of low emission vehicles, particularly as the UK Government works towards ceasing the sale of new petrol and diesel vehicles by 2035. This would play an important role in reducing greenhouse gas emissions and will be an important contribution to the One Coventry Plan's aim to tackle the causes and consequences of climate change, and the West Midlands Combined Authority's aim for the region to be net zero by 2041. The supply chain and R&D grants programmes will also encourage investment from West Midlands business in low carbon technologies.

6.6 Implications for partner organisations?

Three of the four investment zone sites are in Warwick District and their development will therefore be subject to approval of Warwick District Council (WDC) as Local Planning Authority and by Warwickshire County Council as Highways Authority. Development of the Coventry Airport site in particular is likely to require considerable planning capacity and it may be possible to provide additional resource from the revenue funding available as part of the WMIZ budget. WDC is also the authority responsible for collection of business rates on these sites and will therefore need to sign an MOU with WMCA, and negotiations around the "no detriment" position for WDC are currently underway. There may also be opportunities for Coventry University and the University of Warwick to deliver elements of the regional skills / supply chain / grant programmes that are proposed using WMIZ funds, and this would be valuable for both universities to further establish their leadership in the Advanced Manufacturing sector in the region.

Report author:

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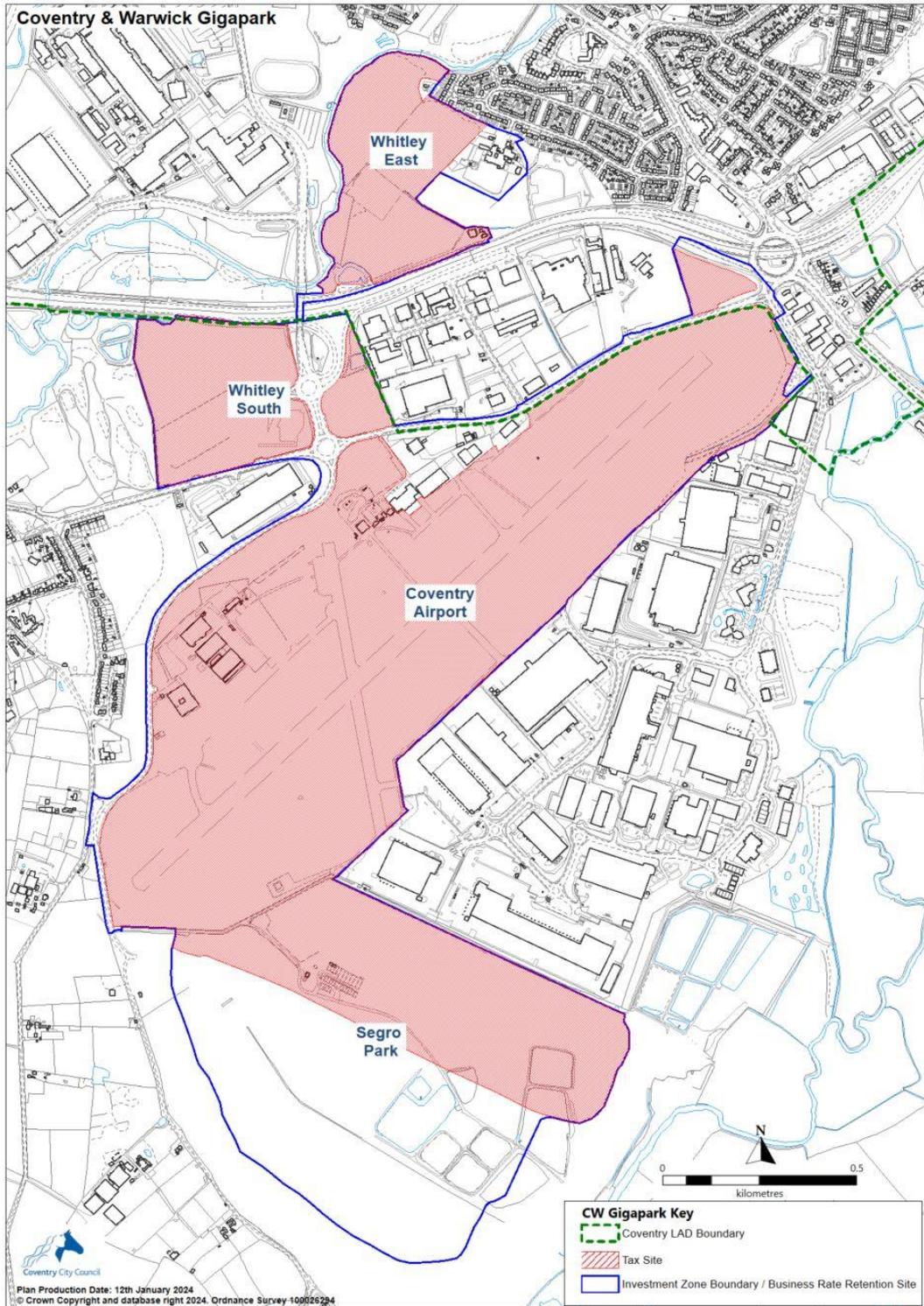
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Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
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Richard Moon	Director Property Services and Development	-	8 Jan 2024	9 Jan 2024
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Aimee Proctor	Finance Manager	Finance	8 Jan 2024	9 Feb 2024
Names of approvers for submission: (officers and members)				
Phil Helm	Head of Finance	Finance	9 Feb 2024	13 Feb 2024
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Andy Williams	Director of Regeneration and Economy	-	08 Jan 2024	14 Feb 2024
Councillor J O'Boyle	Cabinet Member for Jobs, Regeneration and Climate Change	-	15 Feb 2024	19 Feb 2024

This report is published on the council's website: www.coventry.gov.uk/meetings

Appendix 1 - Map of Investment Zone Sites

The designations indicated here are proposed only and are subject to HM Government's decisions on designation and ultimately parliamentary approval. They are published without prejudice to those decisions and must not be interpreted as being confirmed.



Appendix 2: Investment Zone Joint Committee (IZ Board) – Draft Terms of Reference

Governance	WM Investment Zone Joint Committee / WM Investment Zone Board
Purpose	Overall responsibility for developing and delivering the West Midlands Investment Zone and ensuring accountability to Government for its successful and compliant implementation.
Membership	<p>Voting Members: Mayor of the West Midlands One representative from each of the WMCA 7 Constituent Authorities One representative from Warwick District Council One representative from Warwickshire County Council</p> <p>Non-Voting Members: Universities that have signed up to the Investment Zone sites.</p> <p>Observers: Overview and Scrutiny Chair from the WMCA Scrutiny Chair from Warwick District Council (in the event of a Joint Committee) Other stakeholders may be invited to attend as observers when appropriate.</p>
Chair	Mayor of the West Midlands.
	Vice Chair - to be appointed from among Members.
Voting	<p>All voting Members shall have one vote.</p> <p>Matters shall be decided by consensus where possible. Where consensus is not achieved, decisions shall be taken on the basis of a simple majority of the votes cast.</p> <p>The Chair shall not have a second or casting vote and in the event of an equality of votes the motion shall not be passed but shall be deferred to the next meeting.</p>
Quorum	Three voting members of the Committee.
Frequency	Quarterly or more frequently as required on the giving of 5 clear working days' notice.
Location	Meetings will be held at locations agreed by its members.
Timing of Meetings	To be determined.
Type of Meeting	Formal meetings shall be held in public except when exempt or confidential information is being considered and the press and public are excluded in accordance with the Local Government Act 1972 (as amended).
Administration	The meeting will be administered by WMCA and papers will be published on both authorities' websites at least 5 clear working days before the date of the meeting.

Allowances	None
Responsibilities	<p>The body will be a collaborative entity with the respective authorities working together to implement the WM Investment Zone in line with Government's Investment Zone Policy Prospectus and Technical Guidance. Its functions will include:</p> <ul style="list-style-type: none"> • Overall responsibility for developing and delivering the Investment Zone. • Approval in principle of Investment Zone sites development proposals and interventions. • Oversight of each Investment Zone Site delivery vehicle's performance in implementing the WM Investment Zone. • Ensuring delivery of the identified and agreed outcomes and outputs. • Allocation of Investment Zone resources in line with a developed and agreed Investment Plan. • Determination of the proportions between the tax incentives and spending elements of the £80 million IZ government grant. • Allocation of the tax incentives element of the £80 million grant and of the spending element of the £80 million grant. • Allocation of surplus retained business rates growth generated by the Investment Zone's BRR site, in line with Government's Investment Zone policy. • The allocation of retained business rates to be allocated by the WMCA through the established governance arrangements will be subject to a robust investment plan to be developed and approved by the IZ governance body. There will be a requirement within the investment plan that, over an agreed accounting cycle (not greater than 5-years), sufficient investment will be in projects in those authorities who would otherwise be benefitting from alternative business rate regimes, to ensure that they are no worse off than if they had not agreed to participate in the WM Investment Zone. This will also reflect agreement between WMCA and Government that up until the point of a reset of business rates baselines, Government will allow relaxation of spending requirements within the Investment Zone business rates retention site to allow those rates retained to be invested in local growth. • To ensure that the decisions of the Board do not import any undue risk to the WMCA in financing schemes that result from those decisions.

	<ul style="list-style-type: none"> • Approving reports to Government as part of the WMCA's accountability function.
Delegation	<ol style="list-style-type: none"> 1) Decisions in relation to the allocation of the initial £80 million government grant up to a total value of £80 million and within Government's proportionate allocation framework between the fund's components. 2) All other and subsequent decisions up to a value of £20 million. Decisions above £20million will be required to be taken by the WMCA Board as the accountable body for the Investment Zone. <p>All decisions will need to follow the WMCA's existing assurance frameworks and any introduced through the Deeper Devolution Deal or any subsequent legislative frameworks.</p>
Withdrawal from the Joint Committee	<p>Either Authority may give to the other not less than twelve months' written notice expiring on 31st March in any year of its intention to withdraw from the Joint Committee.</p> <p>Once the Joint Committee ceases to exist, unless that is by way of transitioning into a full Board of WMCA as outlined in 3.13 above, the functions delegated to it will each revert back to the relevant delegating Authority.</p>