

# Cabinet

Excerpt of the Minutes of the meeting held on Wednesday 5 June 2024 in Shire Hall, Warwick at 6.00pm.

**Present:** Councillors Davison (Leader), Billiald, Chilvers, J Harrison, King, Roberts, Sinnott, Wightman and Williams.

**Also Present:** Councillors: Milton (Chair of Overview & Scrutiny Committee), Day (Conservative Group Observer), Boad (Liberal Democrat Group Observer) and Falp (Whitnash Residents Association Group Observer).

## 141. **Apologies for Absence**

There were no apologies for absence.

## 142. **Declarations of Interest**

There were no declarations of interest made in respect of the Part 1 item.

### **Part 1**

(Items upon which a decision by the Council was required)

## 144. **West Midlands Investment Zone**

The Cabinet considered a report from the Chief Executive which provided an update after the decision of Cabinet and Council in November 2023 about the establishment of the West Midlands Investment Zone (WMIZ) and the Council's involvement with it. Further discussions and negotiations had been underway since then and some were, to a degree outstanding, but a conclusion was within reach and the report sought support to proceed to completion of agreements. The report addressed:

The progress since the last report in November 2023:

- The benefits of participation.
- The challenge.
- The solution.
- Making the WMIZ happen.

On 15 November 2023, both the Cabinet and the Council considered a report on the proposed West Midlands Investment Zone (WMIZ). A recommendation to Council was subsequently agreed and Cabinet resolutions were also agreed. Hyper-links were contained in the report for reference which linked to the 15 November 2023 Cabinet report and 15 November Council minutes. Those decisions were set out in Table 1 to the report along with progress/position set out against each one and which indicated appropriate agreement to the points/caveats made by the Council except for the without detriment issue.

To get the WMIZ proposal overall to the stage of being implemented from 1 April 2024, five gateways had had to be negotiated with the government. Appendix 1 to the report set out background information on the WMIZ proposal and where the scheme had currently got to in overall terms to date. The government had laid the appropriate orders relating to

the business rates retention areas and the tax incentive areas for the West Midlands Investment Zone, including the Coventry and Warwick Giga Park.

### Benefits of Participation

The WMIZ proposal was a regional/local implementation of a national government policy. This policy proposal aimed to boost key economic sectors in particular localities by offering some financial aid up front and offering the opportunity of future business rates to be retained 100% locally for 25 years. Such business rates could be reinvested in the sites to be redeveloped/regenerated and in the chosen economic sector more generally in that locality. The government expected such proposals to have strong ties with local Universities. So far only the eight mayoral Combined Authorities had been offered this opportunity. WDC was the only District Council in the country directly involved with an Investment Zone proposal that was not also a Constituent Council of a Combined Authority.

In respect of the West Midlands Combined Authority's (WMCA) Investment Zone proposal, the identified sector was Advanced Manufacturing though this had been widened to allow for intersections with some other economic sectors. More specifically, the sites identified to help this sector develop, (in this case the Wolverhampton Green Innovation Corridor; the Birmingham Knowledge Quarter; and the Coventry and Warwick Giga Park) were to benefit from the upfront investment available from the government (all three) and business rates retention (Birmingham Knowledge Quarter and Coventry and Warwick Giga Park only).

This meant that the four sites around and including Coventry Airfield were proposed to be included with emphasis on delivering the Gigafactory for battery production and enhancing the economic sector around energy and green industries. Internationally such facilities were only being built with respective government financial support. An international investor had advised in writing that, should the Coventry Airfield site be confirmed with in the Investment Zone, that this was their chosen site for a Gigafactory. Therefore, whilst the IZ designation did not offer a guarantee of securing the implementation of a Gigafactory, it did significantly increase its chances of happening.

Such an investment was anticipated to be significant, estimated by the WMCA of being more than £1billion, and generating thousands of jobs directly and more indirectly through expansion of the supply chain. The expectation would be that securing such an investment would attract other investors to that sector and location. It would help to create a cluster of advanced manufacturing companies around Coventry Airfield and develop links to the two local Universities.

As well as the economic benefits, helping to deliver a Gigafactory was important as part of the process of decarbonisation of the economy. Transport was one of the largest contributors to CO2 emissions and being able to transfer vehicles to another fuel base would be very a significant benefit to offsetting/mitigating Climate Change impacts. In these broad terms the proposal would support the Council's own strategy for Climate Change and of moving to a low carbon-based economy and way of life.

## The Challenge

The focus of effort in the intervening time since November 2023 had been one of ensuring an appropriate balance between the Council's strategic ambitions with its fiduciary duty to its residents and businesses, i.e.:

- Supporting the principle of the WMIZ and especially the prospect of a Gigafactory on the Coventry Airfield site.
- Not severely disadvantaging the work of the Council in respect of business rates because of the implementation of the retention of 100% business rates element under the WMIZ scheme.

The scheme as intended by the government would enable the West Midlands Combined Authority (WMCA) to retain all the business rates growth generated from the agreed sites for a period of 25 years. That growth was then ringfenced so that the funds could be reinvested in:

- Bringing the various Investment Zone sites forward.
- Subsequently for other investments within the WMCA and Warwick District Council (WDC) area, i.e. the West Midlands Investment Zone, into the priority economic sector, (Advanced Manufacturing with its various intersections).

This issue was of particular significance and potential detriment to the work of the Council. Plan A showed the proposed designation for the Coventry and Warwick Giga Park. Of the sites that made up the Coventry and Warwick Giga Park component of the WMIZ proposed to be included in the designated area for tax site incentives and business rates retention purposes, two of those four sites (Whitley South and Segro Park) were already allocated as employment sites in this Council's Local Plan and had planning permission. Indeed, they already had the infrastructure in place and some development was already underway on the Segro Park scheme.

Ordinarily these sites would result in a yield to the Council of 40% of any business rate growth (and WCC 10%) above the agreed baseline until there was a reset and then 40% (and WCC 10%) of any further growth in the business rates above any new reset baseline. The discussions/negotiations since November 2023 on the "without detriment" issue had been how the Council could retain that 40% (and WCC its 10% share) from those two sites share as if the IZ proposal had not been implemented. Whilst the principle of without detriment had been agreed in November 2023, what that meant and how it would work was not.

Of the other two sites in the Coventry and Warwick Giga Park, one was Whitley East which was in the Coventry City Council area and the other was Coventry Airfield in the WDC area. It was recognised that to bring forward the airfield site as a Gigafactory it would require public sector financial assistance. The Gigafactory was the "prize" for the local, regional, and national economy. It would represent a multi-billion-pound investment in the District and would be of a scale able to create thousands of jobs directly and indirectly through the supply chain. The intention of the wider area being designated was to encourage the co-location of a cluster of companies involved in that sector who would also benefit from the connections with the two local Universities. The airfield was not currently a Local Plan allocated site, though it did have planning

permission for a Gigafactory. The site would require public sector financial input for the Gigafactory to come forward, so the Council had not sought the 40% of the business rates growth from that site. This alone arguably left the Council at considerable potential financial detriment.

Discussion had focused on trying to agree principles that would address the "without detriment" issue in more detail. The discussions/negotiations initially sought that WDC and WCC would continue to retain their current share of the business rates growth originating from the Whitley South and Segro Park sites. This was a negotiated proposed exemption from the national scheme and would need to be incorporated within a Memorandum of Understanding that was necessary to allow for the movement of business rates. However, the proposed exemption initially also required that this business rate income should be reinvested in locally agreed growth initiatives up until a business rates reset and then after that, in the main economic sector – Advanced Manufacturing with its various intersections. What constitutes a local growth initiative was to be determined by the Council and examples could be Abbey Fields Swimming Pool, or the Fusiliers Way Community Stadium or Housing Retro fit, or all three, or others. However, as examples it could not be used to: directly address the Council's underlying financial deficit; to go into reserves; or to support a future Council Tax policy.

Under this exemption, the Council could choose to use the business rates income to borrow against. However, this Council had sought to negotiate that that borrowing would be protected from a reset. That was, that any borrowing incurred would continue to be funded after a business rates reset towards the costs of those agreed capital schemes. This would be better than in the scenario of what would happen if the IZ did not take place. In this scenario, the Council would have had the opportunity to maximise the potential of its 40% share over a longer period by being within the Investment Zone than would be the case if it were not part of the Investment Zone proposition.

However, clarification from the WMCA, in March 2024, had made it clear that this was not on offer. It was this position that created the issue for this Council. In the scenario of not being within an Investment Zone then the Council could use the yield from its share of business rates growth towards any legitimate Council expenditure including supporting the general fund revenue position. As it would not be exempt from a business rates reset it was an unreliable revenue stream to use for any significant borrowing purposes. A business rates reset effectively would change the baseline above which any business rates growth was calculated and so it materially affected whether there was anything of which to have a 40% share. Nor was it known how a reset would work in terms of when it might happen or the degree of change in the baseline or whether there would be any transitional arrangements. Given this national framework, WDC prudently used such revenue to support short term non-recurrent activity and not for borrowing over a longer-term period given its uncertainty.

The Investment Zone designation mitigated that risk by exempting the designated areas from a reset for 25 years. That meant business rates growth became a more reliable revenue source upon which to borrow longer term; hence using it to reinvest in regeneration or developing sites or other forms of investment. This opportunity was not to be offered to

the Council in respect of the use of its 40% share from the two sites that it would still receive, as if it were outside of the IZ. This meant that revenue was still prejudiced from longer term use because a reset would apply.

This scenario put the Council in a cleft stick position. In the case of being within the WMIZ, the proposal would have still given the Council its 40% share of the business rates from the two sites (Whitley South and Segro Park). However, it would have prevented the revenue generated from being used as the Council choose. It equally only allowed the Council to use such revenue to invest in local growth initiatives. Yet, it could not realistically borrow for them without creating a significant financial risk to the Council. This was an exemption that was not practical for the Council to use and so was not beneficial. The consequence therefore was that in this scenario participation in the WMIZ was not without detriment to the Council.

In contrast, being outside of the WMIZ, would give the Council the freedom to spend the business rates income effectively as it chose but it would still be subject to a reset and so not able to invest such revenue over a longer-term period. In addition, the Gigafactory was much less likely to occur without the investment from the WMIZ proposal. This impact though might be mitigated if the airfield site remained within the IZ proposal. It was uncertain that the WMIZ remained a viable proposition if the WMCA lost its share of business rates from the Whitley South and Segro Park sites.

### The Solution

The resolution to this conundrum was what had been the focus of discussion over the period since mid-March when reports were deferred and then withdrawn as a conclusion had not been reached.

WDC would agree to the following key points:

- £90.2m of the business rates generated from the Segro Park and Whitley South sites would be available for WDC to call upon to invest in local growth initiatives in the WDC area.
- WDC would need to outline its chosen projects by end of March 2026, and provide indicative financial profiles within the agreed financial envelope. WDC would have flexibility on the projects selected.

The compromise here was a trade between certainty and volume. This proposal did not guarantee the same volume of funds as might occur outside of the WMIZ, though it was also the case that it might receive more. This uncertainty arose because of the possibility of a business rates reset but not knowing when or how it would arise. This proposed arrangement effectively gave the Council protection against a reset and so gave certainty to both this Council and indeed to the WMCA. This was valuable as it enabled the Council to borrow against business rates receipts for local growth initiatives with certainty. Likewise, for the WMCA it knew the limit of its liability to WDC for its financial planning purposes.

Taking account of the progress on all of the other points identified in the November 2023 report and bearing in mind the conclusion reached

regarding the without detriment issue it was proposed that the Council could now confirm its involvement in the WMIZ and the WMIZ Board and other arrangements provided that the following provisos were in place:

- the agreed financial envelope in the Memorandum of Understanding (MoU) was £90.2m.
- that the definition of what constitutes a “local growth initiative”, was for WDC to decide.
- The MoU was acceptable in all other respects.
- the other parties (WMCA, CCC, WCC) also agreed the MoU on the above basis.

WCC officers had delegated authority to approve the MoU for its purposes and Coventry City Council (CCC) had also agreed its elements. The WMCA would formally consider the matter at its Board meeting on 14 June 2024. There was therefore a risk that the envelope of £90.2m might not be agreed. This would inevitably delay the commencement of the WMIZ in practice.

### Making the WMIZ happen

To realise the ambition of the WMIZ several other steps would need to be taken if Cabinet agreed to proceed with the WMIZ. These were as follows:

1. Agreement to a Memorandum of Understanding with the WMCA. CCC and WCC would also have to be signatories for their elements of the MoU as they also have roles in business rates for the Coventry and Warwick Giga Park. A draft had been received and discussed and was still in more detailed negotiation. If agreed in time would have been brought as an Addendum to this report – as confidential Appendix 2 to the report. However, it was likely as not that it would require further work, so it was proposed to delegate authority for completing this MoU to the Chief Executive in consultation with the LCG and Heads of Finance and Governance.
2. An agreement would be needed to turn the MoU then into a legal agreement, so the terms of the MoU are binding.
3. To enter a Collaboration Agreement regarding the wider work of the WMIZ. The Collaboration Agreement set out the grant conditions and procedural steps to be taken in relation to grants received from WMCA. It would set out information requirements and monitoring requirements and would pass on to grant recipients the grant conditions which DLUHC impose on WMCA. The proposal was that WMCA would follow the example of the Enterprise Zones and had one Collaboration Agreement with all the participating Authorities rather than requiring a new grant agreement in relation to every project.
4. There were no new obligations in relation to BRR sites or tax sites and the Collaboration Agreement would only be required in relation to grants from the IZ to WDC. It was also proposed to delegate completion of this to the Chief Executive in consultation with the LCG and Heads of Finance and Governance.
5. Given the scale and importance of this initiative there was a proposed governance framework with a specific Board being set up upon which WDC would have a place. The terms of reference for that Board were set out at Appendix 3 to the report which had been

negotiated and were ready to be agreed. It was also proposed that the Leader of the Council, Councillor Davison, be nominated as WDC's representative on both the overall WMCA Board, as WDC was now a non-constituent member, and on the WMIZ Board.

6. Local delivery arrangements had been set up to help ensure the proposals for the Coventry and Warwick Giga Park were enacted effectively. These arrangements involved officers from the three local authorities, the WMCA and the two Universities. The terms of reference were attached at Appendix 4 to the report. These were already in play but needed formal sign off.
7. The WMIZ would have an Annual Delivery Plan backed up by an overall Investment Plan. Progress on these and anything more specifically to do with the Coventry and Warwick Giga Park should be reported as necessary to the Council, but in any case, at least once a year, to allow for effective report on performance and scrutiny. For information purposes a Tax Site Management Policy had been devised and would be required by the local delivery arm to oversee. This was attached at Appendix 5 to the report. As the major business rates collector for the Coventry and Warwick Giga Park, WDC would have to register (already registered to do so) the incidence of incentives given on business rates relief above £100,000 per organization.
8. It was also proposed that should any decisions arise that needed to be taken in respect of the WMIZ at the Board meetings but that could not wait for a Cabinet decision, that they be delegated to the Chief Executive in consultation with the Leader of the Council.
9. WDC would need to outline its chosen projects by end of March 2026, and provide indicative financial profiles within the agreed financial envelope. WDC would have flexibility on the projects selected.
10. The Council should update its MTFs at its next iteration to incorporate the financial implications of the proposal as this Council was now prepared to accept.

The Council had considered several possible options. In short these were as follows:

- Accept the proposition where the without detriment position continued the Council's 40% share of business rates on the Segro Park and Whitley South sites but offered no protection from business rates resets.
- Agree a modified proposition, which if this was agreed to, WDC would agree to sign up in full to the WMIZ proposal. The modified proposition was as now set out in the report.
- Continue to support the Gigafactory on the airfield site but that the Segro Park and Whitley South sites be completely withdrawn from the IZ proposal.
- Walk away completely from the WMIZ.

Of these options, the first was considered not to sufficiently resolve the Council's conundrum set out earlier in this report. The third and fourth options were not felt to enable the strategic outcome of helping to deliver the Gigafactory to be achieved. Option two was pursued and although what was now at the point of a conclusion was a compromised position between WDC and WMCA.

The Overview & Scrutiny Committee explored questions around Governance and were reassured that the transparency required was present.

The Committee were keen for the Council to retain the right to define what constituted a "Local Growth Initiative".

The Committee supported the proposal as set out in the report and thanked officers for their hard work.

The Cabinet recommended that the Chair of the Overview and Scrutiny Committee (for the municipal year 2024/2025, Councillor Andrew Milton) be added to the List of Consultees at LCG and Cabinet.

Councillor Davison proposed the report as laid out, including the amended recommendation from the Overview & Scrutiny Committee to recommendations 3, 4 and 5 to include that the Chair of Overview & Scrutiny be included as one of the consultees.

### **Recommended to Council**

- (1) participation in the Coventry & Warwickshire WMIZ Board, as set out in the terms of reference included in Appendix 3, and includes it within its Constitution as a Joint Committee, subject to clarification from WMCA that:
  - (a) a representative of the Overview & Scrutiny Committee of Warwick District Council can attend and speak at the meetings if they so wish;
  - (b) a nominated representative of each political Group at Warwick District Council may attend each meeting and with agreement of the Chair of the meeting address it directly;
  - (c) the WMCA providing clarity on the process of the call in process of the decisions taken by the Board in the Terms of Reference.
  
- (2)
  - (a) that as the Council has been accepted as a non-constituent member of the WMCA, that Councillor Davison be appointed as the Council's representative on the WMCA Board; and
  - (b) Cabinet appoints Councillor Davison as its representative to the WMIZ Board.

### **Resolved that**

- (1) the progress made thus far on the recommendations to Council and resolutions



agreed in November 2023 as set out in this report and in Table 1 as well as progress more generally on the West Midlands Investment Zone scheme as set out in Appendix 1, to the report, be noted;

- (2) the confirmation of the Council's involvement in the West Midlands Investment Zone (WMIZ) and the principle of completing a Memorandum of Understanding (MoU) with the West Midlands Combined Authority (WMCA), Coventry City Council (CCC) and Warwickshire County Council (WCC), be agreed, provided that
  - (a) the agreed financial envelope of business rates to be retained in the MoU is £90.2m;
  - (b) the definition of what constitutes a "local growth initiative", is for WDC to decide;
  - (c) following review by this Council the MoU is acceptable in all other respects;
  - (d) the other parties also agree the MoU on the above basis;
- (3) authority be delegated to the Chief Executive, in consultation with the Head of Finance, Head of Governance, and the Leadership Co-ordinating Group (i.e. Cabinet and Group Leaders), and Chair of Overview & Scrutiny Committee, following the advice from Trowers, to agree and sign off the proposed MoU in respect of business rates retention;
- (4) authority be delegated to the Chief Executive, in consultation with the Head of Finance, Head of Governance, and the Leadership Co-ordinating Group (i.e. Cabinet and Group Leaders), and Chair of Overview & Scrutiny Committee, to agree and sign off the subsequent legal agreement that will embody the MoU in respect of business rates retention;
- (5) authority be delegated to the Chief Executive, in consultation with the Head of Finance, Head of Governance, and the Leadership Co-ordinating Group (i.e. Cabinet and Group Leaders), and Chair of Overview & Scrutiny Committee, to agree and sign off the proposed Collaboration Agreement relating to the work on the West Midlands Investment Zone as a whole;
- (6) the officer arrangements at the local partnership delivery vehicle for the Coventry and Warwick Giga Park as set out at Appendix 4

to the report, be supported;

- (7) further reports will be received on progress of the WMIZ where necessary, but at least annually, and relevant for decision making purposes on the implications of the Investment Plan and Annual Delivery Plan and any of its components that require the consent of this Council including the site management of tax incentives and planning;
- (8) authority be delegated to the Chief Executive in consultation with the Leader of the Council on any issue that might arise from the Investment Zone Annual Delivery Plan or other issue arising from the West Midlands Investment Zone Board's business that requires a decision/response from this Council that cannot wait until a Cabinet meeting. Any such decisions will be reported back to the next available Cabinet meeting;
- (9) a further report will be brought forward as soon as possible on the local growth initiatives the Council should pursue under the auspices of this MoU and legal agreement; and
- (10) the estimated financial implications of the MoU on business rates retention and that these are incorporated into the next iteration of the Council's MTFS, be noted.

(The Portfolio Holder for this item was Councillor Davison)

#### 151. **Public and Press**

**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraph of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Minutes Numbers	Paragraph Numbers	Reason
152	3	Information relating to the financial or business affairs of any particular person (including the authority

### **Part 1**

(Items upon which a decision by the Council was required)

152. **Local Authority Housing Fund Award Round 3 and Purchase of 3 further properties at The Priors, Warwick**

The recommendations in the report were approved.

(The meeting ended at 7:05pm)