

Pre-Scrutiny Questions and Answers – Cabinet Agenda 05 June

Report title: - WMIZ Cabinet Report

Report Author(s): Chris Elliott (Chief Executive)

Councillor Milton:

Thanks for your work on the WMIZ, I know it's not been a small undertaking. I'm sure you've assumed already that we will be calling it in to O&S given it's importance. In the meantime I have a couple of questions that are relatively broad but may need some additional information in advance.

Firstly I'm conscious that there are a number of recommendations that involve the use of delegated powers. Can you outline the level of discretion that this grants i.e. is it to make the decision exactly as framed or is there a level of discretion involved. It's a potentially huge change that I am keen to ensure that we have transparency on.

The second area is the substance of the financial arrangement – relating to both the Gigafactory and the business rates on the other sites.

It would be helpful if we could understand the sensitivity analysis of each decision and the assumptions that have been made to support it. For instance what are the assumptions that we have made in terms of the business benefits to the district of the Gigafactory? On the question of the agreement to accept £90.2m as the 'compensation' (probably the wrong word) for the other sites, at what point would this cease being a good deal?

Whilst I understand the direction of travel, I'm not sure yet that members have enough information in front of us to determine whether it's the right decision for residents or not.

[Response 1.: I'm sure Chris will to respond, but here are a couple of thoughts from me. I've copied in Andrew R \(although on leave today\) and Jonathan as they are best placed to respond in terms of financial sensitivity analyses.](#)

[Although close, a deal hasn't yet been reached with the combined authority regarding the £90.2m or the memorandum of understanding. So there are some aspects of these negotiations that would be better in confidential session.](#)

[On the sensitivity analysis I'd welcome Andrew R sharing the spreadsheet with O&S that he did with LCG and cabinet showing the impact of business rate resets at different times and other assumptions, as long as this was done in confidential session](#)

As Ian says we are still in a negotiation - we know we want the £90.2m in the public domain, but there's other answers to questions around profiling etc that are still sensitive.

Response 2. I'd be disappointed if this wasn't subject to O and S scrutiny and discussion.

In broad terms the report sets the direction and the parameters and the delegation is to complete the detail within that framework. Clearly, there is a limit as to what level of detail you could expect the Cabinet to agree - we have never out forward the whole text of a legal agreement for example. We'd normally ask Cabinet to sign off on the Heads of Terms and then leave the detailed agreement to officers in consultation with specified Members. What you could ask for though is to include the Chair of O and S in the delegation.

Not sure about references to each decision. The proposed Gigafactory site is located in the WDC area. Given the proximity of the site to both Coventry City and to the towns in WDC then it is clear that there would be a clear benefit to our area. There would be significant job opportunities. Moreover, the IZ proposal seeks to maximise the links between the local Universities and businesses establishing themselves in the Giga Park.

What has been estimated is the likely build out rate of development on the sites and from that estimates of the likely business rate yield over the 25 years. This work was done by Amion on behalf of the WMCA but which has been share with WDC.

A distinction has been made about the airfield site and the other two sites in the WDC area. The airfield if it is to be developed as a GigaFactory will require public financial assistance which is where the Business Rates Retention scheme would come in. The other two sites in the WDC area are in our Local Plan and indeed have outline planning permission and some detailed consents. We had anticipated that we would get 40% of the growth on these sites until a reset. The difficulty that we have is trying to compare what we'd get without the IZ and with the IZ. In the scenario without the IZ there is a significant uncertainty as what we would get as no one knows when or if there would be a business rates reset. Or indeed how the reset would occur. This then gives us a range of possibilities some of which would be better than the £90.2m and others which would be worse. The simple issue is that no one knows which is most likely. Where we have got to is a judgement on what is possible. In this case we trade certainty and volume. The certainty gives an advantage as it enables financial planning that is really difficult to do under the outside the IZ situation.

We can share the Amion Spreadsheets on a P and C basis but the above paragraph illustrates the conundrum.

Councillor Syson:

In Table 1 item 6 it says "provision to be made within the budget for 2024/25 and up to a subsequent 4 years for project management, development management, highways and environmental team and support costs," etc and

"A proposal has been made as part of the proposed delivery plan for the WMIZ for some £125k per annum to be provided to enable the Council's development management team to be expanded to be able to deal with applications promptly. The first reserved matters applications for the Gigafactory are expected this summer."

When are we likely to receive this money? Are we able to start recruiting additional members of the teams now, and given the shortage of applicants in this area are we expecting to have to take on agency staff to cover our needs - or agency staff to cover the posts of those transferred to these teams from elsewhere?

Response: We have raised this with the WMCA and sub regional partners with a positive response but have no formal agreement as yet. It is a bit of a chicken and egg situation. Until we agree to proceed with the WMIZ proposal then no one in the West Midlands can draw down any of the money that the Government has offered. So we won't be able to access the money for the planning team, until we have agreed. Assuming that we do agree then officers would work to achieve this sum ASAP and to put the arrangements in place for the staffing. Gary Fisher anticipates that we would retain existing temporary staff but this needs further HR advice.

Councillor Armstrong:

Could you elaborate on the expected details around the ~90M envelope? In particular, does WDC retain a fraction (what fraction?) of business rates from the sites up to this envelope, or are the funds due to WDC regardless of the actual performance of those sites? In this context, what is the expected performance as far as we can estimate it and how does that compare to the envelope?

Is there any modelling or expectation around the timeline for this funding to reach WDC? Do we anticipate an even spread over 25 years or something else?

Response:

1. The proposition is that the £90.2m if agreed would come to the Council as long as the development on the two sites has generated enough business rates to cover that cost. WDC has not sought anything from the business rates on the airfield site as it is recognised that this needs public finance to help to get it implemented. Outside of the WMIZ system WDC would get 40% of the growth in business rate from the other two sites. However, the system outside of the WMIZ also involves a national business rates reset which will occur at some stage over the 25 years but when and in what way is unknown. There are thus various scenarios and depending on which scenario played out the £90.2m would be a different proportion of the overall rates received. In some scenarios the Council would receive less and in others more than as proposed. However, what the proposition offers is certainty and that enables the Council to use this facility over the long term with benefits to its General Fund account in a way not possible outside of the WMIZ.

2. The MoU proposes that the first allocation of funding of the business rates retention is to pay the agreed without detriment payments. The precise date for payment will depend on the financial profile that we seek for the cost of and borrowing costs of whatever local growth initiative scheme that the Council decides to pursue. The precise financial profile that we seek will need to align with the costs and borrowing costs of whatever local growth initiative schemes that the Council decides to pursue. It is not yet determined what this profile will be over the 25 year period of the Investment Zone.

Report title: Earmarked Reserves 2024/25

Report Author(s): Steven Leathley (Strategic Finance Manager)

Councillor Syson:

I note that 1 of the items included in the Earmarked reserves is the demolition of Covent Garden carpark and the amount put by is the same as the original request. How confident are you that this will be the cost of the demolition given the increase in prices since this project was first raised?

I note that some of the items listed in the table were due to be completed before the meeting. I wondered if any had resulted in savings or otherwise against the reserve allocated.

Response: We are starting the preparation for Quarter One monitoring, as part of this process I will be getting updates on the spend to date of all EMR's (once approved) and can then update their status in the next report to members.

Councillor R Dickson:

1.Governance – wouldn't it be better to amend the appointment recommendations 7(a) and 7(b) to be the Leader of Warwick District Council (in an ex officio capacity) rather than a named individual?

2.Extension of use of site – it's stated (in paragraph 1.6) that the anticipated £1 billion investment in the gigafactory site will attract other investors to that sector and location and help to create a cluster of advanced manufacturing companies around Coventry Airfield. My understanding is that the airfield is a designated green belt site for which, currently, outline planning permission has been given only for use as a gigafactory. Is the strategic economic benefit of the IZ designation of the site only capable of being delivered if the gigafactory-only constraint lifted?

3.External communications – given the complexity and sensitivity of the proposals, how is it planned that residents and local businesses be kept informed so that Councillors can also effectively respond to the queries that will doubtless be raised?

Response:

1. That is for the Council to decide but it is the case that other authorities are not necessarily putting their Leader's name forward but nominate another portfolio holder instead. This seemed the clearest way forward.
2. In short, no. The airfield is still within the Green Belt but there are 3 other adjoining sites available for development, not in the Green Belt but which are within either our Local Plan or Coventry's. These are big sites and so can cater for associated development. Of course, there may be the case that a variation to the existing consent for the airfield may be submitted but that would have to be judged on its own merits.
3. There is no change to the planning system within the WMIZ so applications submitted will be publicised as they are now. In more general terms as there will be a local delivery partnership, we should expect that there will be regular public updates for the Coventry and Warwick Gigapark scheme in particular and for the wider WMIZ. We could consider establishing a community forum to ensure good communication links.

Report title: Procurement of a contract to facilitate demolition works at multiple sites

Report Author(s): Steve Partner (Head of Neighbourhood and Assets)

Councillor Armstrong: Is there any protection in the planned contract such that costs of future demolition projects are limited? I see that existing planned projects are limited to within 5% of their expected costs, but I'm concerned that we will be locking ourselves into a contract with a single provider, where for future projects we could then be forced to accept whatever price they offer. What mitigations will be put in place to ensure the charged amount on future projects is competitive?

Response:

Councillor R Dickson: The proposal for a single contractor seems to make strategic sense and will help progress to be made with each of these major projects.

It's noted that the deadline for awarding the contract for demolition of Christine Ledger Square has already been extended from 31st March 2024 after the Cabinet decision 15 months ago in February 2023 when the Covent Garden carpark demolition was also agreed.

It's also noted that no contract for the demolition of the two Kenilworth School & 6th Form sites has yet been awarded. Although, as planned for the previous two years, the School left both sites nearly 12 months ago, it's appreciated that obtaining vacant possession of the latter was delayed until earlier in 2024 in part because of problems agreeing a new lease for the RAF Air Cadets Squadron who'd been based at Leyes Lane and completing the new Scouts & Guides facilities at Castle Farm so that they no longer needed use of the Rouncil Lane premises. If this proposal for a single demolition contractor is agreed, can a

timetable please be provided to show when work is planned to start on these two eyesore sites in Kenilworth?

Response: Firstly please note that officers are proposing a change to recommendation 3 in the report as follows:

The proposal is to change the words from:

“(3) That a further report is brought to Cabinet for the use of this contract for use at any other site, setting out the cost/budget requirements, risks and proposals for approval.”

To:

“(3) That the contract includes the option for use at the Linen Street, Car Park Site in Warwick and the Leyes Lane and Rouncil Lane School sites in Kenilworth subject to, a further report(s) being brought to Cabinet prior to taking up the option for the use of this contract at any of those, setting out the cost/budget requirements, risks and proposals for approval.”

The Addendum will be out very shortly.

In terms of the next steps for the Leyes Lane and Rouncil Lane school sites in Kenilworth, a report is being prepared for Cabinet to consider options

Councillor Syson: I notice that in your report you say on Page 2

"1.2 The decision to demolish Covent Garden car park was approved by Cabinet at its meeting on 9 February 2023 and Cabined agreed to make provision for the estimated sum of up to £1.2 million within the budget for 2023/24. This provision has been carried forward into subsequent years and is available for the cost of demolition."

While you quote the sum of £1.2 million, the amount quoted in Table 1 of Item 5 Earmarked Reserves 2024/25 is only £1 million.

Which is it?

Response

Report title: Local Authority Housing Fund Award Round 3 and Purchase of 3 further properties at The Priors, Warwick

Report Author(s): April Knapp

Councillor Armstrong:

1. Clearly the four houses covered by the grant income are very good value. Can you confirm if the additional houses proposed beyond these are a requirement

for the deal? Could we limit the purchase to the houses partially covered by grant funding?

2. Local ward councillors have raised concerns to me that there is already negative feedback from council tenants in the area of these new purchases (see the statement below). In particular, the feedback is that living in an area with poor infrastructure (no easily accessible local shops, community centre, youth groups, or surgery), as well as needing to access Leamington for food banks through poor travel infrastructure, is very difficult for residents. Given that, this area should be a low priority for further purchases. Can you say what measures we are taking to meet these issues, and if they are not being met in a timely fashion, why we cannot focus our purchasing efforts elsewhere, at minimum for the non-grant funded properties?

3. I see these are EPC B properties, which while average for new developments countrywide is below the net zero ambitions of this council and likely below the standards of the new Net Zero DPD. Given these are assets with a long lifetime, and future purchasing opportunities will be in line with the DPD and hence higher standard, please could you confirm whether these purchases will impact our potential to purchase future, higher rated properties, and why we are proposing additional purchases beyond the grant funding?

Response:

1. Section 2.3 of the report states WDC could just purchase the four LAHF properties however, the discount that has been negotiated could be affected as the deal was struck on the purchase of six properties. One of the LAHF properties was to be purchased on the open market and so is not part of the 6 being sold by Vistry and is the lower grant rate. Vistry may not want to just sell 4 properties and it is likely the discount will be less. Furthermore, one of the additional homes is a 4 bed property for which demand outstrips supply. By reducing the number that the Council is willing to purchase, there is a risk that the whole deal is lost.
2. We are not aware of any issues or complaints regarding local services, nor have any been forwarded to the Portfolio Holder. However local services are take time to be provided as is the case with any newly developed housing area. These facilities are beginning to become available - a senior school is being developed locally. Shops are available at the Leamington Shopping park and cooperative store which are all in walking distance. Tenants are not relocated but bid via the choice-based lettings system, so they choose to be considered for these properties.
3. The LAHF funding is only available now with strict timescales to adhere to. These properties are a good quality and a good size – we rarely get a chance to purchase 4 bed houses. Whilst we could use the LAHF funding to purchase properties on the open market they would not be a EPC B

standard and probably D or C and would require works to bring up to a lettable standard for WDC. We have also been able to access HE funding for the purchase of the other 3 properties, This is less than the LAHF funding but at the normal rate WDC have been able to get in the past, to facilitate the purchase of the 6 that are on offer from Vistry.