

Title: Participation in the West Midlands Investment Zone

Lead Officer: Chris Elliott, Chief Executive

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Portfolio Holder: Councillor Davison

Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder	06.11.23	Cllr Ian Davison
Finance	06.11.23	Andrew Rollins
Legal Services	06.11.23	Ross Chambers (SDC)
Chief Executive/Deputy Chief Executive	06.11.23	Chris Elliott and Darren Knight
Director of Climate Change	06.11.23	Dave Barber
Head of Service(s)	06.11.23	Phil Clarke
Section 151 Officer	06.11.23	Andrew Rollins
Monitoring Officer	06.11.23	Graham Leach
Leadership Co-ordination Group	06.11.23	Cllr Davison; Cllr Wightman; Cllr Boad; Cllr Day; Cllr Falp.
Final decision by this Committee or rec to another Cttee / Council?	Part final decision Recommendation to: Cabinet and to Council	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No	
Accessibility Checked?	Yes	

Summary

- 1.1 To consider becoming a Non-Constituent member of the West Midlands Combined Authority (WMCA).
- 1.2 To seek agreement in principle for participation in the West Midlands Investment Zone initiative; to consider its application to, and implications for, Warwick District; to help to arrive at a decision on participation, and on the terms for participation.

Recommendation(s)

1. That Cabinet recommends to Council that an application for membership of the WMCA as a Non-Constituent member be made in the light of the recent enactment of the Levelling Up and Regeneration Act (LURA).
2. The Cabinet notes the aspirations of, and supports the principle of participation in, the West Midlands Investment Zone (WMIZ) proposed to cover the WMCA area and Warwick District, conditional upon there being agreed without detriment position in respect of business rates income.
3. The Cabinet agrees that as a condition of agreeing to participate in the WMIZ there is a full commitment from partners to net zero carbon emissions from the proposed Gigafactory and related development, and to full commitment to bio-diversity net gain provisions, as set out in legislation as a minimum, within the WDC area.
4. That Cabinet agrees in principle to the governance arrangements for the WMIZ as set out in Appendix 1, being based on either a Joint Committee of the Cabinet or as part of an Investment Zone Board following attaining membership of the WMCA as a Non-Constituent member, using the principles set out in this report but subject to:
 - (i) the Joint Committee/Investment Zone Board is based on one Council one vote;
 - (ii) decisions of the Joint Committee/Investment Zone Board are based on consensus only with any unresolved matters being referred for further discussion;
 - (iii) a further report being received on the full details of the constitutional arrangements before final commitment and agreement.
5. That Cabinet agree to the local delivery arrangements as set out at Appendix 2 to this report.
6. That Cabinet agrees in principle to enter a Memorandum of Understanding (MoU) regarding business rates and their retention across the WMCA area and the Warwick District Council (WDC) area based on the principles in this report, subject to:

- (i) Confirmation from Department of Housing, Levelling Up and communities (DHLUC) providing legislative assurance (or amendments) that enables WDC to share its business rates outside of the district.
- (ii) That the Business Rates Retention (BRR) site is as shown on the map at Plan 1, excluding the UKBIC premises.
- (iii) Written assurance from the WMCA that the proposed Investment Plan for the Investment Zone will fully take account of WDC Strategy and requirements as a principle.
- (iv) That the other principles for determining the BRR spend, set out in this report are amended to reflect a fairness of distribution vis a vis the generation of business rates, after the contribution to initial infrastructure investment in the WMIZ, to deliver visible benefit for and within the District, and without detriment.
- (v) That the following paragraph is applied in practice, according to a more detailed definition of no detriment, to be agreed before final agreement and commitment:

'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 WMIZ. 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.'

- (vi) That written assurance is provided from the WMCA that the BRR funding will only be used for additional expenditure schemes and not be a replacement for any current plans or proposals of the WMCA or its constituent members.
- (vii) a further report being received on the full details of the financial arrangements before final agreement and commitment.

7. That Cabinet agrees for 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, as referred to in paragraph 1.7.7 of this report financed by up front provision from the Investment Zone government funding (£80m over 5 years) to deliver a prompt and responsive project management, development management, highways, environmental and related support services.

8. That Cabinet asks the Overview and Scrutiny Committee and the Audit and Standards Committee to undertake an annual review of the scheme to assess the costs and benefits to the WDC area and report to Cabinet.

9. That Cabinet asks Officers consider the financial impact of the amended BRR and of a no detriment position is considered when updating the MTFS.

10. That Cabinet agrees to delegate authority to the Chief Executive in consultation with the Section 151 Officer, Monitoring Officer, and the Leader of the Council to continue negotiations on all the matters above, to enable further reports to be brought forward where required.

1 Reasons for the Recommendations

1.1 Membership of the WMCA

1.1.1 WDC currently has Observer status with the WMCA and has had for some years. It has formally and previously asked to become a Non-Constituent Member; this is the same status as the other Warwickshire Boroughs and Districts and WCC have. Until now that change in status would only be possible with Government Parliamentary time being made available and that was estimated to be some time away. However, the Levelling Up and Regeneration Act (LURA) which recently received Royal Assent contains provision which in essence delegate the ability to change membership of the Combined Authority to the relevant Combined Authority. This provision comes into being in December this year meaning that the WMCA could decide early in January 2024 with Non-Constituent membership coming into effect from the next Municipal Year if WDC was to make the formal request now. The WMCA officials have said that our membership as a Non-Constituent would be warmly welcomed though they cannot formally prejudice their formal decision at this stage, but it is clearly in their interest and benefit to have WDC as part of the overall partnership.

1.1.2 The WMCA has in essence 2 ranks of membership – the 7 Constituent Councils such as Coventry, and the Non-Constituent Members such as Stratford and Nuneaton Councils. WCC is also a Non-Constituent Member. The difference between the two ranks is marked – the Mayor of the WMCA has no authority over Non-Constituent Member areas, and the powers and funds held by the WMCA largely apply only to the WMCA Constituent Council areas for such as strategic services such as Transport, Skills, Regeneration and Economy.

1.1.3 However, becoming a Non-Constituent Member would make it easier for WDC to access those funds that are open to a degree to Non-Constituent Member areas such as housing development, retrofitting, regeneration and potentially transport but one-off areas such as post Commonwealth Games funding. Such membership does not involve WDC giving up any of its powers and responsibilities. The membership fee is the same as Observer status - £30,000 per annum and is already in the Council's budget. For the sake of clarity this step is not the same as the discussion over the summer about the WCC becoming a full member of the WMCA.

1.1.4 Non-Constituent Membership is relevant to the WMIZ proposal as the governance would be easier if WDC were a Non-Constituent Member though the proposed terms of reference and the make up of the proposed Governance body would not alter – but the initially proposed Joint Committee would be replaced by an Investment Zone Board. Consequently, when governance is

discussed elsewhere in this report and reference is made to a Joint Committee but if WDC became a Non-Constituent Member then it becomes an Investment Zone Board and so is referred to within brackets.

1.2 Background – Government Policy

- 1.2.1 The Investment Zone [‘IZ’] initiative is a Government programme and as such will need to be operated and governed in accordance with the principles set by the Government in the Investment Zone Policy Prospectus¹. Government is clear that the zone must support one priority sector. The Advanced Manufacturing and Engineering Sector has been agreed by the WMCA as the primary economic sector, particularly around EV and battery development, and its intersectionality with green industries, digital and health-tech.
- 1.2.2 The national programme offers each Investment Zone £80m over 5 years either to be taken entirely as funding or split between up to £45m tax incentives for investors (including Business Rates Relief) and £35m flexible spending. No more than 3 sites totalling 600 hectares may benefit from tax incentives. The balance of the £80m being taken as spending may be spent more widely and is subject to a 60/40 split between capital and revenue.
- 1.2.3 A further 2 areas may be selected as Business Rates Retention (BRR) sites where 100% of the growth in business rates above a base line may be retained for 25 years. It is anticipated by government that these sites will be aligned with the tax incentive sites (if tax sites have been identified). This would give an opportunity to borrow against the anticipated business rates for the purposes of capital investment as well as financing revenue expenditure for example for training/skills development.

1.3 West Midlands Investment Zone (WMIZ) Proposition

- 1.3.1 The WMCA has proposed to Government that Advanced Manufacturing and Engineering is its primary economic sector, particularly focussing on EV and battery development, and its intersectionality with green industries, digital and health-tech.
- 1.3.2 The proposal is that Business Rates Retained (BRR) receipts will first be allocated to meet the cost of any infrastructure needed to enable development of the sites. Retained business rates over and above this will be pooled across the region and applied to the benefit of the priority economic sector, against a plan agreed by the Joint Committee (Investment Zone Board).
- 1.3.3 Three sites have been identified within the WM Investment Zone for the purposes of tax benefits:
- Coventry-Warwick Giga Park
 - Birmingham Knowledge Quarter
 - Wolverhampton Green Innovation Corridor

The Giga Park has been proposed as both a BRR site and a Tax Incentive site. Thus far the Giga Park is the only BRR site proposed by the WMCA although there is a discussion ongoing with Government relating to the Birmingham Knowledge Quarter.

¹ [Investment Zone Policy Prospectus.pdf \(publishing.service.gov.uk\)](#)

- 1.3.4 The Giga Park is situated across the boundary of Coventry City Council with Warwick District Council (WDC), so part of the site falls within Warwick District and outside of the geographical area of the WMCA. This site has been included as part of the Investment Zone because of the potential financial benefits that the inclusion in the Zone, and its development, can bring to the whole of the West Midlands region.
- 1.3.5 The whole of the WMCA area and the whole of the WDC area is proposed as the Investment Zone. If endorsed by WDC, this will enable the important site of the Gigafactory to be included as an Investment Zone tax and a BRR site. This will provide the greatest benefit possible from the scheme for WDC and the whole of the Investment Zone area. The West Midlands proposal, reflecting Government policy, is that BRR receipts and the £80m would first be allocated to meet the cost of infrastructure needed to enable development of the site. Retained business rates over and above this would be pooled across the WMCA and WDC area and applied to the benefit of the priority sector(s).
- 1.3.6 It must be emphasised that the development of the WMIZ is an ongoing process leading up to a final decision by Government in the Spring Budget 2024 in advance of programme start in April 2024. There is still a considerable amount of detailed work to undertake, including baselining business rates, detailed assessment of development costs, delivery models, identifying match-funding routes. As such, the decision being asked of WDC at this stage is solely to give confidence to Government and other partners that the principles of the Investment Zone, its governance and implementation, and the arrangements around business rates, are broadly acceptable. It is not a legally binding commitment. If at any point during those further investigations and assessments it becomes clear through business rate baselining work that the benefits initially envisaged are outweighed by detriment to WDC, then it is not committed to proceeding. Neither position should be treated lightly: the work to progress the Investment Zone cannot proceed without confidence in WDC's position and withdrawal from any proposed scheme could have significant ramifications. However, the WMCA clearly hopes that given the extensive work already committed to developing this proposition, its inclusion within the Investment Zone proposition from the outset and the undoubted long-term economic benefits to be derived from the Giga Park's success, that WDC will continue to remain committed to the scheme.

1.4 Implications for WDC and decisions needed.

- 1.4.1 As the Billing Authority for business rates for the Giga Park sites but outside of the Constituent membership area of the WMCA, the position of Warwick District Council needs to be treated appropriately to ensure that WDC can maximise the benefits and minimise the risks of being part of the Investment Zone. There are three elements to this:
- Financial implications of committing future business rate growth above a new baseline to the IZ, including the need for a Memorandum of Understanding (MOU).
 - WDC's role in the decision making and governance of the zone.
 - Securing the wider economic benefits of the zone and Giga Park sites for the WDC area.

- 1.4.2 As the Local Authorities for the area in which the Giga Park is largely situated both WDC and Warwickshire County Council (WCC) have expressed the expectation that they should have full and equal voting rights on any Board making decisions in relation to the Investment Zone. WDC's agreement (and WCC's given its entitlement to 10% of any growth in business rates) to collecting and sharing retained business rates must be contingent on this expectation being met.
- 1.4.3 In addition, Government requires that a Memorandum of Understanding ('MOU') is signed between the billing authorities collecting business rates that will be retained for reallocation through the IZ Policy, and the WMCA. As there are existing business rate relationships between WDC and WCC, it is anticipated that WCC should also be expected to sign the MOU. It should be noted that although an existing Constituent Member of the WMCA, Coventry City Council will also be required to sign an MOU as the arrangements for IZ business rate retention lie outside the normal BRR arrangements between Coventry and WMCA.
- 1.4.4 Currently the business rates regime that applies in the WDC area is that the growth in business rates above an agreed baseline is shared with the Government taking 50%; WDC taking 40% and WCC 10%. The government has said that it will re-set the baseline nationally at some stage, though it has deferred that step several times. This would mean that WDC will lose some of its current business rates income as inevitably the baseline will be raised.
- 1.4.5 A BRR scheme means that the Government's share is kept locally to be spent locally (in this case within the WMCA plus WDC area) but it also means that WDC and WCC's share above the agreed baseline would also go into the "pot" held for the whole Investment Zone. Currently the sites referred to below do not generate much by way of business rates for WDC as they are largely undeveloped. The government has said that for the designated BRR sites that a reset would be deferred for the whole of the proposed 25 year period.

1.5 Sites and Financing

- 1.5.1 Three sites in the WDC area have been proposed as forming part of the tax incentive and Business Rates Retention (BRR) sites as part of the WM Investment Zone, namely:
- SEGRO Park
 - Whitley South
 - Coventry Airport (Gigafactory)

There is also a smaller site in Coventry – Whitley East, that forms part of the Giga Park proposal. See attached Plan 1. The WDC located sites already have outline planning permission and some reserved matters have already been agreed. Indeed, there is some development underway – UKBIC completed and SEGRO Park South underway. In both Whitley South and SEGRO Park the infrastructure is already in place. It is a reasonable assumption that even without the Investment Zone designation that the Whitley South and SEGRO Park sites would generate business rates over the next few years for WDC and indeed WCC ahead of any reset.

- 1.5.2 Modelling work has been undertaken by officers at WDC, WCC, CCC and WMCA, with support from Amion Consulting and Metro Dynamics to assess the scale of likely costs in bringing forward development in these sites and the potential returns from business rates which will support their sustained delivery over the period, and ultimately contribute to economic sector growth both within the WDC area and across the wider WMCA area.
- 1.5.3 These detailed costings for infrastructure, potential solutions to infrastructure challenges, and business rate baselining are still being worked upon. As such Cabinet is asked only to agree in principle to these sites being put forward for both 100% business rate retention and potential tax incentives.
- 1.5.4 Work is also underway with the Universities of Warwick and Coventry to identify a range of interventions that could be applied across the Investment Zone and with reference to supporting the Giga Park's successful development.
- 1.5.5 In negotiation, as some development has been completed or is underway then there have been revisions to the precise area to be included so that the UK Battery Industrialisation Centre (UKBIC) which is completed is to be excluded. Discussions also took place about the exclusion of the southern part of the SEGRO Park scheme – where development is underway – from the BRR designation. However, the Government has ruled out a compromise whereby this area was to be included in the BRR but that the 40% of the business rates would still come directly to WDC. Exclusion of the SEGRO Park scheme as whole or in part from the BRR would from the modelling exercise undermine the Investment Zone proposal by seriously reducing the business rates take too far.
- 1.5.6 However, this proposed change also highlights the dilemma for WDC, and for WCC. Under the current arrangements for business rates, WDC would receive 40% of the business rates above the agreed baseline from both the Whitley South site and the SEGRO Park scheme anyway, which is roughly estimated at circa £5m per annum when fully built out. Set against this is that the Government has promised to reset the business rates nationally (the Investment Zone business rates would be exempt for 25 years) though it has deferred the reset to at least 2025 and it may well continue to do so; (though this is not helpful to long term financial planning but would benefit the WDC MTFS profile by circa £3m a year). So, the current business rates scheme does offer a tangible financial benefit to WDC.
- 1.5.7 On the other hand, the Gigafactory element is unlikely to happen without Government Grant aid in some form or other. Indeed, an investor has written to the effect that if the Investment Zone proposal goes ahead, they would be prepared to invest in a Gigafactory on this site. This would be a multi-billion £ investment into the local economy with the consequent significant multiplier effects for companies' growth, jobs and income opportunities, skills development, and training as well as a significant opportunity to move on with the decarbonisation of the economy.
- 1.5.8 The Investment Zone proposal gives an opportunity to offer some financial incentives to achieve what is otherwise unlikely to be achieved under the current business rates regime. In addition, the BRR element of the designation offers the opportunity to secure investment in some things that this Council may want to see as part of its overall ambition for the precise area – such as sustainable and active travel investment; training/skills development and so on.

The BRR scheme offers that opportunity in a way that the current Business Rates scheme doesn't. The same issue also applies to wider investment in the local economy and community that this Council wants to see, e.g., the Parade and Creative Industries.

- 1.5.8 There have been several discussions on how to reach a compromise that reflects the need for sufficient incentive to enable the Gigafactory to occur whilst protecting some of the business rates resources that would anyway have come to WDC (and WCC) without the Investment Zone; on the basis that Whitley South and SEGRO Park are allocated sites and already have their infrastructure in place – a without detriment position. To that end the WMCA has offered this approach:

'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.'

- 1.5.9 This could enable this Council (and WCC) a protection to receive the same benefits as would otherwise have been received. However, to be without detriment the business rates ought to be able to come to WDC's General Fund directly and in a timely manner so this will require further work on definition.

1.6 Proposed Governance Arrangements

- 1.6.1 As Warwick District Council 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 should expect to have full voting rights on any IZ decision-making body. As such, until a few days ago, the proposal was 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.
- 1.6.2 The new Investment Zone Joint Committee (IZ Board) would have a remit only 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. However, as explained in Section 1.1 of this report the opportunity now exists for WDC to become a Non-Constituent Member meaning that if agreed, the Joint Committee would instead be an Investment Zone Board but otherwise the proposed terms of reference and the make-up would be the same. However, until WDC agrees to ask for, and WMCA

agrees to, our request for Non-Constituent Membership, the Joint Committee route is the only available constitutional mechanism available for governance.

1.6.3 It is proposed that the Joint Committee (IZ Board) would have the following responsibilities:

- i. To consider the application of the tax incentive portion of £80 million government grant and the application of the cash portion of £80 million government grant.
- ii. To consider the allocation of surplus retained business rates revenue.
- iii. To ensure accountability for the successful and compliant implementation of the Investment Zone overall.
- iv. To take account of the opportunities from, and implications for, other funding measures and programmes available through the CA and/or its partners.

1.6.4 Warwickshire County Council, a Non-Constituent Authority would also have full voting rights.

1.6.5 Existing WMCA Boards and Committees such as the Innovation Board would advise the Investment Zone Joint Committee (IZ Board), which would align decisions with the overall economic strategic direction set by WMCA's Economic Growth Board. WDC and WCC would need to ensure that their involvement in the Joint Committee (IZ Board) aligns with their own strategies and policies. Proposed Terms of Reference for the Joint Committee (IZ Board) are set out in Appendix 1.

1.6.6 Decisions of the Investment Zone Joint Committee (IZ Board) would also be subject to review and scrutiny by both the WMCA Overview and Scrutiny Committee and the WMCA Audit, Risk and Assurance Committee. Decisions in relation to the Giga Park would also be subject to review by the Warwick District Council's Overview and Scrutiny Committee. To fulfil the 'accountable body' function expected by Government, all decisions would need to be taken in the context of existing WMCA and Regional strategies and spending decisions; and would need to comply with the regional Single Assurance Framework and any other relevant accountability and assurance frameworks in place during the term of the Investment Zone Joint Committee (IZ Board). The decisions of the Joint Committee (IZ Board) must not import any undue risk to the WMCA for financing schemes that result from those decisions nor equally to WDC or indeed to WCC.

1.6.7 The Joint Committee (IZ Board) would be supported by an Officer steering group made up of representative officers of the Member Authorities, WDC, WCC and the Universities to enable decision making. Existing WMCA Forums such as the Innovation Board and Economic Growth Board would also provide advice to inform decisions.

1.6.8 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. The proposed membership of the Board is set out in the Terms of Reference at Appendix 1.

1.6.9 The following principles have also been considered in proposing this governance structure:

- i. Decision-making must recognise the economic links and impacts across all parties having responsibility for bringing forward the Investment Zone and its component sites, and particularly the roles played by Warwick District Council and Warwickshire County Council as local planning/billing and transport authorities respectively in relation to most parts of the Giga Park Investment Zone site.
- ii. Governance structures should seek to empower local authorities and delivery partners, including universities involved in the development of the Investment Zone. They should reflect the overall collaborative framework established by Government's Investment Zone Policy, the WMCA's role as accountable body for the Investment Zone, and the potential requirement for escalation routes to resolve risks and unblock barriers.

1.6.10 It is anticipated that each Investment Zone site will have its own delivery body. These will be locally determined and established by the Local Authorities involved in each site and will be expected to have representation from all the major stakeholders in that Investment Zone site, in particular those Universities that have signed-up to the site. This will be the body with responsibility for delivery of development in the Investment Zone and for delivering the expected outcomes. WMCA as accountable body for the overall Investment Zone programme will expect to be represented on these delivery bodies. The site delivery bodies will be expected to report into the Investment Zone Joint Committee on progress and any major risks to delivery. The proposals for the local delivery body are encapsulated in Appendix 2. It is proposed that this is a multi-agency officer working party.

1.6.11 The issue in the proposed governance arrangement is that it is possible that WDC (and WCC) is out voted each and every time by the other WMCA members so even though the Giga Park site is the largest contributor to the BRR funds that the Investment Zone Joint Committee (IZ Board) will have at its disposal then can be no guarantee that WDC would receive a fair share in relation to the contribution its sites make for the whole of the WMCA plus WDC area. This has been raised and verbal reassurances have been given that decisions tend to be made on a consensus basis. This reassurance needs to be asked for as a condition of participation though to support the issue of fairness the WMCA has offered a without detriment position to WDC, and implicitly to WCC, which should help to mitigate this risk (see paragraph 1.5.8). In the context of business rates this means that WDC must be assured of an equivalent benefit to the 40% of business rates that it would receive under the current scheme and therefore that this is a condition of participation.

1.7 Business Rates Arrangements

1.7.1 Under the proposed Investment Zone programme, business rates within the designated business rate retention ('BRR') sites can be retained at 100% for 25

years, free from re-sets. This provides significantly greater certainty to underpin longer term borrowing and financing. The presumption within Government's IZ Policy Prospectus is that initial business rates retention will be ploughed back into the development of the Investment Zone to overcome development barriers such as essential infrastructure. Any surplus beyond that must be allocated to a region-wide, or Investment Zone-wide, pot administered by the WMCA. In this case, responsibilities for allocation of those surpluses will rest with the Investment Zone Joint Committee (IZ Board). Those surpluses must be directed towards projects that support the growth of the primary economic sector within the business rate generating area or elsewhere across the region.

1.7.2 The commitment by the Billing Authorities for business rates to be treated in this way will be covered by an MOU ('Memorandum of Understanding') between the parties affected: the Billing Authorities and the WMCA. As mentioned, it is anticipated that although not a billing authority, WCC will also need to be a signatory to the MOU as it currently receives a share of business rates.

1.7.3 Although the formal MOU has yet to be drafted, its principles and objectives would consist of:

- i. Warwick District Council ('WDC') as the relevant billing authority, agrees to continue to collect business rates for the area including the areas of the Investment Zone BRR site ('the Giga Park') for which it is currently responsible.
- ii. WDC agrees that each year they will calculate the growth in business rates over the agreed base line for the IZ BRR site and inform WMCA of this calculation.
- iii. WDC will be enabled by Order to retain 100% of the growth in business rates over the base line for the IZ BRR site area for which it holds billing responsibilities.
- iv. WDC agree to remit to WMCA any growth in business rates over the baseline from the IZ site for deployment in line with an Investment Plan to be agreed by the IZ Board.
- v. The first call on the Retained Business Rates will be expenditure related to the delivery of the agreed scope of the Giga Park including interest on borrowing, with the specific financial arrangements subject to further detailed agreement by the relevant parties.
- vi. WDC and WMCA will form a Joint Committee (IZ Board) to oversee the development and operation of the Investment Zone including the allocation and administration of the spend of the Retained Business Rates. WDC will have full voting rights on this Joint Committee (IZ Board).

These represent the substantive parts of the proposed MOU which will otherwise contain the normal clauses associated with such an agreement.

1.7.3 Clearly, it is anticipated that the success of the Giga Park will generate significant and long-term economic growth for the district, including job creation, supply chain growth and new skills programmes, and reinvestment from BRR to help drive delivery. The proposals if fully realised overall would yield several billions £s of investment, significant business growth and the creation of thousands of jobs. The issue, or challenge, for WDC and WCC would be how to ensure that residents and businesses benefit from that opportunity.

Training and skills development will therefore be important. Access to those opportunities from a transport perspective will also be important, especially sustainable, and active travel opportunities, pointing to cycleways, bus rail and Very Light Rail (VLR) which then may also offer wider opportunities for the District.

- 1.7.4 From an environmental perspective the proposed Giga Park will not involve any more land than has been allocated in the current Local Plan or that currently has planning permission. This is also true of the Coventry site. The focus of the Giga Park offers the significant opportunity to help decarbonise the economy locally regionally and nationally and to help the wider transition of the economy to a net zero carbon one. Nevertheless, it is important in the context of this Council's ambitions that the development that does comply with expectations around carbon emissions and bio-diversity net gain opportunities.
- 1.7.5 In terms of reinvestment of retained business rates, the following principles have been developed by the WMCA to help inform the work of the Investment Zone Joint Committee (IZ Board) and a more detailed programme for investment:
- It may be appropriate to use retained business rates from IZ sites for a tax increment finance model, but not all must or will be drawn down immediately in the IZ period.
 - The first call on use of retained business rates must be those interventions required to enable business rate uplift – where enabling works are needed to deliver business rate retention.
 - The BRR sites have been selected based on their benefit to the regional advanced manufacturing sector, therefore enabling works on those sites will have region-wide benefit and impacts.
 - The remainder of retained business rates will be pooled and used for regional investments in sector development, to be agreed by the IZ Joint Committee (IZ Board).
- 1.7.6 To the points above must be added the wording offered by the WMCA in paragraph 1.5.8 to ensure no detriment to WDC and to ensure that is able to fund its own local growth programmes. This will help to overcome the initial fear that it was not possible for WMCA to provide WDC with any guarantees around levels of business rates generated or how these would compare to their existing arrangements. However, the without detriment position does require further definition.
- 1.7.7 WDC could benefit from wider regional sector support programmes funded through the initial IZ £80m fund from Government. Allocations to projects would need to pass through, and comply with, all the usual requirements for public funding. Important in this context is that to ensure this Council has the capacity to provide prompt and appropriate responses to new development, advance funding for its project management, development management, transport (via WCC), environmental and support teams could and should be funded from the £80m.

1.8 Timelines

- 1.8.1 The formal arrangements will be considered by WMCA Board at its Board meeting on 17th November, so it is important that this Council decides one way

or another at its meeting on the 15th. The Government requires the WMCA to make a proposal by the time of the Autumn Statement later this month.

1.8.2 Underpinning all these discussions and negotiations is a series of 'Gateways' that Government have put in place to ensure consistency of programme development across the 8 English Investment Zone areas. Gateway 2 (identification of economic sector and broad geography) has largely concluded. Gateway 3 (governance) relates to overall processes for the IZ development and is progressing well. Gateways 4 and 5 relate to potential interventions and delivery mechanisms. These are being developed through close liaison between officers. It is anticipated that these largely be completed by the end of December 2023 to enable final refinement with Government in the early part of 2024 leading to an announcement at the Spring Budget, and commencement in April 2024.

1.8.3 Any delays in progressing elements of the Investment Zone could lead to the commencement being deferred until April 2025, resulting in a loss of one year BRR income.

1.9 Conclusion

1.9.1 There are several matters which are yet to be decided but in principle there are compelling reasons to support the IZ proposition. However, until those unresolved issues are agreed especially the issue of without detriment then the Council must retain the option of walking away.

2 Alternative Options

2.1 The Cabinet and Council could decide not to participate in the IZ proposal with all the implications for the Gigafactory element set out without within the report above.

2.2 It may be that on the various issues raised there are variations to the recommendations that could be decided. This remains a possibility, but the report follows extensive discussions and so at this juncture no variations are proposed.

3 Legal Implications

3.1 The principle legal issues at stake revolve around the BRR proposal and the governance and have been addressed in the report above.

4 Financial Services

4.1 This proposal could have significant implications for this Council in respect to fits business rate income stream. This matter has similarly been discussed in the report above and so is not repeated here though it is suggested that the Medium-Term Financial Strategy when updated, takes account of identified business rate income from this area.

5 Corporate Strategy

5.1 On this same Council agenda, the Council is to consider a new Corporate Strategy which sets three strategic aims. This proposal is relevant to all 3 strategic aims as follows:

5.1.1 Delivering valued, sustainable services –

In order that the Council can continue to focus its efforts and activities on the

needs of its residents, communities and businesses, this priority will be underpinned by ensuring continued demonstration of financial sustainability through the medium term. This is the foundation for ensuring that there are the resources to continue to enable residents to receive excellent high-quality services that are responsive and accessible to local needs.

The impact of business rates will be significant for the Council financially and so for its services and projects and the wider benefits it wishes to deliver to improve the lives and the environment of the District.

5.1.2 Low cost, low carbon energy across the district –

The Council will look to find ways to reduce energy consumption and bills in Council civic buildings, Council housing, and help others to do the same, such as privately owned homes, businesses, and other public and voluntary sector organisations. Support programmes and initiatives will be developed that meet national standards of accreditation to ensure performance in use is optimised. A performance measurement approach will also be developed to assess the long-term benefits of the improvements made.

The delivery of a Gigafactory via the IZ Zone would assist more generally in creating a low Carbon District.

5.1.3 Creating vibrant, safe, and healthy communities of the future -

We will work with communities, businesses, and public sector partners to enable and support improvements where people's community, economic and housing needs can be met. This will facilitate a better and more sustainable balance with the natural world that will allow our communities and businesses to thrive in a sustainable and safe way.

This proposal directly accords with one of proposals within this section of the Corporate Strategy.

6 Environmental/Climate Change Implications

6.1 This matter has been addressed in the report above.

7 Analysis of the effects on Equality

7.1 An Equality Impact Assessment Is not required at this stage.

8 Data Protection

8.1 Not relevant at this stage.

9 Health and Wellbeing

9.1 There are no direct health and well-being implications but clearly a transition of the vehicular economy away from carbon-based fuels by virtue of battery provision for vehicles will help to reduce air pollution. Respiratory illness is a significant issue in South Warwickshire which can be triggered by air pollution.

10 Risk Assessment

10.1 A risk register will need to be prepared and then managed once negotiations are completed and the Council's final position is agreed. However, at this stage the risks from a WDC perspective relate to BBB and governance which are discussed and addressed comprehensively in the report above.

11 Consultation

11.1 There has been extensive discussion with partner agencies, with Cabinet and with LCG.

Background papers:

Supporting documents:

APPENDIX 1

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

Governance	Decision-making – Public Joint Committee
Purpose	Overall responsibility for developing and delivering the Investment Zone and ensuring accountability to Government for its successful and compliant implementation.
Accountable To	WMCA Board and Warwick District Council
Membership	<p>Voting Members: The Mayor One representative from each of the 7 Constituent Authority Members 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: The Scrutiny Chair from Warwick District Council The Overview and Scrutiny Chair from the WMCA</p> <p>Other stakeholders may be invited to attend as observers when appropriate.</p>
Chair	Chair - the Mayor of the West Midlands Vice Chair -to be appointed by Warwick District Council
Voting	All voting Members shall have one vote
Quorum	Three voting Members to include the member appointed by Warwick District Council
District Council	
Frequency	Quarterly or more frequently as required on the giving of 5 clear working days' notice
Location	Meetings will be hosted at locations to be agreed by the Joint Committee.
Type of meeting	Public

Timing of Meetings	To be determined.
Administration	The meeting will be administered by the WMCA, and papers will be published on both authority websites at least 5 clear working days before the date of the meeting.
Allowances	None
Responsibilities	<p>Overall responsibility for developing and delivering the Investment Zone.</p> <p>Approval in principle of Investment Zone sites development proposals and interventions.</p> <p>Oversight of each Investment Zone Site delivery vehicle's performance in implementing the WM Investment Zone.</p> <p>Ensuring delivery of the identified and agreed outcomes and outputs.</p> <p>Allocation of Investment Zone resources.</p> <p>Determination of the proportions between the tax incentives and spending elements of the £80 million IZ government grant.</p> <p>Allocation of the tax incentives element of the £80 million grant and of the spending element of the £80 million grant.</p> <p>Allocation of surplus retained business rates generated by the Investment Zone's BRR site, in line with Government's Investment Zone policy.</p> <p>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.</p> <p>Approving reports to Government as part of the WMCA's accountability function.</p>
Delegation	<p>Decisions in relation to the allocation of the £80 million government grant up to a total value of £80 million and within Government's proportionate allocation framework between the fund's components.</p> <p>All other decisions up to a value of £20 million.</p> <p>All decisions will need to follow the WMCA's existing assurance frameworks and any introduced through the Deeper Devolution Deal.</p>