

# Agenda



## Capital Region City Deal Joint Cabinet

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Date: Friday, 14 July 2017

Time: 10.30 am

Venue: Ty Dysgu, Nantgarw

To: Councillor D Wilcox

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Item		Wards Affected
1	<u>Minutes</u>	
a	<u>Agenda - CYM</u> (Pages 3 - 4)	
b	<u>Minutes of the Meeting: 30 June 2017</u> (Pages 5 - 12)	
2	<u>Declarations of Interest</u> To be made at the start of the Agenda Item in question, in accordance with the Members Code of Conduct	
3	<u>Proposed Calendar of Future Public Meetings 2017-18</u>	
4	<u>Regional Economic Growth Partnership</u> (Pages 13 - 28)	
5	<u>Cardiff Capital Region Compound Semi-Conductor Project: Special Purpose Vehicle Report (Confidential Appendices)</u> (Pages 29 - 34)	
6	<u>Cardiff Capital Region Compound Semi-Conductor Project: Outstanding matters (Confidential Appendices)</u> (Pages 35 - 40)	

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## Bargen Ddinesig Prifddinas-Ranbarth Caerdydd

### Cabinet Rhanbarthol Arbennig

Dydd Gwener 14 Gorffennaf 2017, 10.30am

Tŷ Dysgu, Nantgarw

### Agenda

1. Croeso ac Ymddiheuriadau  
Derbyn ymddiheuriadau am absenoldebau
2. Datgan Buddiannau  
I'w gwneud ar ddechrau'r eitem agenda dan sylw, yn unol â Chod Ymddygiad yr Aelodau.
3. Calendr Cyfarfodydd Cyhoeddus i'r Dyfodol Arfaethedig 2017-2018
4. Partneriaeth Twf Economaidd Rhanbarthol  
wedi'i atodi
5. Project Lled-ddargludyddion Cyfansawdd Prifddinas-Ranbarth Caerdydd –  
Adroddiad Dull Dibenion Arbennig (Atodiadau Cyfrinachol)  
wedi'i atodi

Ni fydd Atodiadau 1A, 1B, 2A, 2B, 3 a 4 yr adroddiad hwn yn cael eu cyhoeddi gan eu bod yn cynnwys gwybodaeth sydd wedi'i heithrio dan y disgrifiad a geir ym mharagraffau 14, 16 a 21 rhannau 4 a 5 Atodlen 12A Deddf Llywodraeth Leol 1972.

6. Project Lled-ddargludyddion Cyfansawdd Prifddinas-Ranbarth Caerdydd –  
Diweddariad ar Faterion sydd Eisoes yn Bodoli (Atodiadau Cyfrinachol)  
wedi'i atodi

Ni fydd Atodiadau 1, 2, 3, 4, 5 a 6 yr adroddiad hwn yn cael eu cyhoeddi gan eu bod yn cynnwys gwybodaeth sydd wedi'i heithrio dan y disgrifiad a geir ym mharagraffau 14, 16 a 21 rhannau 4 a 5 Atodlen 12A Deddf Llywodraeth Leol 1972.

Sheila Davies  
Cyfarwyddwr Rhaglen P-RC  
10 Gorffennaf 2017

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## CARDIFF CAPITAL REGION CITY DEAL REGIONAL CABINET MEETING

### MINUTES

REGIONAL CABINET ANNUAL GENERAL MEETING: 30 JUNE 2017

#### Regional Cabinet Members Present:

Cllr Nigel Daniels	-	Blaenau Gwent Council
Stephen Gillingham, Chief Exec	-	Blaenau Gwent Council
Cllr Huw David, Leader	-	Bridgend Council
Mark Shephard	-	Bridgend Council
Cllr Sean Morgan	-	Caerphilly Council
Chris Burns, Chief Exec	-	Caerphilly Council
Cllr Huw Thomas	-	Cardiff Council
Paul Orders, Chief Exec	-	Cardiff Council
Cllr Kevin O'Neill, Leader	-	Merthyr Council
Gareth Chapman, Chief Exec	-	Merthyr Council
Cllr Peter Fox, Leader	-	Monmouthshire Council
Paul Matthews, Chief Exec	-	Monmouthshire Council
Cllr Debbie Wilcox, Leader	-	Newport Council
Will Godfrey, Chief Exec	-	Newport Council
Cllr Andrew Morgan, Leader	-	Rhondda Cynon Taf Council
Christopher Lee	-	Rhondda Cynon Taf Council
Cllr Anthony Hunt, Leader	-	Torfaen Council
Alison Ward, Chief Exec	-	Torfaen Council
Cllr John Thomas, Leader	-	Vale of Glamorgan
Rob Thomas, Chief Exec	-	Vale of Glamorgan

#### Officers:

Liz Weale	-	Accountable Body
Hrjinder Singh	-	Accountable Body
Ian Allwood	-	Accountable Body
Alistair Milburn	-	Effective Communications
Sheila Davies, Director	-	City Deal PMO
Sian Lewis	-	City Deal PMO
Matthew Swindell	-	City Deal PMO

#### Apologies:

Cllr David Poole, Leader	-	Caerphilly Council
Darren Mephram, Chief Exec	-	Bridgend Council
Chris Bradshaw, Chief Exec	-	Rhondda Cynon Taf Council
Christine Salter	-	Accountable Body

## 1. Welcome and Apologies for Absence

Alison Ward was invited to take the Chair for the formal part of the AGM appointment process in the absence of Darren Mephram (Lead CEO). Apologies were noted and recorded. The Cabinet asked that their condolences be passed on to Chris Bradshaw.

## 2. Declarations of Interest

There were no declarations of interest made on items on the meeting agenda.

## 3. To elect a Chairperson / Vice Chairperson(s) for the forthcoming year.

Nominations were requested for a Chair for the coming year from Members. Councillor Andrew Morgan was nominated, seconded and elected as Chair for the coming year.

Cllr Morgan then took the Chair and asked for nominations for two Vice-Chairs. Nominations for Councillors Peter Fox and Huw Thomas were received, seconded and both were elected as Vice-Chairs for the coming year.

## 4. 2016/17 Out-Turn Report & Annual Financial Return (Minute No.7)

Cabinet considered a report on behalf of the Accountable Body:-

1. To provide Cardiff Capital Region Joint Cabinet (Joint Cabinet) with details of the final out-turn position against its 2016/17 part-year budget covering the period 1<sup>st</sup> March – 31<sup>st</sup> March 2017.
2. To present to Joint Cabinet the draft unaudited Annual Smaller Bodies Return (Annual Return) for the year ended 31st March 2017, for consideration and approval, in-line with the statutory deadline of 30th June 2017.
3. Subject to Joint Cabinet approving the Annual Return, the document will be submitted to the Auditor General for Wales, to enable the Wales Audit Office (WAO) to undertake its external audit of the return.

**RESOLVED:** that Cardiff Capital Region Joint Cabinet:

- a) Noted the final out-turn position for the financial year ended 31<sup>st</sup> March 2017 and the level of surplus available to support the Joint Cabinet's 2017/18 budget;
- b) Considered and approved the unaudited Smaller Bodies Annual Return for the year ended 31st March 2017, attached as Appendix A, and;
- c) Authorised the Chairman to sign the Annual Return on behalf of the Joint Cabinet and authorise the Accountable body to submit the Annual Return to the Wales Audit Office.

**5. To receive and approve the minutes of the Regional Cabinet at its meetings on:-**

- a) 17 March 2017
- b) 02 May 2017

Cllr Morgan asked colleagues if they had any amendments to make to the draft minutes from the previous two meetings that had been circulated. Sheila Davies made Members aware of amendments to two of the sentences within Minute No.5 of the 02<sup>nd</sup> May 2017 minutes as two sentences required slight alterations. The amendments were subsequently agreed and both sets of minutes were then confirmed as correct records of the two meetings.

**6. Date of Next Meeting**

Cllr Morgan asked colleagues if they wished to continue meeting on a Friday, or move to an alternate day. Monday mornings had also been suggested. Both days were noted to have an impact on different Members for different reasons, but it was agreed that draft dates would be circulated for Members to agree at the next formal meeting. Subsequently, a calendar of meetings for the next 6 to 12 months would be made available on the website in order to inform the public and partners of the schedule of public meetings.

**7. Any Other Business**

- i) Cllr David referred to the Valleys Task Force report which was about to be published, and discussion took place concerning engagement and consultation with the group from this body in terms of regional partnership working. It was suggested that Maureen Howell be invited to a future informal meeting to provide an update to Members on the work of the Task Force.
- ii) It was suggested that more formal links be made with colleagues undertaking the Swansea City Deal as a means of addressing more nationally significant projects across South Wales, using examples of collaboration amongst English cities doing similar work. This may include meeting with Welsh and UK Government colleagues.
- iii) It was noted that Will Godfrey had an initial meeting set up with Welsh Government regarding business rates next week. Members asked Will to speak to them specifically about growth and business rate retention issues and feedback at a later informal meeting, as well as contact the lead Officer in Swansea as a comparison.

Cllr Morgan thanked colleagues for attending and the meeting was concluded.

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## CYFARFOD CABINET RHANBARTHOL BARGEN DDINESIG PRIFDDINAS- RANBARTH CAERDYDD

### COFNODION

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### CYFARFOD CYFFREDINOL BLYNYDDOL Y CABINET RHANBARTHOL: 30 MEHEFIN 2017

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#### Aelodau'r Cabinet Rhanbarthol oedd yn Bresennol:

Y Cyng. Nigel Daniels	-	Cyngor Blaenau Gwent
Stephen Gillingham, Prif Weithredwr	-	Cyngor Blaenau Gwent
Y Cyng. Huw David, Arweinydd	-	Cyngor Pen-y-bont ar Ogwr
Mark Shephard	-	Cyngor Pen-y-bont ar Ogwr
Y Cyng. Sean Morgan	-	Cyngor Caerffili
Chris Burns, Prif Weithredwr	-	Cyngor Caerffili
Cyng. Huw Thomas	-	Cyngor Caerdydd
Paul Orders, Prif Weithredwr	-	Cyngor Caerdydd
Y Cyng. Kevin O'Neill, Arweinydd	-	Cyngor Merthyr
Gareth Chapman, Prif Weithredwr	-	Cyngor Merthyr
Y Cyng. Peter Fox, Arweinydd	-	Cyngor Sir Fynwy
Paul Matthews, Prif Weithredwr	-	Cyngor Sir Fynwy
Y Cyng. Debbie Wilcox, Arweinydd	-	Cyngor Casnewydd
Will Godfrey, Prif Weithredwr	-	Cyngor Casnewydd
Y Cyng. Andrew Morgan, Arweinydd	-	Cyngor Rhondda Cynon Taf
Christopher Lee	-	Cyngor Rhondda Cynon Taf
Y Cyng. Anthony Hunt, Arweinydd	-	Cyngor Torfaen
Alison Ward, Prif Weithredwr	-	Cyngor Torfaen
Y Cyng. John Thomas, Arweinydd	-	Bro Morgannwg
Rob Thomas, Prif Weithredwr	-	Bro Morgannwg

#### Swyddogion:

Liz Weale	-	Corff Atebol
Hrjinder Singh	-	Corff Atebol
Ian Allwood	-	Corff Atebol
Alistair Milburn	-	Cyfathrebiadau Effeithiol
Sheila Davies, Cyfarwyddwr	-	Swyddog Rheoli Rhaglen Y Fargen Ddinesig
Sian Lewis	-	Swyddog Rheoli Rhaglen Y Fargen Ddinesig
Matthew Swindell	-	Swyddog Rheoli Rhaglen Y Fargen Ddinesig

#### Ymddiheuriadau:

Y Cyng. David Poole, Arweinydd	-	Cyngor Caerffili
Darren Mepham, Prif Weithredwr	-	Cyngor Pen-y-bont ar Ogwr

Chris Bradshaw, Prif Weithredwr - Cyngor Rhondda Cynon Taf  
Christine Salter - Corff Atebol

### 1. Croeso ac Ymddiheuriadau am Absenoldeb

Gwahoddwyd Alison Ward i Gadeirio ar gyfer rhan ffurfiol proses benodi'r CCB yn absenoldeb Darren Mephram (Y Prif Swyddog Gweithredol Arweiniol). Nodwyd a chofnodwyd ymddiheuriadau. Gofynnodd y Cabinet i roi gwybod i Chris Bradshaw eu bod yn cydymdeimlo ag ef.

### 2. Datgan Buddiannau

Nid oedd unrhyw fuddiannau i'w datgan a wnaed ar eitemau ar agenda'r cyfarfod.

### 3. Ethol Cadeirydd/ Is-Gadeirydd(ion) ar gyfer y flwyddyn i ddod.

Gofynnwyd am enwebiadau gan Aelodau ar gyfer Cadeirydd am y flwyddyn i ddod. Enwebwyd y Cynghorydd Andrew Morgan. Cafodd ei eilio a'i ethol yn Gadeirydd ar gyfer y flwyddyn i ddod.

Yna, aeth y Cyng. Morgan ati i Gadeirio a gofyn am enwebiadau ar gyfer dau Is-Gadeirydd. Derbyniwyd enwebiadau ar gyfer y Cynghorwyr Peter Fox a Huw Thomas. Cawsant eu heilio a'u hethol fel Is-Gadeiryddion ar gyfer y flwyddyn i ddod.

### 4. Adroddiad Cynnyrch a Datganiad Ariannol Blynyddol 2016/17 (Cofnod Rhif 7)

Ystyriodd y Cabinet adroddiad ar ran y Corff Atebol:-

1. Rhoi manylion i'r Cyd-Gabinet Prifddinas-Ranbarth Caerdydd (Cyd-Gabinet) am yr alldro terfynol yn erbyn ei gyllideb ar gyfer rhan o'r flwyddyn 2016/17, sef y cyfnod rhwng 1 Mawrth – 31 Mawrth 2017.
2. Cyflwyno i'r Cyd-Gabinet Ffurflen Flynyddol y Cyrff Llai heb ei harchwilio (Ffurflen Flynyddol) ar gyfer y flwyddyn a ddaeth i ben 31 Mawrth 2017, i'w hystyried a'i chymeradwyo, yn unol â'r dyddiad cau statudol, sef 30 Mehefin 2017.
3. Yn amodol ar y Cyd-Gabinet yn cymeradwyo'r Ffurflen Flynyddol, caiff y ffurflen ei chyflwyno i Archwilydd Cyffredinol Cymru, er mwyn galluogi Swyddfa Archwilio Cymru (SAC) i gynnal ei harchwiliad allanol o'r ffurflen.

**PENDERFYNWYD:** y dylai Cyd-gabinet Prifddinas-Ranbarth Caerdydd:

- a) Nodi'r alldro terfynol ar gyfer y flwyddyn ariannol a ddaeth i ben 31 Mawrth 2017 a lefel y gwarged ar gael i gefnogi cyllideb y Cyd-Gabinet ar gyfer 2017/18;
- b) Ystyried a chymeradwyo Ffurflen Flynyddol y Cyrff Llai heb ei harchwilio ar gyfer y flwyddyn a ddaeth i ben 31 Mawrth 2017, wedi'i hatodi fel Atodiad A, ac;

- c) Awdurdodi'r Cadeirydd i lofnodi'r Ffurflen Flynyddol ar ran y Cyd-Gabinet ac awdurdodi'r Corff Atebol i gyflwyno'r Ffurflen Flynyddol i Swyddfa Archwilio Cymru.

**5. Derbyn a chymeradwyo cofnodion y Cabinet Rhanbarthol yn ei gyfarfodydd ar :-**

- a) 17 Mawrth 2017  
b) 02 Mai 2017

Gofynnodd y Cyng. Morgan i gydweithwyr a oedd ganddynt unrhyw ddiwygiadau i'w gwneud i'r cofnodion drafft o'r ddau gyfarfod diwethaf a ddisbarthwyd. Tynnodd Sheila Davies sylw Aelodau at ddiwygiadau i ddwy frawddeg yng Nghofnod Rhif 5 o gofnodion 02 Mai 2017, gan fod angen addasiadau bach iddynt. Cytunwyd ar y diwygiadau yn dilyn hynny ac yna cadarnhawyd dwy gyfres o gofnodion fel rhai cywir o'r ddau gyfarfod.

**6. Dyddiad y cyfarfod nesaf**

Gofynnodd y Cyngorydd Morgan i gydweithwyr a oeddent yn dymuno parhau i gwrdd ar ddydd Gwener, neu newid i ddiwrnod arall. Awgrymwyd boreau Llun hefyd. Nodwyd bod y ddau ddiwrnod yn effeithio ar wahanol Aelodau am wahanol resymau, ond cytunwyd y byddai'r dyddiadau drafft yn cael eu dosbarthu i Aelodau gytuno arnynt yn y cyfarfod ffurfiol nesaf. Yn dilyn hynny, byddai calendr o gyfarfodydd ar gyfer y 6 i 12 mis nesaf ar gael ar y wefan er mwyn hysbysu'r cyhoedd a phartneriaid am amserlen o gyfarfodydd cyhoeddus.

**7. Unrhyw fater arall**

- i) Cyfeiriodd y Cyng. David at adroddiad Tasglu'r Cymoedd, a oedd ar fin cael ei gyhoeddi, a chynhaliwyd trafodaeth yn ymwneud ag ymgysylltu ac ymgynghori â'r grŵp o'r corff hwn o ran gwaith partneriaeth rhanbarthol. Awgrymwyd y dylid gwahodd Maureen Howell i gyfarfod anffurfiol yn y dyfodol i ddiweddarau'r Aelodau ar waith y Tasglu.
- ii) Awgrymwyd y dylid gwneud cysylltiadau ffurfiol â chydweithwyr sy'n ymgymryd â Bargen Ddinesig Abertawe fel ffordd o fynd i'r afael â phrosiectau o arwyddocâd mwy cenedlaethol ar draws De Cymru, gan ddefnyddio enghreifftiau ymhlith dinasoedd Lloegr sy'n gwneud gwaith tebyg. Gallai hyn gynnwys cwrdd â chydweithwyr o Lywodraeth Cymru a'r DU.
- iii) Nodwyd bod Will Godfrey wedi trefnu cyfarfod cychwynnol â Llywodraeth Cymru ynghylch ardrethi busnes yr wythnos nesaf. Gofynnodd Aelodau i Will siarad â nhw yn benodol am dwf a materion cadw ardrethi busnes a rhoi adborth mewn cyfarfod anffurfiol diweddarach, yn ogystal â chysylltu â'r Prif Swyddog yn Abertawe fel cymhariaeth.

Diolchodd y Cyng. Morgan ei gydweithwyr am fod yn bresennol a daethpwyd â'r cyfarfod i ben.

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# CARDIFF CAPITAL REGION JOINT CABINET

## REGIONAL CABINET MEETING

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### REGIONAL ECONOMIC GROWTH PARTNERSHIP

### REPORT OF COUNCILLOR HUW THOMAS

### AGENDA ITEM: 4

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#### Reason for this Report

1. To approve the composition of the Regional Economic Growth Partnership.
2. To delegate authority to officers to establish the Regional Economic Growth Partnership and to undertake the recruitment process.
3. To agree funding for the Regional Economic Growth Partnership.

#### Background

4. A report was tabled to the Shadow Cabinet on 21<sup>st</sup> October outlining a proposed approach for the development of the Regional Economic Growth Partnership (REGP). The report recommended that the Cardiff Capital Region Shadow Joint Cabinet approve that officers are instructed to develop detailed proposals for the REGP.
5. Subsequently a further discussion was held at the Shadow Cabinet meeting of the 23<sup>rd</sup> February where a proposal was outlined to appoint external support as an interim body to further establish and approve principles for the REGP based on consultation with key stakeholders in the city-region.
6. Following this approval was provided on 30<sup>th</sup> March by Chief Executives for Centre for Cities to be appointed to lead this process.

#### Issues

7. Following appointment, the Centre for Cities began a consultation process that included representatives of local government, Welsh Government, business, higher education, third sector groups and employee groups.
8. A proposal for the establishment of the REGP was produced and has been attached as Appendix 1.
9. The document proposes that "The Partnership will directly advise the Joint Cabinet, who should be formally obliged to consider this advice. Whether the Cabinet chooses to act or not to act in accordance with the

REGP’s guidance they should clearly and publicly state why they have chosen to do so.”

10. In summary the proposal suggests that the REGP should adopt the following roles:

- Reviewing and commenting on the Regional Economic Strategy
- Providing review and challenge to investment decisions
- Providing an advocacy role
- Promoting the uptake of external funding sources
- Providing advice on proposed interventions
- Acting as a named consultee for the Cardiff Capital Region Cabinet

11. The Board will consist of a Chair and between 6 and 12 members. Collectively, the Board’s membership should cover the following areas:

**Proposed Board Composition**

<b>Stakeholder group</b>		<b>Suggested number of reps on board</b>
<b>Private sector business</b>	<i>Representing businesses of all sectors and sizes</i>	5
<b>Employee bodies</b>	<i>Representing employees in all sectors and types of company</i>	1
<b>Local government</b>	<i>Representatives from the Joint Cabinet</i>	2
<b>Education and skills</b>	<i>Representing higher and further education, skills and training</i>	2
<b>Third sector</b>	<i>Representing social enterprise, community development, charities and voluntary sector</i>	1

12. The final number will be dependent upon the appointment process, as it is suggested that the final composition will need to ensure the collective skill-set and experience of the Board covers a collective selection criteria. The REGP’s business representatives may also be members of the Regional Business Organisation, but this is not required.

13. It is proposed that Chair should be appointed on a two year fixed term basis with the maximum number of terms limited to two. The time commitment is assumed to be an average of one day per week, but this will be linked with specific requirements of the REGP and may be flexible. The proposed annual cost for supporting the Chair, and other associated REGP costs, is £30,000. This is based on a review of UK

LEPs, Growth Partnerships and TFL. The remuneration of the Chair will be negotiated but will be limited by the resource allocated to the REGP.

14. The Chair will be responsible for:
  - Leading the Partnership, ensuring it fulfils its responsibilities
  - Chairing meetings of the REGP Board, collating views expressed by each stakeholder group and where necessary arriving at a consensus
  - Communicating and representing the recommendations of the Partnership to the Cardiff Capital Region Cabinet
  - Being a figurehead and champion of the city region both nationally and internationally, on behalf of the Partnership and the Joint Committee
15. The Chair will be appointed on Nolan principles, including an open advert. The process will be overseen by the Regional Cabinet and the final decision on who to appoint should be theirs. A draft Job Advert is included in Appendix 1.
16. The appointment process of the board will follow a similar process, will be conducted by officers (see recommendation B) and the REGP Chair (one appointed) and recommendation made to the Regional Cabinet, for approval, of the most suitable candidates to appoint.
17. Additional support for the REGP would also be provided by the City Deal Programme Office.
18. Further details can be seen in Appendix 1 attached.

### **Next Steps**

19. The next steps would involve advertising the role for Chair. This process would be:
  - Regional Cabinet to approve proposed recruitment process as based on the process outlined in Appendix 1 and as further specified in the body of this report.
  - Finalise advertisement.
  - Advertise position for 2 weeks
  - Appointment Panel to meet to undertake shortlisting assessment
  - Appointment Panel to meet to undertake interviews of shortlisted candidates and to agree a preferred candidate
  - Report submitted to Regional Cabinet to approve the appointment of the preferred candidate as Chair of the REGP and to confirm the start date of 2-year fixed term of office
20. The Chief Executive in consultation with the Chair of the Regional Cabinet and the political lead for the Regional Economic Growth Partnership will agree an appointment panel (referred to in the above

paragraph) comprising of up to five Leaders within the city-region, and appropriate officials.

21. It is anticipated that this process will take approximately 6 weeks to undertake following approval.
22. A similar process will then be undertaken for the appointment of the REGP board with a report being submitted to the Regional Cabinet to approve the appointment of the proposed Board Members, identified through the appointment process. .

### **Reasons for Recommendations**

23. To enable the establishment of the Regional Economic Growth Partnership based on the principles outlined.
24. To enable the recruitment process to begin.
25. To approve funding for the Regional Economic Growth Partnership

### **Financial Implications**

26. The Regional Cabinet approved budget for 2017/18 includes £331,297 to fund expenditure associated with a range of Regional Bodies set-up to support the work of Joint Cabinet. Within that sum, a budget has been allocated in respect of the Economic Growth Partnership which can accommodate the up to £30,000 funding request outlined in this report. As the post is to be advertised for a fixed period of 2 years, a similar sum will need to be committed against the 2018/19 budget.

### **Legal Implications**

27. The Joint Working Agreement dated 1st March 2017 ('JWA'), served to establish the Regional Cabinet and set out its terms of reference. The JWA provides (clause 10.19) that the Regional Cabinet shall establish, as soon as is reasonably practicable, the Regional Economic Growth Partnership ('REGP'). The JWA further provides that it is a matter for the Regional Cabinet to establish the membership, rules of procedure or terms of reference for any group it establishes and to clarify the group's respective role and scope of delegation (if any). In this case it is understood that the Regional Cabinet will not be delegating any of its functions to the REGP. The REGP will act as a consultative and advisory body to the Regional Cabinet. It is important to note that the decision to create the REGP, as a consultative and advisory body, will give rise to the legitimate expectation that the Regional Cabinet will take into consideration the views of the REGP when making decisions.
28. The Regional cabinet will need to be satisfied that it can meet all the costs of the REGP from its Annual Budget
29. Legal advice should be sort on the proposed terms and conditions of those appointed to the REGP Board.
30. In considering this matter regard should be had, amongst other matters, to:



(i) The Councils' duties under the Well –being of Future Generations (Wales) Act 2015 and;

(ii) Public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: a. Age; b. Gender reassignment; c. Sex; d. Race – including ethnic or national origin, colour or nationality; e. Disability; f. Pregnancy and maternity; g. Marriage and civil partnership; h. Sexual orientation; i. Religion or belief – including lack of belief.

## **RECOMMENDATIONS**

It is recommended that the Cardiff Capital Region Joint Cabinet:

- a) Approves the proposal attached as Appendix 1 outlining the principles and composition of the Regional Economic Growth Partnership ('REGP').
- b) Delegates authority to the Chief Executive of Cardiff Council, in consultation with the City Deal Programme Director and the Accountable Body (i) to undertake the recruitment exercise for the appointment of the Chair and the Board members of the REGP and (ii) to report back to Cabinet with recommendations as to the most suitable candidates to appoint, for Cabinet's approval.
- c) Delegates authority to the Chief Executive of Cardiff Council, in consultation with the Chair of the Cardiff Capital Region Cabinet and the lead member for the Regional Economic Growth Partnership, to select the appointment panel referred to in this report
- d) For this and the next financial year, allocate funding of up to £30,000 per annum to support the establishment of the Regional Economic Growth Partnership, with on going financial support for the REGP being considered by the Regional Cabinet when setting its Annual Budget.
- e) Delegates authority to the Chief Executive to determine the remuneration package for the Chair in consultation with the Chair of the Regional Cabinet and the lead member for the Regional Economic Growth Partnership.

**Councillor Huw Thomas**  
**Leader, Cardiff Council**  
**10<sup>th</sup> July 2017**

*The following Appendix is attached:*

Appendix 1 – REGP proposal

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## APPENDIX 1 – REGP PROPOSAL



### Cardiff Capital Region City Deal

# Cardiff Capital Region Economic Growth Partnership Proposal

This document sets out the proposed approach to establishing the Regional Economic Growth Partnership (REGP), its remit and position within the Capital Region structure. The proposals are based on a series of conversations between Centre for Cities and key stakeholders across the region, including business, employee bodies, local government, education and skills and the voluntary sector. They are also based on Centre for Cities' experience working with other city regions across the UK and their body of research looking at urban economies.

There is a high level of interest in the Partnership from all stakeholders and keenness to be engaged in its establishment and represented on the Board. There is agreement for the need for an Economic Growth Partnership.

However, there is concern the REGP will become 'a talking shop' whose guidance is not seriously considered. To be credible the Partnership must be shown to be effective and beneficial to the region.

#### **1. The role and remit of the REGP**

The Partnership will directly advise the Joint Cabinet, who should be formally obliged to consider this advice. Whether the Cabinet chooses to act or not to act in accordance with the REGP's guidance, they should clearly and publicly state why they have chosen to do so.

It is important the Partnership does not have a political agenda and its membership must be diverse. The Board must be outward-looking and well-connected beyond the city region, and beyond Wales. This will enable it to bring expertise, and investment, into the region, and to draw on the experience and resources of other places.

## **Role description of the REGP**

The REGP will be responsible for:

- Reviewing and commenting on the Regional Economic Vision and Strategy of the Cardiff Capital Region
- Providing review and challenge to City Deal Investment Fund decisions
- Providing an advocacy role, promoting the Region as a prime investor and visitor location and working with partners to increase the value and quality of inward investment
- Promoting the uptake of external funding sources across the city-region
- Providing advice on proposed interventions from other stakeholders including Welsh Government
- Supporting the co-ordination of city-region activities and alignment of overall city-region objectives
- Acting as an interface with the Capital Region Business Organisation
- Acting as a named consultee for the Cardiff Capital Region Cabinet
- Acting as an interface with other UK city deals and regional economic growth partnerships, working with these other cities to share experiences, expertise and resources
- Acting as a focal point for collating and sharing economic knowledge and intelligence in the region and co-ordinating the research needs of the Cardiff Capital Region Cabinet. The REGP will not produce research itself, but co-ordinate, collate and use research with support of the city-region's university sector.

### Proposed composition of the REGP Board

The Board will consist of a Chair and between 6 and 12 members. Collectively, the Board's membership should cover the following areas:

Stakeholder group		Number of representatives on Board
Private sector business	<i>Representing businesses of all sectors and sizes</i>	5
Employee bodies	<i>Representing employees in all sectors and types of company</i>	1
Local government	<i>Representatives from the Joint Cabinet</i>	2
Education and skills	<i>Representing higher and further education, skills and training</i>	2
Third sector	<i>Representing social enterprise, community development, charities and voluntary sector</i>	1

There must be a degree of flexibility in the number of members representing each group, to ensure the collective skill-set and experience of the Board is suitable. Some members may have experience working in multiple areas and can therefore represent more than one.

The Regional Business Organisation (RBO) will advise the REGP on issues related to economic growth, drawing on their wide representation of private sector business in the region. The REGP's business representatives may also be members of the RBO, but this is not required.

## 2. Selecting the REGP Board

### Selection process of Board members

The selection process must be open and transparent, accompanied by the selection criteria listed below. The appointment process should be overseen by the Joint Cabinet and the REGP Chair, if they have already been selected.

1. Advertise Board membership roles
  - Create an advert for the Board membership roles including the selection criteria and role description (given above)
  - Share advert publicly and openly to encourage a diverse range of applications
  - Make each stakeholder group aware of the roles available and ask each group to use their networks to promote the membership positions and encourage their preferred candidates to apply
  - Ask the Regional Business Organisation to encourage their preferred representative of private sector business to apply
2. Consideration of application process overseen by Joint Cabinet (or Joint Cabinet nominees for the process), and REGP Chair if appropriate
  - Assess each applicant against the selection criteria and role description, considering which roles they would be best suited to carry out
  - Keep in mind the collective set of skills and experience of the Board
  - Select a short list of the best applicants
  - Interview short list
3. Select most suitable candidates
  - Select a group of Board members who collectively have all the required skills and experience, and can therefore fulfil the remit of the Board

The two local government representatives will be selected separately, nominated by the Joint Cabinet.

## **Selection criteria of the Board membership**

Collectively, the Board should have the following knowledge, skills and experience:

- Understanding of the economy and politics of the city region and Wales
- Understanding of economic growth and policy beyond the region, and beyond Wales. The membership must have an outward-looking mind-set which draws on other regions' experiences.
- A wide network of contacts across the UK and internationally
- Experience of analysing and assessing commercial, technical and financial information in order to provide quality advice to public sector decision-makers
- Experience of providing evidence-based and impartial advice on projects and initiatives, particularly in relation to their viability and impact on economy and employment issues
- Experience of working on Inward Investment strategies and campaigns and willingness and ability to participate in Regional campaigns and in the nurturing of potential investment opportunities
- An understanding of the key growth sectors for the Region as identified by the Growth and Competitiveness Commission

In addition the Board must be as diverse – socially, sectorally and geographically – as possible given the criteria set out above.

### **3. The Chair of the REGP**

The Chair should be appointed on a two year fixed term basis with the maximum number of terms limited to two. The time commitment, whilst flexible, is assumed to be an average of 1 day a week, though the level of commitment will fluctuate across the term.

The proposed annual costs for the Chair and other REGP costs is £25,000 - £30,000. This is based on review of various remuneration packages of UK LEPS, Growth Partnerships and TFL. This will ensure the role is competitively remunerated, at a level which reflects the significance of the role.

#### **Role description of the REGP Chair**

The Chair will be responsible for:

- Leading the Partnership, ensuring it fulfils its responsibilities
- Chairing meetings of the REGP Board, collating views expressed by each stakeholder group and where necessary arriving at a consensus
- Communicating and representing the recommendations of the Partnership to the Cardiff Capital Region Cabinet
- Being a figurehead and champion of the city region both nationally and internationally, on behalf of the Partnership and the Joint Committee

If the Chair is selected prior to the Board then the role will also include selecting the REGP Board and ensuring it has the appropriate skills and experience to fulfil its remit.

#### **Selection process for the Chair**

This selection process must also be open and transparent, based on the role description (above) and selection criteria (below). The process should be overseen by the Joint Cabinet and the final decision on who to appoint should be theirs.

Similarly to the Board selection process, stakeholders will be invited to encourage their preferred candidates to apply for the role. But to ensure the process is fair, and accessible to a diverse range of applicants, it must be open.



## **Selection criteria of the Chair**

The Chair should have the following skills and attributes:

- An understanding of economic growth, and related policies, both in and beyond the region, and beyond Wales
- Ability to think strategically
- Politically astute, and able to make sense of the full context in which the REGP operates
- High level listening skills, ensuring that all internal and external stakeholders have their say and feel their views have been considered
- Ability to represent a range of viewpoints and to build a consensus
- Ability to access, build and maintain strong and effective networks and working relationships across sectors, at senior leadership level
- Strong communication and presentation skills
- Excellent advocacy skills

The Chair should have the following background and experience:

- Be a current member of the private sector business community
- Experience of working in, or with the private, public and civic sectors
- Experience of chairing organisations comprising senior stakeholders of differing views
- Extensive senior leadership experience
- Have a wide network of public, private and government contacts which extends the region and beyond Wales
- Experience of representing an organisation at a local and national level, including dealing with media attention

#### 4. Resources

The Partnership's resources will be derived from the City Deal. It is vital the REGP is adequately resourced, at a level which matches the remit given to the Board and Chair. Otherwise expectations will not be met and the Partnership will lose credibility.

The proposed resources for the Partnership are the following:

- £25,000 - £30,000 costs for the Chair and other REGP costs, as stated above.
- Administrative support for the Partnership and executive assistance to the Chair. This will be provided by the support officer in the Programme Management Office.
- Advisory support to enable the Chair, and REGP, to progress their agenda. Options for the provision of this advice need to be further explored. One possibility is for this support to come from one, or multiple, universities on a pro bono or matched funding basis.
- A broader support network providing strategic, research, policy and media (etc.) support to the Chair and Partnership. This will be provided by the Programme Office, once fully established.



## Cardiff Capital Region City Deal

# Advertisement for Chair of the Regional Economic Growth Partnership

As part of the City Deal, the Cardiff Capital Region is seeking an individual to Chair the Regional Economic Growth Partnership (REGP), which is currently being established.

The REGP will directly advise the Joint Cabinet and will be responsible for reviewing the Regional Economic Vision and Strategy and City Deal Investment Fund decisions. It will also have an advocacy role, promoting the Region as a prime investor and visitor location.

### Role description

The Chair will be responsible for:

- Leading the REGP, ensuring it fulfils its responsibilities
- Chairing meetings of the REGP Board, collating views expressed by each stakeholder group and where necessary arriving at a consensus
- Communicating and representing the recommendations of the REGP to the Cardiff Capital Region Cabinet
- Being a figurehead and champion of the city region both nationally and internationally, on behalf of the REGP and the Joint Committee

If the Chair is selected prior to the Board then the role will also include selecting the REGP Board and ensuring it has the appropriate skills and experience to fulfil its remit.

### Terms of appointment

The Chair will be appointed on a two year fixed term basis with the maximum number of terms limited to two. The time commitment, whilst flexible, is average 1 day a week, though the level of commitment will fluctuate across the term.

The role will be competitively remunerated.

### **Required skills and attributes**

The Chair should have the following skills and attributes:

- An understanding of economic growth, and related policies, both in and beyond the region, and beyond Wales
- Ability to think strategically
- Politically astute, and able to make sense of the full context in which the REGP operates
- High level listening skills, ensuring that all internal and external stakeholders have their say and feel their views have been considered
- Ability to represent a range of viewpoints and to build a consensus
- Ability to access, build and maintain strong and effective networks and working relationships across sectors, at senior leadership level
- Strong communication and presentation skills
- Excellent advocacy skills

### **Required background and experience**

The Chair should have the following background and experience:

- Be a current member of the private sector business community
- Experience of working in, or with the private, public and civic sectors
- Experience of chairing organisations comprising senior stakeholders of differing views
- Extensive senior leadership experience
- Have a wide network of public, private and government contacts which extends the region and beyond Wales
- Experience of representing an organisation at a local and national level, including dealing with media attention

# CARDIFF CAPITAL REGION CABINET CABINET MEETING 14<sup>th</sup> JULY 2017

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## CARDIFF CAPITAL REGION COMPOUND SEMICONDUCTOR PROJECT – SPECIAL PURPOSE VEHICLE

### REPORT OF CARDIFF CAPITAL REGION PROGRAMME DIRECTOR

#### AGENDA ITEM: 5

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**Appendices 1A, 1B, 2A, 2B, 3 and 4 of this report are not for publication as they contain exempt information of the kind described in paragraphs 14, 16 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972**

#### Reason for this Report

1. To seek approval of the Regional Cabinet to establish a Special Purpose Vehicle (SPV) to deliver the Compound Semiconductor Project (CSC Project).
2. To consider and agree the required details necessary to establish the SPV including such matters as scope, objectives, name, shareholder arrangements and composition of the Board.

#### Background

3. At its meeting on 2<sup>nd</sup> May 2017 the Regional Cabinet resolved that subject to:
  - (i) Compliance with the conditions contained in the external specialist advice contained in the confidential appendices to the main report,
  - (ii) Reaching agreement as to the Heads of Terms referred to in Paragraphs a) and c) below,
  - (iii) The matters referred to in Paragraph 10.3 of the confidential Appendix 6(a) (The Compound Semiconductor Project Proposal) being resolved.

To support the development of a Compound Semiconductor Industry Cluster in the region by establishing an anchor space in the region for high end production and manufacturing by:

- a) Entering initially into a Heads of Terms agreement with Welsh Government and subsequently the transfer for the purchase of a specific facility;
- b) In accordance with section 2.4 of the JWA, commit £38.4m of the HMT Contribution to the Wider Investment Fund for landlord works to the facility referred to in Paragraph a), building fit-out, ancillary works and associated management and supervision costs;

- c) Entering initially into a Heads of Terms agreement for an eleven-year lease, and subsequently granting a lease (of the facility referred to in Paragraph a) to the proposed lessee, with an in-built stair-cased rental profile and flexible Option to Purchase;
- d) To allow the head lessee, to enter into a sub-lease arrangement; and
- e) To make a direct award for the development and fit-out of the facility.

It was further resolved:

- f) In principle to establish a Special Purpose Vehicle to implement the proposal, the detailed arrangements of which will be the subject of a further report to the Regional Cabinet for approval;
- g) Prior to a Special Purpose Vehicle being established, to agree that for the purposes of continuity, Monmouthshire County Council continues to act as lead Authority to progress this matter.

4. It was also noted in the meeting:

‘as regards one of the matters referred to Paragraph 10.3 of the confidential Appendix 6(a) (The Compound Semiconductor Project Proposal), Rhondda Cynon Taf County Borough Council (RCT) has agreed, in principle, to provide bridging finance for cash flow purposes as set out in Paragraph 31 of the report, through the most viable and cost effective mechanism and in the best interest of RCT and the wider City Deal constituent Councils at that time and in line with RCT’s Treasury Management Strategy.’

- 5. Since the decision of the Regional Cabinet on 2<sup>nd</sup> May, in accordance with resolution g), Monmouthshire County Council officers have worked to progress the resolution of the outstanding matters.
- 6. This work included commissioning external advice to ensure the most appropriate means of delivering the project is used and, in accordance with resolution f), details related to the establishment of an SPV to implement the Compound Semiconductor Project.
- 7. It should be noted that legal advice by Pinsent Masons, contained in exempt Appendix 2 of report of 2<sup>nd</sup> May states an SPV can be established within the parameters of the Joint Working Agreement.

**Issues**

Delivery Options for the Compound Semiconductor Project

- 8. In accordance with resolution f), of the 2<sup>nd</sup> May meeting, expert external advice has been commissioned to assess the options available to deliver the CSC Project in the most cost effective, efficient and timely manner, with a particular focus on the matters associated with establishing an SPV.
- 9. The options appraisal report is contained in exempt **Appendix 1B** and, in 5.1 of that report, recommends that the Regional Cabinet establish an SPV as a Company at the outset with a view to exploring the opportunity to establishing an alternative LLP vehicle to which the CSC Project can be novated.

10. In 5.2 of the specialist advisors' options appraisal it is confirmed "the establishment of the SPV and entry into the project documentation for the CSC Project is consistent with the requirements of the Joint Working Agreement (JWA) and the Welsh Government funding conditions".

#### Shareholders' Agreement

11. To enable the completion of the Shareholders' Agreement specific details need to be confirmed:
  - The scope of the SPV's activity;
  - The name of the Company;
  - Shareholders and the Company Board;
  - The Annual Business Plan for the Company;
  - Liability; and
  - Finance.
12. An overview of these details and the role of the Lead Authority are contained in exempt **Appendix 2A** with the proposed Shareholder Agreement contained in exempt **Appendix 2B**.
13. The proposed Annual Business Plan for the Company is attached as **Appendix 4** for approval by the Regional Cabinet.
14. It is proposed that Monmouthshire County Council continue to act as the Lead Authority, on behalf of the Regional Cabinet.

#### **Financial Implications**

15. The attached report seeks approval of Regional Cabinet to establish a Special Purpose Vehicle (SPV) to deliver the Compound Semiconductor Project (CSC) following the in principal approval to establish an SPV by Regional Cabinet at its meeting of the 2<sup>nd</sup> May 2017.
16. A total budget of £38.4 million was approved in respect of the CSC project, consisting of £37.9 million for project investment and £0.5 million for SPV set-up costs, preparation of project documentation and SPV running costs for the first two years of operation.
17. The project is to be funded from the £50 million HMT monies approved in respect of 'Initial Project Investments', ahead of the full JWA Business Plan being approved.
18. Further work has been undertaken to refine the individual cost headings making-up the £0.5 million SPV budget. This has identified additional cost pressures in respect of advisor related support and the report seeks approval to increase the budget by a £100k to £0.6 million. It should be noted that any increase approved for this project will result in a corresponding reduction in the amount available from the Wider Investment Fund (WIF) to fund other projects and priorities contained within the JWA Business Plan, once approved.

19. As matters contained within the exempt appendices are confidential and commercially sensitive, an additional set of Confidential Financial Implications have been set-out at **Appendix 3** and should be considered in conjunction with the financial advice above.

### **Legal Implications**

20. The legal implications in respect of the Compound Semiconductor Project contain exempt information of the kind described in paragraphs 14, 16 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972 and is therefore contained in exempt **Appendix 1A**.

### **Equalities Impact Statement**

21. To follow.

### **Reasons for Recommendations**

22. To approve the creation of a Special Purpose Vehicle – Company Limited by Shares; the associated Shareholders’ Agreement and the make-up, composition and operation of the corporate legal entity. To endorse the proposed structure of the company in relation to achieving the most beneficial and efficient outcome on all taxation matters.
23. To approve a Lead Authority to enter into a direct payment agreement with Welsh Government and undertake duties to progress the CSC Project.

### **RECOMMENDATIONS**

It is recommended that, further to its decision of 2<sup>nd</sup> May 2017, the Cardiff Capital Region Cabinet:

- a) Establish a Special Purpose Vehicle Company Limited by Shares as detailed in the SPV Options Appraisal report contained in **Appendix 1B**;
- b) Agree to name the Special Purpose Vehicle Company ‘**CSC Foundry Ltd**’ – ‘**LDC Ffowndri Cyn**’<sup>1</sup>.
- c) Approve the Shareholders’ Agreement related to ‘CSC Foundry Ltd’, as detailed in **Appendix 2B**;
- d) Request each authority appoint a Director to sit on the ‘CSC Foundry Ltd’ Company Board;
- e) Agree that for the purposes of the CSC Project the Lead Authority continues to be Monmouthshire County Council, and delegate to the Chief Executive Officer of that Authority, in consultation with the Regional Cabinet Chair and Programme Director, the power:
  - i. Deal with all matters pending formation of the SPV; and
  - ii. Thereafter all matters that fall to the Lead Authority as set out in the Shareholders’ Agreement and any matters that are required to facilitate the CSC Project and fall outside the remit of the SPV provided the delegation is executed within the remit of the financial commitment approved.

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<sup>1</sup> ‘Lled-Ddargludyddion Cyfansawdd Ffowndri Cyfngedig’



- f) Agree that the Lead Authority enter into a direct payment guarantee with the Welsh Government as detailed in 8.9 of the Shareholders' Agreement related to 'CSC Foundry Ltd'; and
- g) That the CCR Programme Director, in consultation with the Lead Authority, SPV and Accountable Body, report to Regional Cabinet, at the appropriate time, for decisions on any changes to the roles and responsibilities of the Lead Authority and SPV.
- h) Approve the CSC Foundry Ltd Annual Business Plan as detailed in **Appendix 4**.

**Sheila Davies**  
**CCR Programme Director**  
**10<sup>th</sup> July 2017**

*The following exempt Appendices are attached:*

- Appendix 1A: Legal Implications provided by the Accountable Body (Confidential)
- Appendix 1B: CSC Project Special Purpose Vehicle Options Appraisal – Pinsent Masons (Confidential)
- Appendix 2A: Over-view of the Shareholders' Agreement & Role of Lead Authority
- Appendix 2B: Shareholders Agreement relating to CSC Foundry Limited – Pinsent Masons (Confidential)
- Appendix 3: Financial Implications provided by the Accountable Body (Confidential)
- Appendix 4: CSC Foundry Ltd Annual Business Plan

Background Documentation (exempt):

**(Note: All Background Documents will be issued to S151 and Monitoring Officers prior to the Regional Cabinet meeting to enable them to fully brief their respective Leaders)**

Cardiff Capital Region Cabinet Report of 2<sup>nd</sup> May 2017 and associated exempt Appendices; plus the exempt reports listed below:

<b>Ref #</b>	<b>Title</b>
CSC-D-0020	Heads of terms: WG sale of land
CSC-D-0021	Heads of terms: IQE Lease
CSC-D-0023	SPV Articles of Incorporation
CSC-D-0027	HMT A Loan Note Instrument
CSC-D-0028	Council Bridge A Loan Note Instrument

CSC-D-0029	HMT Security Agreement
CSC-D-0030	Council Bridge Security Agreement
CSC-D-0031	IQE Parent Company Guarantee
CSC-D-0032	Payment Guarantee from MCC to WG
CSC-D-0034	Sale and Transfer Agreement
CSC-D-0035	IQE Development Agreement for Lease
CSC-D-0036	IQE Lease agreement
CSC-D-0042	IQE Warranties
CSC-D-0047	Council Collateral warranties
CSC-D-0048	IQE Collateral Warranties
CSC-D-0055	KPMG Corporation Tax Advice
CSC-D-0056	KPMG Due Diligence on IQE Silicon Compounds, CMB & Atkins
CSC-D-0057	P&T Site Plan

# CARDIFF CAPITAL REGION CABINET CABINET MEETING 14<sup>th</sup> JULY 2017

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## CARDIFF CAPITAL REGION COMPOUND SEMICONDUCTOR PROJECT – UPDATE ON OUTSTANDING MATTERS

### REPORT OF CARDIFF CAPITAL REGION PROGRAMME DIRECTOR

#### AGENDA ITEM: 6

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**Appendices 1, 2, 3, 4, 5 and 6 of this report are not for publication as they contain exempt information of the kind described in paragraphs 14, 16 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972**

#### **Reason for this Report**

1. To provide an update on the Compound Semiconductor (CSC) Project, following receipt of approval by the Region Cabinet, on 2 May 2017, subject to specific issues being successfully resolved.
2. To note a change in the overall financial commitment required for the project.
3. To confirm that sufficient progress has been made on the outstanding issues to allow the CSC Project to proceed and for the funding to be released.

#### **Background**

4. At its meeting on 2<sup>nd</sup> May 2017 the Regional Cabinet resolved that subject to:
  - (i) Compliance with the conditions contained in the external specialist advice contained in the confidential appendices to the main report,
  - (ii) Reaching agreement as to the Heads of Terms referred to in Paragraphs a) and c) below,
  - (iii) The matters referred to in Paragraph 10.3 of the confidential Appendix 6(a) (The Compound Semiconductor Project Proposal) being resolved.

To support the development of a Compound Semiconductor Industry Cluster in the region by establishing an anchor space in the region for high end production and manufacturing by:

- a) Entering initially into a Heads of Terms agreement with Welsh Government and subsequently the transfer for the purchase of a specific facility;
- b) In accordance with section 2.4 of the JWA, commit £38.4m of the HMT Contribution to the Wider Investment Fund for landlord works to the facility referred to in Paragraph a), building fit-out, ancillary works and associated management and supervision costs;

- c) Entering initially into a Heads of Terms agreement for an eleven-year lease, and subsequently granting a lease (of the facility referred to in Paragraph a) to the proposed lessee, with an in-built stair-cased rental profile and flexible Option to Purchase;
- d) To allow the head lessee, to enter into a sub-lease arrangement; and
- e) To make a direct award for the development and fit-out of the facility.

It was further resolved:

- f) In principle to establish a Special Purpose Vehicle to implement the proposal, the detailed arrangements of which will be the subject of a further report to the Regional Cabinet for approval;
- g) Prior to a Special Purpose Vehicle being established, to agree that for the purposes of continuity, Monmouthshire County Council continues to act as lead Authority to progress this matter.

5. It was also noted in the meeting:

‘as regards one of the matters referred to Paragraph 10.3 of the confidential Appendix 6(a) (The Compound Semiconductor Project Proposal), Rhondda Cynon Taf County Borough Council (RCT) has agreed, in principle, to provide bridging finance for cash flow purposes as set out in Paragraph 31 of the report, through the most viable and cost effective mechanism and in the best interest of RCT and the wider City Deal constituent Councils at that time and in line with RCT’s Treasury Management Strategy.’

6. Since the decision of the Regional Cabinet on 2<sup>nd</sup> May, in accordance with resolution g), Monmouthshire County Council officers have worked to progress the resolution of the outstanding matters.

## Issues

- 7. The in-principle decision to establish a Special Purpose Vehicle to implement this project is the subject of a separated report. All other outstanding matters are covered in this report.
- 8. When considering the outstanding matters, it must be borne in mind, as detailed in the report of 2<sup>nd</sup> May, there are critical time constraints which apply to this project.
- 9. Specific matters requiring a fuller explanation are detailed in exempt **Appendix 1** while a full list of outstanding matters to be resolved are listed in exempt **Appendix 2** which also details the progress made to date.
- 10. It is considered that sufficient progress has been made on all matters referred to in 2<sup>nd</sup> May ‘subject to’ matters to allow the CSC Project to progress and for the funding to be released in the appropriate tranches determined by the Lead Authority and or SPV.

### Funding Profile

11. An estimated expenditure and funding profile for the CSC Project is attached in exempt **Appendix 3**.
12. The full estimated expenditure indicates the requirement to commit a total of £38.5m which is an increase of £100,000 over that agreed by the Regional Cabinet at its meeting on 2<sup>nd</sup> May 2017.
13. The reason for the change in required funding commitment relates to the additional detailed work undertaken to comply with resolution f) of the meeting on the 2<sup>nd</sup> May, which highlighted additional costs, over and above those estimated, related to the establishment and associated running costs of an SPV.

### **Financial Implications**

14. The attached report provides an update on progress made on the CSC project since its conditional approval by Regional Cabinet at its meeting of the 2<sup>nd</sup> May 2017. A total budget of £38.4 million was approved in respect of the CSC project, consisting of £37.9 million for project investment and £0.5 million for SPV set-up costs, preparation of project documentation and SPV running costs for the first two years of operation.
15. The project is to be funded from the £50 million HMT monies approved in respect of 'Initial Project Investments', ahead of the full JWA Business Plan being approved.
16. The investment was approved on the basis that it would be repaid in full over the term of the lease or earlier, if the tenant exercises its option to acquire the building. The repayment was based on recouping the initial due diligence costs incurred (£0.3 million), rental payments amounting to £33.1 million and the proceeds from the sale of the building. The amount realised from the latter would be dependent on whether the tenant exercised its option to acquire the building. As there is no legal obligation on the tenant to acquire the building, the funding model assumes that the building would be disposed-of on the open market, in which case a 'balancing payment' would be due from the tenant.
17. Further work has been undertaken to refine the individual cost headings making-up the £0.5 million SPV budget. This has identified additional cost pressures in respect of advisor related support and the report seeks approval to increase the budget by a £100k to £0.6 million. It should be noted that any increase approved for this project will result in a corresponding reduction in the amount available from the Wider Investment Fund (WIF) to fund other projects and priorities contained within the JWA Business Plan, once approved.
18. As matters contained within the exempt appendices are confidential and commercially sensitive, an additional set of Confidential Financial Implications have been set-out at **Appendix 4** and should be considered in conjunction with the financial advice above.

## Legal Implications

19. The legal implications in respect of the Compound Semiconductor Project contain exempt information of the kind described in paragraphs 14, 16 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972 and is therefore contained in exempt **Appendix 5**.

## Equalities Impact Statement

20. To follow.

## Reasons for Recommendations

21. To note the progress made on the outstanding matters as referred to in the report of 2<sup>nd</sup> May 2017 and detailed in this report and its appendices and confirm that sufficient progress has been made to allow the CSC Project to proceed.
22. To approve the release of funds into the CSC Project.

## RECOMMENDATIONS

It is recommended that, further to its decision of 2<sup>nd</sup> May 2017, the Cardiff Capital Region Cabinet:

- a) Agree the increase in the required project cost to £38.5m as detailed in **Appendix 3**;
- b) Agree that sufficient progress has been made on those matters to which the Regional Cabinet decision on CSC Project on 2<sup>nd</sup> May 2017, was subject to, and confirm that the CSC Project should proceed.
- c) Authorise the Accountable Body to release funding to the SPV, up to £38.5m, in tranches as requested by the SPV and in accordance with the financing and loan provisions detailed in sections 7 and 8 of the SPV Shareholders Agreement attached in **Appendix 6**.

**Sheila Davies**  
**CCR Programme Director**  
**10<sup>th</sup> July 2017**

*The following exempt Appendices are attached:*

Appendix 1: Specific Matters (Confidential)

Appendix 2: Outstanding Matters and Progress to Date (Confidential)

Appendix 3: CSC Project Expenditure and Funding Profile (Confidential)

Appendix 4: Financial Implications provided by the Accountable Body (Confidential)

Appendix 5: Legal Implications provided by the Accountable Body (Confidential)

Appendix 6: Shareholders' Agreement relating to CSC Foundry Limited (Confidential)

Background Documentation (exempt):

**(Note: All Background Documents will be issued to S151 and Monitoring Officers prior to the Regional Cabinet meeting to enable them to fully brief their respective Leaders)**

Cardiff Capital Region Cabinet Report of 2<sup>nd</sup> May 2017 and associated exempt Appendices; plus the exempt reports listed below:

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CSC-D-0023	SPV Articles of Incorporation
CSC-D-0027	HMT A Loan Note Instrument
CSC-D-0028	Council Bridge A Loan Note Instrument
CSC-D-0029	HMT Security Agreement
CSC-D-0030	Council Bridge Security Agreement
CSC-D-0031	IQE Parent Company Guarantee
CSC-D-0032	Payment Guarantee from MCC to WG
CSC-D-0034	Sale and Transfer Agreement
CSC-D-0035	IQE Development Agreement for Lease
CSC-D-0036	IQE Lease agreement
CSC-D-0042	IQE Warranties
CSC-D-0047	Council Collateral warranties
CSC-D-0048	IQE Collateral Warranties
CSC-D-0055	KPMG Corporation Tax Advice
CSC-D-0056	KPMG Due Diligence on IQE Silicon Compounds, CMB & Atkins
CSC-D-0057	P&T Site Plan

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