

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

Mae'r dudalen hon yn wag yn fwriadol

CARDIFF CAPITAL REGION JOINT CABINET REGIONAL CABINET MEETING

REGIONAL ECONOMIC GROWTH PARTNERSHIP

REPORT OF COUNCILLOR HUW THOMAS

AGENDA ITEM: 4

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 21st 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 23rd 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 30th 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

Stakeholder group		Suggested number of reps 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

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
10th July 2017

The following Appendix is attached:

Appendix 1 – REGP proposal

Mae'r dudalen hon yn wag yn fwriadol

APPENDIX to item 4 – 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 14th JULY 2017

CARDIFF CAPITAL REGION COMPOUND SEMICONDUCTOR PROJECT – SPECIAL PURPOSE VEHICLE

REPORT OF CARDIFF CAPITAL REGION PROGRAMME DIRECTOR

AGENDA ITEM: 5

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 2nd 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 2nd 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 2nd 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 2nd 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 2nd 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 2nd 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**’¹.
- 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.

¹ ‘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
10th 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 2nd May 2017 and associated exempt Appendices; plus the exempt reports listed below:

Ref #	Title
CSC-D-0020	Heads of terms: WG sale of land
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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 14th JULY 2017

CARDIFF CAPITAL REGION COMPOUND SEMICONDUCTOR PROJECT – UPDATE ON OUTSTANDING MATTERS

REPORT OF CARDIFF CAPITAL REGION PROGRAMME DIRECTOR

AGENDA ITEM: 6

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 2nd 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 2nd 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 2nd 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 2nd 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 2nd 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 2nd 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 2nd 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 2nd 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 2nd 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 2nd 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
10th 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)

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