

Pecyn Dogfennau Cyhoeddus



- 1 Cabinet Prifddinas Ranbarth Caerdydd - 9.30am ar 8 Hydref 2018, Ty Penallta, Caerffili, CF82 7PG.
<http://cardiffcapitalregioncitydeal.wales/ccr-meetings.html>

08th October 2018
09.30 a.m.
Ty Penallta, Caerphilly CF82 7PG

Agenda

1. Welcome and Apologies for Absence
To receive any apologies for absence
2. Declarations of Interest
To be made at the start of the Agenda Item in question, in accordance with the members Code of Conduct
3. Minutes of Regional Cabinet held on 24th September 2018
4. CSC Project – Progress Update, Annual Business Plan 2018-19 & Proposed Amendments to the Development Agreement for Lease

Appendices 1-10 of this report are exempt from publication because they contain information of the kind described in para 14 {Information relating to the financial or business affairs of any particular person (including the authority holding that information)} of Part IV and Para 21 (that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information) of Part V of schedule 12 A of the Local Government Act 1972

Appendix 8 contains information which is exempt from publication under paragraphs 16 (legal professional privilege) of Schedule 12 A part IV of the Local Government Act 1972 , Para 14 {Information relating to the financial or business affairs of any particular person (including the authority holding that information)} of Part IV and Para 21 (that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information) of Part V of schedule 12 A of the Local Government Act 1972

To receive the Report of Monmouthshire County Council as Lead Authority to CSC Foundry Ltd

Kellie Beirne
Cardiff Capital Region Programme Director
02nd October 2018

This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg

REGIONAL CABINET MEETING: 24 SEPTEMBER 2018

Regional Cabinet Members Present:

Cllr Nigel Daniels, Leader	-	Blaenau Gwent Council
Michelle Morris, Managing Director	-	Blaenau Gwent Council
Cllr Hywel Williams	-	Bridgend Council
Darren Mepham, Chief Exec	-	Bridgend Council
Cllr David Poole, Leader	-	Caerphilly Council
Christina Harray, Interim Chief Exec	-	Caerphilly Council
Paul Orders, Chief Exec	-	Cardiff Council
Cllr Kevin O'Neill, Leader	-	Merthyr Tydfil Council
Gareth Chapman, Chief Exec	-	Merthyr Tydfil Council
Cllr Peter Fox, Leader	-	Monmouthshire Council
Paul Matthews, Chief Exec	-	Monmouthshire Council
Will Godfrey, Chief Exec	-	Newport Council
Cllr Andrew Morgan, Leader (Chair)	-	Rhondda Cynon Taf Council
Chris Bradshaw, Chief Exec	-	Rhondda Cynon Taf Council
Cllr Richard Clark	-	Torfaen Council
Alison Ward, Chief Exec	-	Torfaen Council
Cllr John Thomas, Leader	-	Vale of Glamorgan Council
Rob Thomas, Chief Exec	-	Vale of Glamorgan Council

Officers:

Christine Salter	-	Accountable Body
Liz Weale	-	Accountable Body
Hrjinder Singh	-	Accountable Body
David Marr	-	Cardiff Council
Alistair Milburn	-	Effective Communications
Kellie Beirne	-	City Deal PMO
Matt Swindell	-	City Deal PMO
Phil Pugh	-	Wales Audit Office

Apologies:

Cllr Huw David, Leader	-	Bridgend Council
Cllr Huw Thomas, Leader	-	Cardiff Council
Cllr Debbie Wilcox, Leader	-	Newport Council
Cllr Anthony Hunt, Leader	-	Torfaen Council

1. Welcome and Apologies for Absence

Cllr Morgan welcomed colleagues to the meeting and apologies for absence were noted.

2. Declarations of Interest

Cllr Morgan asked that all Members declare any relevant interest at the start of the agenda item in question, in accordance with the Members Code of Conduct.

3. Draft Minutes of Regional Cabinet held on 18th June 2018

The draft minutes of the meeting held on the 18th June 2018 were accepted as an accurate record.

4. 2018-19 Annual Business Plan - Quarter 1 Performance Report (Minute No.35)

The Regional Cabinet considered a report on behalf of the City Deal Programme Director regarding the 2018-19 Annual Business Plan - Quarter 1 Performance for consideration and approval.

RESOLVED: it was agreed that Regional Cabinet:

- a) Noted the overall progress at Quarter 1 against the 2018/19 Annual Business Plan, associated work programmes, partnership activity and plans;
- b) Noted the actual expenditure and projected full year out-turn as at Quarter 1 against the approved Wider Investment Fund budgets as set out in the Annual Business Plan for the financial year 2018/19;
- c) Authorised the Programme Director of the Cardiff Capital Region City Deal to formally submit relevant sections of the Quarter 1 Performance report, including supporting information to both UK and Welsh Governments, and other stakeholders as required, on behalf of the Regional Cabinet; and
- d) Noted that the format and structure of this report will change in future, given the need for wider adjustments to the work programme and the emergence of a project pipeline and new ways of working.

5. 2018/19 Month 4 Joint Committee Revenue Budget Monitoring Position (Minute No.36)

The Regional Cabinet considered a report on behalf of the Section 151 Officer for the Cardiff Capital Region City Deal Joint Committee regarding the 2018/19 Month 4 Joint Committee Revenue Budget Monitoring Position for consideration and approval.

RESOLVED: it was agreed that Regional Cabinet noted the actual expenditure, income and projected full year out-turn position as at the 31st July 2018 (Month 04), against its approved 2018/19 Revenue Budget.

6. Update on Audit of 2017/18 Statement of Accounts (Minute No.37)

The Regional Cabinet considered an update report on behalf of the Section 151 Officer for the Cardiff Capital Region City Deal Joint Committee regarding the Audit of 2017/18 Statement of Accounts for consideration and approval.

Cllr Morgan declared a personal interest (though not prejudicial) through personal knowledge of Phil Pugh's family.

RESOLVED: it was agreed that Regional Cabinet:

- a) Noted the update provided on the external audit work completed to date and details of the matters that remain outstanding at this time;
- b) Authorised the Accountable Body to publish the unaudited 2017/18 Statement of Accounts in the form previously approved by Regional Cabinet on 18th June 2018, along with an appropriate explanation by 30th September 2018;
- c) Noted that a further report will be brought back to Regional Cabinet, anticipated to be in October, once the external audit is complete and the final audit report is issued.

7. Independent Evaluation of Local Growth Interventions & National Evaluation Framework – Cardiff Capital Region (Minute No.38)

The Regional Cabinet considered a report on behalf of the City Deal Programme Director regarding the Independent Evaluation of Local Growth Interventions & National Evaluation Framework for consideration and approval.

RESOLVED: it was agreed that Regional Cabinet:

- a. Noted the National Evaluation Framework as developed by the National Evaluation Panel for the purpose of evaluating the impact of CCR interventions on local economic growth;
- b. Noted the wider evaluation plan, including key milestones and timescale for the CCR evaluation process and in particular to note the agreed 'logic model' for the CSC Foundry project and the need for this to be shared with and understood by key stakeholders;
- c. Noted the resource and potential cost implications of this work over the medium term and which will be reported back to Regional Cabinet as the locality work is developed; and
- d. Agreed and endorsed the need to create data analytics capability and resource within the process and professional marketing materials to promote the investment in the CSC Project, ring-fencing a sum of up to £30,000 within the Wider Investment Fund's Programme Development and Support budget.

8. Expression of Interest into Strength in Places Fund for CS Connected (Minute No.39)

Appendix 1 to this report is exempt from publication because it contains information of the kind described in Paragraph 14 of Part 4 and Paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972.

The Regional Cabinet considered a report on behalf of the City Deal Programme Director regarding Expression of Interest into Strength in Places Fund for CS Connected for consideration and approval.

RESOLVED: it was agreed that Regional Cabinet:

- (i) Noted and endorsed the Expression of interest ('EOI') application submitted to the Strength in Places Fund on 25 July 2018, as detailed in this report.
- (ii) Approved up to £30,000 from the CCRCD Wider Investment Fund's Programme Development & Support budget to meet the costs associated with the part-time secondment outlined in this report; noting that Monmouthshire County Council as lead for the Innovation Portfolio will host the secondment;
- (iii) Agreed that if the EOI is successful and Strength in Places Funding is awarded to develop the proposal ('the Detailed Proposal') that:
 - (a) CCRCD, (with the partners to the bid and within the limits of the funding awarded), undertakes the work required to develop the Detailed Proposal; and
 - (b) a further report (with supporting business case) be submitted to Regional Cabinet to seek approval of the Detailed Proposal to be submitted, including approval of any financial contribution required from the CCRCD Wider Investment Fund as part of the Detailed Proposal,
- (iv) Agreed that if the EOI is unsuccessful in October 2018, to delegate authority to the CCRCD Director to work with the consortium partners to submit further EOI under successive rounds of the Strength in Places Fund programme (in line with the approach and principles set out in this report).

9. Regional Business Council - Making a Case for MIPIM 2019 - Request of the Regional Business Council (Minute No.40)

The Regional Cabinet considered a report on behalf of the City Deal Programme Director regarding Making a Case for MIPIM 2019 - Request of the Regional Business Council for consideration and approval.

RESOLVED: it was agreed that Regional Cabinet:

- a) Approved an allocation of up to £30,000, from the 2018-19 budget approved in respect of the Regional Business Council to support the activity of the Regional Business Council, to secure a CCR presence at MIPIM 2019, in collaboration with Cardiff Council, WG, private sector partners and sponsors. The allocation

is subject to receipt and approval of the Business Council's full Business Plan which shall be received in due course;

- b) Noted that the allocation will be managed via Cardiff Council to ensure compliance with the funding terms and conditions and to observe all other regulations that govern public funds in securing the required package for CCR. This will be carried out on an open book basis and the full breakdown of costs and the detail of the package will be reported back once understood and agreed;
- c) Agreed to delegate authority to the City Deal Director in consultation with the Cabinet Lead for Innovation & Business, Cllr Peter Fox, to convene a small group, comprising Business Council representatives, lead officers and the City Deal Director, to work with Cardiff Council colleagues to develop the detail, agree attendance, the wider package and deal with all associated matters relating to this proposal ; and,
- d) Noted, endorsed and would contribute as required to the preparatory work needed, to ensure CCR has a strong, credible and compelling proposition to showcase at MIPIM 2019.

10. Integrating the Regional Skills Portfolio – Delegations for the Regional Skills Partnership & Way Forward on Skills for the Future (Minute No.41)

The Regional Cabinet considered a report on behalf of the City Deal Programme Director regarding and Chief Executive of Newport City Council regarding Integrating the Regional Skills Portfolio – Delegations for the Regional Skills Partnership & Way Forward on Skills for the Future for consideration and approval.

RESOLVED: it was agreed that Regional Cabinet:

- a) Noted the situation regarding delegations, remit and endorses the work now needed to address the issues and legitimise the creation of one comprehensive and integrated regional Skills portfolio, with a further report to be submitted to the Regional Cabinet and or individual authorities for approval, as appropriate. Further, such work to be premised on Newport City Council acting as the Lead Authority for Skills;
- b) Noted that interim resourcing arrangements will be put in place, with line management and leadership support of the City Deal Director and support of the proposed Lead Authority. This will ensure stability and resilience in the short-term;
- c) Noted the Regional Skills Partnership draft Annual Report to WG (April – July 2018) and the need to translate into a public-facing document; and

- d) Endorsed the Skills for the Future brief and the developmental work needed to conclude the Outline Business Case ('OBC') and approves a budget of up to £25,000 in respect of this work. Further, that that the OBC be developed on the assumption of Newport City Council acting as the Lead Authority for Skills.

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

DRAFT V1

08th OCTOBER 2018 MEETING

CSC PROJECT – PROGRESS UPDATE, ANNUAL BUSINESS PLAN 2018-19 AND PROPOSED AMENDMENTS TO THE DEVELOPMENT AGREEMENT FOR LEASE

REPORT OF MONMOUTHSHIRE COUNTY COUNCIL AS LEAD AUTHORITY TO CSC FOUNDRY LTD

AGENDA ITEM: 4

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Reason for this Report

1. To present Regional Cabinet with the CSC Foundry Limited Annual Business Plan for 2018-19 for approval, together with a proposed deed of variation to the Development Agreement for Lease (DafL).
2. To provide Regional Cabinet with an update on progress with the CSC Project.

Background

3. On 2 May 2017, the Regional Cabinet approved investment in the CSC Project, subject to conditions and provisions subsequently discharged at the meeting on 14 July 2017. To advance the project in line with the approved objectives and all legal and contractual agreements, a Special Purpose Vehicle (Company Limited by Shares), CSC Foundry Ltd, was established and incorporated on 28

July 2017. Representatives from all ten Councils have been nominated to serve as Directors on the Board of CSC Foundry Ltd.

4. The company's incorporation enabled activation of all of the necessary contracts for the property acquisition and transfer; granting of the lease and enactment of all initial site development works (landlord works) with effect from 3 August 2017.
5. The Regional Cabinet received its last update on the CSC Project at its meeting on 26 March 2018. Subsequent to this meetings of the board took place on 28 March 2018 and 3 September 2018. In view of the function and responsibility of CSC Foundry Ltd, the Board plays an active and ongoing role in overseeing and monitoring all key aspects of project delivery and implementation. As such, this report aims to provide a high-level overview for the Regional Cabinet, with more comprehensive and detailed information available ongoing via CSC Foundry Ltd.
6. The Shareholders' Agreement that was entered into between the Councils requires the production of an Annual Business Plan and which regulates the operation and management of the Company and the relationship between the Councils as Shareholders of the Company. The Board are responsible for endorsing the annual business plan and then recommending it to Regional Cabinet for approval and adoption.

Issues

7. The second Annual Business Plan very much represents a continuation of the first Annual Business Plan.
8. At its meeting on the 3rd September 2018 the Board of CSC Foundry Limited endorsed its second Annual Business Plan of the Company for the year ended 31st March 2019 pursuant to Clause 12.4 (Annual Business Plan) of the Shareholders' Agreement.
9. The Annual Business Plan has however been subsequently updated as a result of the subsequent scrutiny of the business plan by the Accountable Body. The CSC Foundry Board will be asked to further endorse these changes ahead of the Regional Cabinet considering the plan for approval. A verbal update to that effect will be provided at the meeting.
10. As the project transitioned between phases, a number of issues were identified with the Development Agreement for Lease. A number of items related to the phasing of the project, relating to schedule 9 of the Development Agreement for Lease (DaFL), did not align correctly. It will therefore be necessary to issue a variation to the existing agreement to allow the remainder of the project to be managed and delivered successfully.
11. The advice from Pinsent Masons, legal advisors to the Board, is to maintain the DaFL as close as practicably possible to the original agreement by way of variation. The position arrived at looks to support IQE in continuing site development and meeting their needs, but also protects the key outcomes laid out in the original Development Agreement for Lease.

12. Further to the revisions proposed to the funding caps and phases of funding it is also necessary to make some amendments to the pre-conditions necessary to allow funding to be drawn down and released.
13. The Year 2 Annual Business Plan has been prepared in line with the above changes.
14. A risk register is maintained and reported to the Board at each of its Board meetings. The deed of variation to the Development Agreement for Lease will address new live issues that have temporarily prevented further drawdown of funds and payment to IQE.

Reason for Recommendations

15. To seek approval from the Regional Cabinet for the Annual Business Plan for 2018/19 for CSC Foundry Limited, including approval of the proposed deed of variation to the Development Agreement for Lease.
16. To provide Regional Cabinet with an update on progress with the CSC Project

Financial Implications

17. The attached report provides an update on progress made against the Compound Semi-Conductor (CSC) Foundry project investment, approved by Regional Cabinet at its meeting of the 14th July 2017 and builds on the update provided to Regional Cabinet at its meeting of the 26th March 2018.
18. The report also seeks approval of CSC Foundry Ltd's 2018/19 Annual Business Plan as well as requesting approval of a proposed variation to the Development Agreement for Lease, further details of which are set-out in the exempt appendices to this report. As matters are of a confidential nature, Regional Cabinet are referred to a separate set of confidential Financial Implications set-out at Appendix 9.

Legal Implications (including Equality Impact Assessment where appropriate)

19. The legal advice in respect of the Compound Semiconductor Project ('the Project') has been provided by external lawyers Pinsent Masons and Members are referred to that advice set out in the confidential appendices to the report.
20. As with any decision, Members will need to be satisfied that they have before them all material information and have had appropriate time to consider matters and raise any queries they may have, so that a reasonable and informed decision may be made.
21. These legal implications were written ahead of all external legal advice being finalised and may require to be supplemented once the authority has had sight of the final advice.
22. In considering this matter regard should be had, amongst other matters, to:
 - (a) the Councils' duties under the Well-being of Future Generations (Wales) Act 2015 and;

- (b) 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

The Cardiff Capital Region Cabinet is recommended to:

- a) Approve the CSC Foundry Limited Annual Business Plan 2018-19 and the proposed deed of variation to the Development Agreement for Lease, as set out in the body of the report and contained in the relevant confidential appendices to the report;
- b) To note the update on progress with the CSC Project.

Peter Davies

Monmouthshire County Council

Chief Officer for Resources, Actping S151 Officer

Date: 2nd October 2018

The following **Confidential Appendices** are attached:-

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Appendix 1 – CSC Report – Confidential Appendix

Appendix 2 – CSC Foundry Ltd Annual Business Plan 2018-19

Appendix 3 – CSC Foundry Ltd Board paper – Project update report

Appendix 4 – Letter from IQE Board

Appendix 5 – Revised funding caps

Appendix 6 – Proposed variation to the Development Agreement for Lease

Appendix 7 – GVA letter confirming MEIP / State Aid Analysis

Appendix 8 – Pinsents letter confirming legal advice on the report

Appendix 9 – Confidential financial implications

Appendix 10 – Future Generations Evaluation