



## **SPECIAL MEETING OF COUNCIL – 31ST JULY 2017**

**SUBJECT:       CARDIFF CAPITAL REGION CITY DEAL – ESTABLISHMENT OF  
SPECIAL PURPOSE VEHICLE COMPANY FOR COMPOUND  
SEMICONDUCTOR PROJECT**

**REPORT BY:    INTERIM CHIEF EXECUTIVE**

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### **1.       PURPOSE OF REPORT**

- 1.1       To seek Members approval that the Leader is given delegated authority to approve that the Council becomes a shareholder in a company limited by share which will own premises to host the Compound Semiconductor Centre project recently agreed by the Joint Cabinet of the City Deal and to execute all relevant documentation on behalf of the Council and to appoint a Member to sit on the Board.

### **2.       SUMMARY**

- 2.1       The Cardiff Capital Region City Deal was formally launched on March 1<sup>st</sup> this year, and with the approval of Council, this Authority joined the other nine authorities in the region in forming a Joint Cabinet to oversee and manage this collaborative arrangement.
- 2.2       The City deal includes a £1.2 billion investment, including the development of the South Wales metro; support for innovation and digital infrastructure; developing skills and helping people back into work; promoting enterprise and business growth; and wider activity in regeneration and housing. It is hoped that it can help deliver 25,000 new jobs in the region and lever in up to £4bn of private sector investment.
- 2.3       The Council, along with the other nine authorities, agreed a Joint Working Agreement which provides for the investment of an initial £50 million contribution from the UK Treasury, but which precludes any further investment until a detailed Business Plan setting out the overall investment priorities for the City Deal is agreed by the Joint Cabinet and submitted to each authority for approval.
- 2.4       The first project approved by the Joint Cabinet, funded primarily from the initial £50million Treasury contribution to the City Deal, is for a Compound Semiconductor Centre based in Newport. This project is intended to place the Cardiff Capital region at the forefront of this rapidly emerging latest technology. As well as potentially creating several hundred jobs directly within the plant, the intention is to build on the region's existing strengths to develop a world recognised cluster of expertise within the sector which could lead to many more jobs over time. It also has the potential to lever £375m of private sector investment.
- 2.5       As the Joint Cabinet is not able to hold a property investment directly, it has been agreed to form a separate company, jointly owned by all ten local authorities. This report seeks approval for the Leader to be given delegated authority to approve that the Authority becomes a shareholder in this 'special purpose vehicle,' property company, alongside the other nine authorities and to execute all relevant documentation on behalf of the Council and to appoint a Member to sit on the Board.

### **3. LINKS TO STRATEGY**

3.1 The Well Being of Future Generations Act (Wales) 2015 comprises of seven wellbeing goals as follows:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thinking Welsh language
- A globally responsible Wales

3.2 The CCR City Deal seeks significant investment built around the following purposes and themes:

- Improve productivity and economic performance in the region.
- Tackle worklessness which currently costs the UK government £4bn in welfare payments for South East Wales
- Build on the foundations of innovation across the region
- Investment in physical and digital infrastructure
- Provide effective support for business
- Improve skills
- Ensure the economic benefit is felt across the nation
- Working together to deliver more

3.3 The CCR City Deal will make a significant contribution to delivering the Well-Being goals mentioned earlier and to delivering the Council's priority of economic development and regeneration. This project is seen as central to the aim of creating new jobs in a rapidly expanding and cutting edge field of new technology.

### **4. THE REPORT**

4.1 At it's meeting of the 2<sup>nd</sup> May 2017, the Joint Cabinet of the ten local authority leaders in the Cardiff Capital region agreed invest £38.4 million in a new compound semiconductor facility which is based in premises owned currently by Welsh Government in Newport, close to Junction 28 of the M4. The site is well placed for residents of Caerphilly County borough, especially those in the eastern part of our area, seeking employment.

4.2 It was also agreed to transfer ownership of the premises to a 'special purpose vehicle' body to own and manage the facility. This will be in the form of a new limited company jointly owned by the ten local authorities, each with an equal £1 share in the company. Each council will be entitled to nominate a Director of the company and each will have equal voting rights.

4.3 The investment in the refurbishment and fitting out of the facility will be funded from the initial £50 million UK Treasury contribution to the City Deal, which was agreed by all ten authorities as being the initial limit on investment until a Business Plan is developed and agreed for the remainder of the investment fund. The Business Plan requires the approval of all ten authorities and is expected to come before Council later in the year.

4.4 The Joint Cabinet established by the ten local authorities is not, in itself, a legal entity and cannot own property. Following consideration of detailed options appraisals conducted by independent legal advisers, the option of a separate company, jointly owned by all ten authorities, is the option which the Joint Cabinet has chosen to own the facility.

- 4.5 The fitting out of the facility will be funded from the City Deal and this investment will be repaid from the rental income generated by the new company from its tenants.
- 4.6 As with any venture of this nature there are risks associated with an investment of this scale. The Joint Cabinet has undertaken extensive 'due diligence' investigations as to the strength of the tenant and the market in which they operate and has decided to invest on this basis.
- 4.7 At the most recent meeting on the 14<sup>th</sup> July the Joint Cabinet agreed to:
- (i) Establish a Special Purpose Vehicle company, limited by shares to deliver this project;
  - (ii) To name the company ' CSC Foundry Limited – LDC Ffowndri Cyn';
  - (iii) To approve a shareholders agreement which was attached to the report (14<sup>th</sup> July, 2017);
  - (iv) To request that each authority appoint a Director to sit on the Board of the new company.

## **5. WELL BEING OF FUTURE GENERATIONS**

- 5.1 The CCR City Deal contributes to the Well- Being Goals as set out earlier the Report. It is consistent with the five ways of working as defined in the sustainability development principle in the Act in that the CCR City Deal has been developed to work collaboratively with the partner Authorities. The intention of the CCR City Deal is to take action to improve the high levels of poverty and deprivation across the CCR region. The CCR City Deal promotes a collaborative approach to acceleration of the economic growth across the region.

## **6. EQUALITIES IMPLICATIONS**

- 6.1 There are no specific equalities implications arising from this report.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 The investment in this Compound Semiconductor project is funded from the initial £50million UK Treasury contribution to the City Deal and does not require any financial input from the Council at this point in time. Nor does it require any additional commitment to the City Deal over and above that previously agreed when the authority decided to become one of the partners within the City deal.
- 7.2 As with any investment, there are risks associated with a venture of this nature. The Joint Cabinet has undertaken very extensive 'due diligence' investigations which included commissioning external legal and financial advice on the options for the delivery of the project and associated financial risks. This information was presented to the Joint Cabinet in the form of a Report and Appendices including exempt commercially sensitive information at the meeting on the 14<sup>th</sup> July 2017.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 None.

## **9. CONSULTATIONS**

- 9.1 There are no relevant consultations relating to this proposal.

## **10. RECOMMENDATIONS**

- 10.1 It is recommended that Members agree that the Leader of the Council or his nominated deputy be granted delegated authority:-
- (i) To agree that the Council becomes a shareholder in a Special Purpose Vehicle Company, Limited by shares to deliver this project – CSC Foundry Limited – LDC “Ffwondri Cyn”
  - (ii) To execute the documentation required to give effect to the establishment of the company
  - (iii) To appoint a director to sit on the board of a new company
- 10.2 That Members authorise the Monitoring Officer to make any required changes to the Council’s Constitution as a result of the recommendations.

## **11. REASONS FOR THE RECOMMENDATIONS**

- 11.1 Following extensive legal advice and options appraisals, the Joint Cabinet has determined that this Special Purpose Vehicle limited company option is the best way to deliver and manage this project, and it is expected that all ten authorities will be equal shareholders in the company to reflect the shared vision and commitment to the deliver of the City deal.

## **12. STATUTORY POWER**

- 12.1 Well Being Powers :Local Government Act 1972 and 2000  
Local Government Wales Measure 2009 and  
Local Authorities (Goods and Services) Act 1970.

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### Background Papers:

Report to Cabinet 17<sup>th</sup> June, 2015  
Report to Council 6<sup>th</sup> October, 2015  
Report to Council 24<sup>th</sup> February, 2016  
Report to Council 19<sup>th</sup> April, 2016  
Report to Council 19<sup>th</sup> July, 2016  
Report to Special Cabinet and Council 31<sup>st</sup> January 2017

Reports To CCR Joint Cabinet can be accessed via the link

<http://www.democracy.caerphilly.gov.uk/ieListMeetings.aspx?CId=521&Year=0&LLL=0>