

MINUTES OF A MEETING OF THE CARDIFF CAPITAL REGION CITY DEAL JOINT SCRUTINY COMMITTEE HELD IN BEECHWOOD HOUSE, BEECHWOOD PARK, CHRISTCHURCH ROAD, NEWPORT, NP19 8AJ ON TUESDAY, 5 FEBRUARY 2019 AT 14:00

Present

Councillor – Chairperson

V Bailey	JPD Blundell	P Edwards	P Jones
R Patel	M Rahman	J Ridgewell	D Roberts
G Thomas			

Apologies for Absence

P Pavia

Officers:

Kellie Beirne	Programme Director
Sarah Daniel	Democratic Services Officer - Scrutiny
Julie Ellams	Democratic Services Officer – Committees

7. DECLARATIONS OF INTEREST

None.

8. APPROVAL OF MINUTES

RESOLVED: That the Minutes of a meeting of Cardiff Capital Region City Deal Joint Scrutiny Committee dated 15 October 2018, be approved as a true and accurate record.

9. CSC FOUNDRY BUILDING REPORT

The Programme Director advised members that further to discussions at the site visit prior to the meeting, IQE was a listed company and subject to a non-disclosure agreement. She advised that members should consider excluding the press and public if they wanted to discuss information contained within the non-disclosure agreement.

Cllr Peter Fox, Vice Chair of the Cardiff Capital Region City Deal Cabinet gave a presentation “An Overview of the Compound Semiconductor (CSC) Project and wider Cluster opportunities”. The presentation gave an overview of the CCR City Deal commitment to Compound Semiconductors, the market opportunity of CSC’s, IQE PLC, the importance of the Technology Readiness Level in all aspects of production, the cluster opportunity and the potential economic impact which could lead to the world’s first Compound Semiconductor Cluster. He added that industries depended on CSC’s and this could turn around the fortune of SE Wales.

A member asked if the property at Celtic Way Enterprise Park was in an assisted area under state aid rules. The Vice Chair explained that the whole deal was state aid compliant. A large part of Wales would comply however, the ratios varied. IQE headed a consortium which approached WG and argued the case based on global importance as a sector. They had partial state aid exemption and this was important for European growth. Following BREXIT they would comply with the British equivalent of state aid rules.

A Member was concerned at the drop in share price of the IQE Foundry and stated that he had seen in a report, yet to be published by the Wales Audit Office that they had been critical of IQE. He stated that he had asked officers at the earlier site visit if they were able to provide some reassurances around this. Officers at the Foundry had earlier confirmed that IQE had made a public statement in relation to their share movement which was publically available on their website. Officers also stated that a commercially sensitive report had been prepared and shared with Regional cabinet to address the concerns around the share price. Officers added that they would need to seek further advice from IQE as to whether this report could be shared with the Joint Scrutiny Committee at a later date which would need to be held in closed session with the press and public excluded. The Scrutiny Officer confirmed that on behalf of the Joint Committee she would approach the CSC Project Manager to request the report and advise members of the decision.

The Programme Director explained that CCRCD were not shareholders, they had a landlord function, and leased the building to IQE as the tenant. If member's required further information regarding share prices, each authority had a representative officer or member elected to the board of CSC Foundry Ltd. Up to date information on share prices and the supply chain had been presented to the last meeting and they should be able to access this information through their representative.

The Programme Director confirmed that the WAO report would be received by CCR City Deal Cabinet on 18th February 2019 and she would be recommending that the report be published following that meeting.

The member stated that as an elected member he should have seen the information presented to the CSC Foundry Board. That information could have answered many of the questions he had. The Programme Director explained that each authority had elected either an officer or a member to the Board, depending on what was appropriate for that authority. Therefore, their nominated representative could have shared this information with the members of the Joint Overview and Scrutiny Members, therefore it was not right to say elected members did not have access to this information. The member replied that this information had not been considered by any scrutiny members.

A member asked for a breakdown on where the potential 2,395 jobs would be created/assisted/safeguarded. The Programme Director explained that the jobs would be spread across the Foundry, IQE, Infinion, Catapult and within the cluster.

A member commented that this was an impressive project and asked why nothing like this had been attempted before. He also asked what was being done to develop the supply chain in the valleys. Also 95% of production was being exported however the Foundry relied on imported material to achieve this. He asked how much more could be achieved through investment in this area. The Vice Chair of CCRCD Cabinet agreed that there had been decades of inactivity and that Wales had been languishing at the bottom of the GDP tables. Wales could be a great nation with a number of well qualified people. In future they would be able to join up the dots and create opportunities in the valleys. The challenge was to create 25,000 jobs which would make the area unrecognisable.

A member asked if the private investment was from one or a wide range of companies. The Programme Director explained that over 5 years there would be £9.89 of private investment for every £1 of CCR investment. KPMG had looked at both commercial and financial contracts to ensure due diligence and they had access to all documents underpinning this. The Vice Chair of CCRCD Cabinet added that they were hoping for £4 billion of additional investment to be anchored in this area.

A member asked if in future the report could separate the figures for new, safeguarded and assisted jobs to improve transparency.

The Programme Director explained that there were issues around skills and labour. There were a number of competitors in the region and a lot of competition for skilled people. It was important to focus on the right training and engagement with young people. She added that there was currently a company looking for sites north of the M4 corridor for a packaging and testing facility. The Vice Chair of CCRCDC Cabinet explained that there was currently a skills deficit and the type of qualification that companies required was not being delivered so they had to train "in house". An interface with schools was required in addition to recondition young people to realign and pull together.

A member believed there were issues with IQE's marketing. He explained that there were large housing estates around that area where residents knew nothing about IQE. The Vice Chair of CCRCDC Cabinet added that this was where the 10 councils needed to step up. They should all promote opportunities and understand the benefits of the right education. The Programme Director explained that they were trying to grow the area as a cluster and that they had submitted an Expression of Interest seeking £40 million to target a certain skill set to make a specific function to bring a cluster together.

Members discussed the importance of the right marketing to attract skilled people from the 10 regions. The Programme Director explained that they had engaged with recruitment companies, schools and colleges and this could be a suitable topic for a future scrutiny meeting. The Vice Chair of CCRCDC Cabinet recognised that there was a problem with communication and they had to convince communities that City Deal was important to them. They had to sell opportunities to the young people and future generations. The Programme Director referred to the Regional Skills Partnership and targeting focus on sectors that needed support.

A Member asked if a Brexit strategy was in place. The Programme Director explained that Welsh Government were working on mitigation and a sustainability plan to manage the departure. They recognised that they were massively affected by exchange rates and dealing with huge instability.

A member referred to the research and development footprint and that Wales was bottom of the league in this area. The Programme Director agreed that Wales had not performed well in the past. Research and Development tax credits were undersubscribed and a huge amount of work was required to make this area sustainable. The Vice Chair CCRCDC Cabinet agreed and stated that Wales was lacking in being proactive in getting funding compared to Scotland.

A member referred to a paragraph in the report relating to WG yet to confirm the exact time for releasing grant monies and the need to identify a temporary bridging loan to meet the cash flow requirements. The Programme Director explained that that was the position as at 2 May 2017 when the original report was considered and the funds had since been received.

RESOLVED:

The Cardiff Capital Region City Deal Joint Overview and Scrutiny Committee noted the report.

Members were concerned at the recent drop in the share price of the IQE and asked officers for assurances around its future. Officers at IQE stated that a confidential briefing note had been prepared by IQE and the project team to provide reassurance in the wake of movement in the share price. This briefing note was circulated via email to

CSC Foundry Ltd's Directors, and to members of Regional Cabinet, late last year. If this information could be released, it would be on agreement that the Committee would have to consider the information with the press and public excluded due to the commercially sensitive information that would be presented to members.

Further Information

Members asked to receive further information including a detailed breakdown of new jobs created and those that would be safeguarded as a result of investment from the CCRCD. Members asked for a timeline for creation of the additional jobs.

10. JOINT WORKING AGREEMENT BUSINESS PLAN

RESOLVED:

The Cardiff Capital Region City Deal Joint Overview and Scrutiny Committee noted the Joint Working Agreement Business Plan.

11. FORWARD WORK PROGRAMME, TRAINING AND SCHEDULE OF MEETINGS

Members discussed adding the following items to their Forward Work Programme:

- Education – Developing a Strategy for young people and how this could be built into the curriculum and ensuring that people had access to these opportunities
- Marketing and advertising of the IQE to customers and the local community. How their work was promoted to the local community so they were aware of local opportunities

Members asked for the item, the South Wales Metro, to be scheduled for a future meeting. The programme director for the CCRCD confirmed that Scrutiny of this item should be undertaken jointly with the Welsh Government and the Transport Authority and that Welsh Government would be expected to lead on this.

Members were concerned at the budget allocated for the Joint Overview and Scrutiny Committee and stated that they were severely restricted in how they could carry out their role as Joint Scrutiny Members as the budget only allowed for up to 4 meetings per year and there was no allocated budget for the training of members. Members therefore recommended that the CCRCD Joint Cabinet revisit and reconsider the budget allocated to allow members greater flexibility to carry out their role and have additional meetings as the need arose.

Training schedule

Members asked to receive training on the role of a Joint Overview and Scrutiny Committee Member.

Joint Scrutiny Chair Training to be arranged for Chair and Vice Chair of JOSCS

The meeting closed at 16.05 pm.