

CARDIFF CAPITAL REGION CITY DEAL JOINT OVERVIEW AND SCRUTINY COMMITTEE

SCRUTINY MEETING: 5 FEBRUARY 2019

CSC FOUNDRY BUILDING REPORT

REPORT OF CARDIFF CAPITAL REGION CSC PROJECT MANAGER

AGENDA ITEM: 4

Reason for this Report

1. To update Joint Scrutiny on the Compound Semiconductor Project ('CSC Project')

Background

2. At meetings of the Regional Cabinet on the 2nd May 2017 and 14th July 2017, decisions were made to invest in the CSC Project.
3. Details of the CSC Project are set out in the attached copy of the CSC report of the 2.5.18, to which members are referred. The appendices to the report are not attached as these documents were exempt from publication for the reasons stated. On 2.5.18, the Regional Cabinet made the following decision:

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, and

Noting that:-

- 1) 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.

AGREED; that the Cardiff Capital Region Joint Cabinet:

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 negotiate 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.

As such, Recommendations a) to e) are further detailed in the report and confidential appendices to the report.

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; and

h) That approval of this proposal requires amendment to the Annual Business Plan 2017-2018; this amendment is approved and will be reported back to the next meeting of the Regional Cabinet for noting.

4. In line with the above decision and subsequent decisions taken on 14.7.17, the CSC project proceeded. In September 2017 a special purpose vehicle named, CSC Foundry Ltd. was created and the site was leased to the proposed lessee, with all appropriate legal agreements put in place in line with the decisions of the Regional Cabinet. Monmouthshire County Council continued to provide support as Lead Authority.

5. Although the building purchased (the former LG P&T building at Celtic Way, Enterprise Park), was in excellent condition considering its age and history at the start of the project, significant remedial works needed to be undertaken. The work on-site to repair and update the building and build clean rooms has created work for more than 80 construction workers per week on average since the project broke ground. It has also created opportunities for several apprentices. Around three quarters of the hours on site have been contracted to firms with a base within the Cardiff Capital Region.

6. Development of the IQE facility on-site has proceeded well within the tolerances outlined in the legal agreements. The facility now has a number of clean rooms and ancillary spaces completed and a number of staff have commenced work at the site. Recruitment to the site is going well with almost 80% of the new recruits coming from within the Cardiff Capital Region.
7. In line with the economic development aims for the Region, the cluster expansion has also started to take place. It was confirmed in early January that the CSA Catapult will be joining the cluster, anticipated to come online this year. The Catapult team have already begun recruiting PhDs for the facility. The Catapult brings with it around £50M of investment from central government via Innovate UK, which will be used to create state of the art R&D facilities and collaborative opportunities for the cluster.

Reason for Recommendations

Legal Implications (including Equality Impact Assessment where appropriate)

8. The legal advice in respect of the CSC project was set out in the respective reports to Regional Cabinet of 2.5.17 and 14.7.17 , listed in the background papers

NAME OF DIRECTOR: KELLY BEIRNE

Title PROGRAMME DIRECTOR

Date 5 FEBRUARY 2019

The following Appendices are attached:-

'Agenda Item 5 Compound Semi Conductor Project Proposal Report' - copy of the CSC report to Regional Cabinet of the 2.5.18 as referenced at para. 3

'2017 Site Photos' - PowerPoint

'An Overview of the Compound Semiconductor (CSC) Project and wider Cluster opportunities' – PowerPoint

The following background papers have been taken into account:-

1 Cardiff Capital Region Cabinet meeting **14.7.18** - Cardiff Capital Region Compound Semiconductor Project – Special Purpose Vehicle Report

2 Cardiff Capital Region Cabinet meeting **14.7.18** - Cardiff Capital Region Compound Semiconductor Project – Update on Outstanding Matters