

Adran yr Economi, Sgiliau a Chyfoeth Naturiol
Department for Economy, Skills and Natural Resources



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair, Public Accounts Committee
National Assembly for Wales
c/o committeebusiness@gov.wales

6 September 2018

WELSH GOVERNMENT'S FUNDING OF KANCOAT Ltd

Dear Chair

Recommendation 11 from the above report asked that the Welsh Government inform the Committee about the outcome of any negotiations for the former Alcoa site in Swansea, and the impact this has on the final sum lost as a result of the Kancoat investment including the cost of any remediation works.

The WAO Report "The Welsh Government's funding of Kancoat Ltd" published on 14 July 2016 set out a factual account of the key matters relating to the Welsh Government's financial support package for Kancoat and presented these in the wider context of the Welsh Government's approach to supporting businesses in Wales. The report set out the financial expenditure incurred within the reporting period which included £1.3m for Commercial loans and £700k for Repayable Business Finance. A further £1.4m in Property support was also identified as a lease commitment. Thus the report identified a total potential commitment of £3.4m.

Officials have now reached agreement with the landowner to surrender the Welsh Government lease of Unit 1 at the Westfield Industrial Estate. This agreement recognised that Welsh Government would not be liable for the rent beyond 30th June 2018 (whereas the lease ran until February 2029 at a rent of £180,000 p.a.) nor for the capital works that were an obligation of the lease; these costs had been independently estimated at almost £3m.

The final amount for the surrender of the lease was £1.99m. This lease surrender has ensured that there will be no further costs incurred as a legacy of the Kancoat project and the liabilities under the lease have been minimised.

The final total sum in reference to recommendation 11 is £5,135,729.58. This expenditure includes the funding provided to Kancoat, surrender of the lease, income from loan repayment, sale of the coating line and associated property expenditure.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Mick McGuire". The signature is fluid and cursive, with a horizontal line underneath the name.

Mick McGuire