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Welsh Government

RESEARCH, DOCUMENT

# Evaluation of Property Infrastructure Fund and Property for Business Development Grants: final report (summary)

An evaluation of Property Infrastructure Fund and Property for Business Development Grants funded through the ERDF and delivered through the West Wales and the Valleys Operational Programme 2014 to 2020.

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# Research aims and methodology

This report provides the final evaluation of the Property Infrastructure Fund (PIF) and Property for Business Development Grants (PBDG) operations being delivered by Welsh Government.

## The focus of these operations

- PIF awarded grants to developers to fund speculative development of new premises or refurbishment of existing stock. This aimed to ensure Wales can offer a portfolio of new and modern premises to attract inward investors and support the growth of Welsh businesses.
- PBDG awarded grants to businesses to invest in their existing property estate to enable them to expand their operations. This was intended to help retain growing businesses in Wales and create new job opportunities for Welsh residents.

## The aims of the research

- Assess whether the operations have met the aims and targets set out in the business plans and whether they provided value for money.
- Provide a final assessment of programme management and monitoring processes and identify how these may be improved for similar programmes in future.
- Examine whether additional outcomes and impacts have been achieved at the project sites occupied by businesses, after accounting for deadweight and displacement effects.
- Provide an indicative assessment of whether project sites may achieve longer term impacts, as identified in the operation logic model
- Evaluate the extent to which the sites have created an environment for

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growth and meet the needs of businesses that have moved into, or may occupy the sites.

- Examine the extent to which the operations have contributed to the objectives of the WEFO Cross Cutting Themes, the goals of the Wellbeing of Future Generations Act and the objectives for the Welsh language as set out in Cymraeg 2050.

A range of methods were used including document reviews, analysis of monitoring data and progress reports, analysis of property market trends, consultations with grant recipients, delivery staff and other stakeholders.

## **Main findings**

### **Meeting the aims and targets of the business plan**

- Neither PIF nor PBDG were able to meet most of the original targets set out in the November 2018 business plan. This was the result of only four projects progressing under each operation, substantially fewer than originally anticipated.
- However the reasons for not being able to meet the original targets were outside the delivery team's control. These included a number of economic shocks as a result of Brexit, the Covid 19 pandemic and the war in Ukraine. These caused significant challenges and uncertainty for the development industry and led to a large number of applicants withdrawing from the process.
- As a result of these challenges the targets for each operation were revised. Both operations have performed well against the reprofiled targets, having successfully delivered eight projects. Consultees all agreed that this represents a considerable achievement.

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## Efficiency and effectiveness of programme management and monitoring processes

- The management and delivery processes put in place for PIF and PBDG have worked effectively and efficiently. This has been underpinned by strong project management by the Operation Manager and the Property Unit Business Manager, the hard work and dedication of case officers and strong working relationships with WEFO and the Intermediate Body.
- The main delivery challenges related to the long timescales required to progress projects. This was due mainly to the EU funding rules and requirements. In some cases, further delays were incurred where applicants had queries about the process which case officers could not answer themselves (due to a lack of knowledge) which meant many queries had to be referred to the Intermediate Body or WEFO.
- Other causes of delays were unrelated to EU requirements, including long delays in getting third party verification of costs. The reasons for this are unclear but this could have been avoided with firmer management of the appointed third-party surveyors.
- Monitoring processes also worked effectively overall, with most (but not all) case officers saying they were clear on the requirements. The one exception to this is in relation to the requirements for monitoring CCTs (see below).

## Achievement of outcomes and longer-term impacts

- All of the premises funded by PBDG and PIF are now occupied or have tenants waiting to move in. The fact that all PIF premises were occupied within a short time of coming to market demonstrates that they have addressed a market need.
- Although information is not available for all of the occupiers, there is clear evidence that the operations have led to additional investment in the local

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area. Of the nine occupiers of PIF funded premises, four are new investments in the area by national companies. Of the remaining five, there is good evidence that these have enabled the occupiers to grow their business. All of the PBDG projects have enabled the grant recipients to grow their business.

- After accounting for deadweight, displacement and multiplier effects it is estimated that:
  - PIF projects will have led to between 144 and 155 net additional FTEs for their local areas by the time they are all occupied, and between £7.4m and £8.0m in GVA per annum.
  - PBDG projects will have led to the creation of 134 net additional FTEs in their local areas and £9.7m in GVA.
- With the information available, it is not possible to estimate how many of these roles have been taken or will be taken by local residents. However, based on the likely skills profile of these roles and feedback from the grant recipients, it is reasonable to assume that the majority of jobs will be accessed by local people.
- Other benefits from the operations include improved productivity, improved client engagement and staff morale, which was reported by PBDG applicants. There is also evidence of wider benefits from PIF and PBDG investments, including improving the local environment. One of the projects has received an award for building excellence, creating a high-quality new headquarters building which adds to the prestige of the wider business park. Another has helped to refurbish a derelict industrial building and acted as a catalyst for regeneration of the rest of the site.

## Value for money

- PIF is estimated to deliver between £17.69 and £19.13 in GVA for their local area for every pound of public money invested, while PBDG is estimated to deliver £21.53 for every pound invested. This represents very good value for

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money, although it should be noted that this is due to the assumption that benefits will persist for ten years. Nevertheless, even if the model assumed benefits persist for one year this would still represent a positive return on investment.

- The estimated cost per job is between £22,580 and £24,300 for PIF and £27,865 for PBDG. There are very few benchmarks to compare this against to assess whether this represents good value for money. However they are broadly in line with earlier evaluations of EZ schemes.

## Contributions to CCTs and the Welsh Language

- Both operations have made a large range of contributions to CCTs, particularly sustainability and tackling poverty and social exclusion, and have provided strong evidence of these contributions to WEFO. CCT officers in WEFO reported being satisfied with the range of contributions given the nature of the operations.
- The list of CCT indicators agreed with WEFO did not include indicators relevant to the Welsh language as it was felt that the operations did not offer opportunities to deliver against the CCT Welsh language case level indicators. Nevertheless, all projects funded have complied with Welsh Language standards, including the requirement that all signage is bilingual. The projects have also supported local employment in areas with high concentrations of Welsh speakers such as Anglesey and Conwy. This includes during the construction stage, where a high proportion of sub-contractors used were local businesses. Therefore the operations have made a modest contribution to the Welsh Government's aims and objectives for the Welsh language as set out in Cymraeg 2050, particularly the objective to "develop the economy to ensure a firm footing for Welsh-speaking communities".
- Although the operations can demonstrate they contributed to a wide range of CCT indicators, it appears more could have been done had the delivery

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team engaged earlier with the CCT officers in WEFO. Meaningful engagement only started in November 2022 when both operations were in their closing stages. Therefore, the only achievements that could be claimed were those that could be evidenced retrospectively. Had engagement happened at an earlier stage, case officers would have had more of an opportunity to collect more evidence relevant to CCTs and to encourage the grant recipients to implement measures such as community skill building and volunteering, thus increasing the contributions to CCTs.

## Recommendations

### Need for similar interventions in future

- There is clear evidence of a continued need for these types of interventions in future, specifically in those parts of Wales that continue to suffer from market failure in the delivery of new employment space. It is therefore recommended that Welsh Government continues to make this support available in some form.
- Given the limited availability of funding in future, investment decisions will need to be more strategic and selective than they were for PIF and PBDG. Funding should still be focused on areas where there is clear evidence of market failure and market need, but wherever possible should aim to fund larger strategic investments that have been identified as a regional priority. Wherever possible there should be a focus on projects which support priority sectors and minimise displacement.
- Depending on the scale of the funding available, Welsh Government may wish to reconsider the process through which funding is awarded, and whether this is best delivered through an advertised, competitive and time-limited fund. While this has ensured an open and fair process, it has created a huge amount of work to administer the allocation of a limited amount of

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public funding. If even smaller amounts of funding is available in future, this is unlikely to be the most appropriate mechanism for allocating funding. The alternative may be to identify projects on a case-by-case basis through engagement with businesses, regional stakeholders (e.g. the Regional Engagement Teams) or referrals from the Development Bank of Wales, and identify those which best meet Welsh Government's objectives.

## Application process

- Welsh Government should adopt a streamlined application process which makes a commitment to process and make a final decision on all applications within three months (subject to the applicant meeting all of the relevant deadlines).
- Welsh Government should retain third party surveyors to provide an independent verification of the development appraisal but include a requirement in the contract that these are turned around quickly to avoid lengthy delays.
- Provide clear information at the outset about all of the information applicants will be expected to provide and by when. All forms should be as simple to follow as possible and written in plain, easy-to-understand language.

## Claims process

- Adopt a more flexible approach to making claims with the grant recipient, including the ability to make a single claim or two stage claim process (if required for cash-flow reasons).
- Retain the third-party independent verification of claims. Once this is done, this should trigger the approval of payment rather than going through additional stages of verification, as was the case for PIF and PBDG.

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## Management and delivery

- If administered as competitive funds, retain a single Operation Manager with oversight of both but with support from a senior officer for each operation. These should oversee a team of case officers who report to the Operation Manager.
- Ensure that all case officers have the relevant experience and knowledge of property development to help applicants navigate the process. If it is not possible to recruit appropriately qualified and experienced staff, Welsh Government will need to accept a higher level of risk. This could be mitigated to some extent by providing clearer guidance and training for case officers. This should highlight all of the common risks which might arise and provide clear instructions on the advice which should be offered to applicants.
- Provide clear information on the expectations around monitoring requirements for case officers. If there is an expectation that funded projects will contribute to CCTs or their equivalent, ensure that this is clear from the outset to facilitate early engagement with grant recipients.

## Contact details

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government.

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