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# Strategic Employment Sites Infrastructure Fund Evaluation

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## Summary

### 1. Introduction

- 1.1 Regeneris Consulting was commissioned by the Welsh Government in April 2015 to undertake an evaluation of the Strategic Employment Sites Infrastructure Fund (SESIF) project. Regeneris's team was supported by Old Bell 3, Robert Chapman and Acer Ecology.
- 1.2 SESIF was a £7.2m capital investment project supported via £2.6m of funding from the 2007-13 Wales ERDF Convergence Programme, along with £3.5m of Welsh Government and £1.1m of private sector match funding. The project established an infrastructure fund to facilitate the development of strategic employment sites within the ERDF Convergence Area (West Wales and the Valleys) through investment in advanced infrastructure works.
- 1.3 The market failure rationale for ERDF investment was that insufficient employment sites were coming forward for development by the private sector in the Convergence Area, given the large upfront costs involved in their site servicing, infrastructure and preparation. The costs of developing commercial property in some parts of the Convergence Area are often much greater than the value of the completed development.
- 1.4 The Welsh Government saw an opportunity to use ERDF resources, alongside match funding, to play a key role in supporting the provision of the necessary physical infrastructure required at strategic employment sites. By undertaking these works and removing prohibitive site constraints, the Welsh Government could contribute towards ensuring that the Convergence Area had an adequate supply of high quality strategic employment sites to meet the needs of both local businesses and inward investors. The fund would therefore play a key role in helping to improve the economic trajectory and competitiveness of the Convergence Area economy, as well as the wider Welsh economy.

- 1.5 Given the scale of available resources, SESIF project investment was focused upon three sites in the Convergence Area. These were at:
- Rhyd y Blew in Ebbw Vale (South East Wales Spatial Plan area)
  - Amazon Way Stage 2 in Neath Port Talbot/Swansea City Region (Swansea Bay Spatial Plan area)
  - Parc Bryn Cegin in Bangor (North West and North East Spatial Plan area).
- 1.6 The SESIF project was formally completed at the end of June 2015 in line with ERDF Programme guidelines. Given the scale of the ERDF investment, there is a mandatory requirement placed on the Welsh Government and the Welsh European Funding Office (WEFO) to commission an independent evaluation to assess project outcomes and the mechanisms of delivery.
- 1.7 The aims and objectives of the final project evaluation were:
- To conduct a comprehensive evaluation of project outcomes against the key performance indicators as outlined in the project business plan
  - To assess the effectiveness and efficiency of project delivery in achieving the project aims and objectives outlined in the business plan
  - To understand the added value of the project for its potential beneficiaries with regard to the packages of support offered
  - To identify and determine the nature of any unintended outcomes not covered by the WEFO key performance indicators
  - To assess the project's delivery and achievement against the cross cutting themes' (CCT) aims, objectives and CCT-related indicators outlined in their business plan.
- 1.8 The evaluation also addresses a variety of additional questions:
- To what extent has the support genuinely enabled developers to provide land and property and better meet the property requirements of the local economy, including indigenous SMEs, inward investors and emerging sectors needs?
  - To what extent and in what manner has the investment helped (or has the potential to) enhance the areas as an investment location?
  - To what extent could the interventions have been delivered in a more effective and efficient way, including the use of different funding mechanisms or different types of interventions?
  - What are the best predictions of the overall lifetime economic impact of the project?
  - What lessons can be learnt for the next programme period and similar initiatives funded in other ways?
- 1.9 The SESIF evaluation is a comprehensive and detailed report based upon a methodology which was structured in two phases. The first phase focused on a number of important inception and initial research tasks to better

understand the SESIF project and the three individual investment sites (or sub-projects). The approach included stakeholder consultations, reviews of national and local policies and economic context, as well as reviewing Welsh Government project monitoring data. The second phase of work included fieldwork at each of the three sites, undertaking site visits and consultations. This was followed by extensive strategic consultations to develop reasoned judgements on the potential economic impact of the site investments.

- 1.10 Given the scope and scale of the evaluation and its findings, in particular for the three individual site evaluations, the evaluators have not sought to summarise all of the evaluation's conclusions. However, the following section provides an overview of the headline evaluation conclusions, as well as the recommendations for Welsh Government.

## **2. Headline Conclusions**

- 2.1 The SESIF project is now largely completed, albeit the physical completion of some works at both Rhyd y Blew and Parc Bryn Cegin remain outstanding. The project is currently going through the final claim and project closure procedures as a result of the end of June 2015 project completion deadline.
- 2.2 Total SESIF project expenditure was £6.23m (86 per cent of all re-profiled project expenditure), with total ERDF expenditure of £2.21m (85 per cent of all re-profiled eligible ERDF expenditure). While a small proportion of project underspend has arisen as a result of savings made at some of the sites or in associated professional fees, the majority of the project underspend is attributable to the Rhyd y Blew site and the implications arising from the non-completion of the foul water sewer in the eligible ERDF project period (92 per cent of total project underspend or £0.97m, or 89 per cent of overall ERDF underspend).
- 2.3 One of the main implications to note from the loss of ERDF grant support from the Rhyd y Blew site has been the requirement placed upon the Welsh Government to seek Ministerial approval to fund the completion of the works and finalise the project. Now approved, there is an implied opportunity cost to Welsh Government's land and property budget by being required to fund these works and to have not maximised the benefits arising from the ERDF grant. We also understand that a small proportion of funding associated with works taking place beyond project completion for Parc Bryn Cegin could not be included as part of the ERDF expenditure. Nevertheless, the Rhyd y Blew project is expected to be completed, given the solution that has now been found for the foul water sewer, while the additional electricity capacity at Parc Bryn Cegin will be installed shortly (i.e. providing physical completion of the project).
- 2.4 The SESIF project was contracted with delivering one main output measure - 26.94 hectares of 'Land Developed'. This target was based upon two out of the three sites:
- Rhyd y Blew: 12.94 hectares
  - Amazon Way Stage 2: 14 hectares split between 12 hectares at Coed Darcy, owned by developer St Modwen, and 2 hectares of Welsh Government owned land off Amazon Way.

- The land associated with the Parc Bryn Cegin site at Bangor was not included in the overall target as this was claimed as part of the 2000-06 ERDF Programme investment.
- 2.5 We conclude that only 2 hectares (7%) of 'Land Developed' can be claimed for the SESIF project, and hence the ERDF Programme. This judgement is based upon the following reasons:
- Rhyd y Blew: The infrastructure works were not completed ahead of the end of June deadline, with substantial works required to complete the foul water sewer. As a result, Welsh Government is not claiming any output for this site, which we judge to be the correct approach.
  - Amazon Way Stage 2: It is judged that the employment land at Coed Darcy (12 hectares) should not have been included as contributing to the project output as its development is not contingent on the development of Amazon Way Stage 2. The land is several kilometres north of this road spur (requiring the completion of the 'Southern Access Road'), while it can currently be easily accessed from junction 43 of the M4 or local roads.
- 2.6 However, it is also judged that there may well have been opportunities, particularly with the Amazon Way Stage 2 project, for Welsh Government officers to have considered some alternative or additional sites and outputs as part of the SESIF project. These included sites within the immediate vicinity of the road at Amazon Way, as well as outputs linked to its creation (e.g. kilometres of access route created or reconstructed or kilometres of footpath or cycleway created or reconstructed).
- 2.7 While the evaluation concludes that the headline output performance is disappointing from an overall SESIF project perspective, it is understood that the ERDF Programme will not under-perform against its overarching lifetime output target as a result of the SESIF project not contributing its total 26.94 hectare output of land developed. Nonetheless, the evaluation has pointed towards some shortcomings in the project development and appraisal processes which should have highlighted these issues at a much earlier stage.
- 2.8 As the SESIF sites do not have occupiers, the results outlined within the SESIF Business Plan have not yet occurred. However, given the nature of the investments, it was always anticipated that the majority of results would arise beyond the lifetime of the Programme. Given judgements on the Amazon Way Stage 2 investment and the Coed Darcy site, the SESIF project will not be able to claim any of the results associated with this site that were outlined in the project Business Plan. However, there may well be scope to review whether Welsh Government officers can claim results associated with the project being extended to include providing new access to the Elba Works site.
- 2.9 Nevertheless, we conclude that the SESIF project is in a reasonably strong position in terms of the future achievement of some of the other economic results and associated impacts in the coming years (both in the short, medium and longer term), and for some sites can be considered a qualified success given the range of positive indirect and wider benefits that have already occurred or that may occur in the future. The key messages underlying this conclusion are as follows:

**Rhyd y Blew:**

- While the project did not complete on time, a significant proportion of the required works were undertaken as intended, including the ecological mitigation measures. The commitment of further Welsh Government resource will ensure that all works are completed in the near future. The Rhyd y Blew site is now very well placed to attract future occupiers. We would conclude therefore that the overall project and ERDF investment has played an extremely important enabling role in leveraging interest and potentially a future occupier (large inward investor) to the site.
- Given the investment we judge that there is now a good prospect of securing a major inward investment for the site. If the current company negotiating with the Welsh Government locates their manufacturing facility at the site, around 400 jobs could be supported in the next two years, rising to 500-550 jobs supported if the facility grows in short to medium term (3-5 years).
- The potential net additional employment impact would be 320-440 direct jobs, rising to 900-1,360 jobs once indirect and induced employment is included. This would be a positive outcome for the SESIF project and for the use of ERDF and Welsh Government resources to contribute to the securing of a major foreign direct investment for Ebbw Vale, as well as potentially stimulating and embedding supply chain activity in the economy.

**Parc Bryn Cegin:**

- The site has remained vacant for the eight years that have followed the completion of the bulk of infrastructure requirements undertaken as part of the previous ERDF Programme. With a concerted recovery from recession proving elusive for North West Wales, the supply of a significant amount of alternative sites and land available and moderate demand levels, opportunities for development at this site have been rare and, we expect, will continue to be so. While challenging to predict, we anticipate the development of the site to be over the longer term.
- Nonetheless, as a result of the investment project, the scope to develop the site has been secured, providing a flexible masterplan to meet a mix of requirements. As a result of the investment, Bangor now has a major developer ready employment site within its site portfolio. If the masterplan were to proceed over the longer-term around 1,585 FTE gross jobs would be supported or around 975 net additional FTE jobs could be supported.

**Amazon Way Stage 2:**

- The project did not deliver the envisaged scale of 'land developed' output for the overall SESIF project, nor will it contribute towards the significant future results identified in the Business Plan. While the 2 hectare Welsh Government owned site can be claimed as an output, it is our judgement that the 12 hectares of employment land at Coed Darcy (and its associated future results) should not have been included in the project. We do not agree that the development of the 12 hectares

of land at Coed Darcy is contingent on the development of Amazon Way Stage 2.

- However, while in headline output and results terms this site investment has not met original expectations, we judge that the project has been a qualified success supporting a number of positive wider benefits now and potentially in the future. This judgement is based upon:
  - The development of the 1.5km Amazon Way Stage 2 road being an important next step in the delivery of the Welsh Government and partners' economic development and regeneration objectives for the Fabian Way Corridor/Jersey Marine area.
  - The project being delivered under budget and ahead of schedule, making an important contribution to the opening up of immediate and adjacent development sites which were formerly land-locked or which had constrained access.
  - The project being extended based upon the recognition that further expenditure on the provision of an additional access to Elba Works would support Welsh Government's wider objectives for regeneration and the sustainable growth of the Creative Sector in Wales, via the development of the Bay Studios site.
  - The delivery of the project also supported the wider objectives of relieving congestion and access issues from Fabian Way associated with existing businesses operating in this area, as well as providing new access arrangements to support any future developments as they come forward. Without the new access road it is unlikely that future development schemes would be approved by the planning authority.

2.10 Turning to process and management issues for the SESIF project, we conclude that the management, monitoring and compliance systems have, on the whole been good. The evaluation has pointed to good project management systems being in place, in terms of financial control, financial and output monitoring, and reporting of progress to WEFO.

2.11 While delays in project implementation have arisen, which have in turn led to the failure to achieve physical completion within the timescale required, this reflects to some extent the complexity of the project and site specific issues encountered. Nonetheless, the project would have benefited from a tighter strategic and pro-active management approach, alongside more proactive risk management in light of the fairly challenging ERDF timeframe (given the delay in approval). Nevertheless, the project management team, with the assistance of WEFO, have found solutions to guarantee the full completion of all of the projects in the near future.

2.12 The SESIF project has had to face a challenging implementation timescale. This is in part due to delays in the development, appraisal and approval of the project. Some of these issues are as a result of changing circumstances beyond the control of the project development team and funders. However, the evaluation has also highlighted a number of issues which could have been picked up at the appraisal and approval stage. This includes the appropriateness of the Coed Darcy site in the Amazon Way Stage 2 project and outputs, as well as the need to have in place appropriate risk management strategies.

### 3. Recommendations

- 3.1 Drawing upon the evaluation evidence and conclusions, the following provides the Welsh Government with ten recommended actions to inform the project design and approval process, as well as the project delivery stage of future SESIF projects.

#### Project Design and Approval

1. **Shorter and focused project development activity and timelines:** Evidence from the SESIF investments has demonstrated that the delivery of some quite challenging site infrastructure requirements was severely constrained by protracted project development and business planning periods. For future SESIF projects it is recommended that a 12 month period is adhered to for project concept/development activities, while a 6-12 month period is used to further develop individual site proposals. This approach would provide greater focus, instil momentum into the process, ensure that necessary stakeholder engagement has been undertaken, and enable contingency time to be built in.
2. **Stronger articulation of the market evidence/justification for site interventions:** The SESIF Business Plan relied upon the 2007 DTZ report and analysis of the property market within the wider spatial plan areas to justify SESIF investment decisions. While the evidence was referred to in the Business Plan, there was insufficient articulation of the market evidence to underpin the eventual investment decisions to proceed with specific sites. Future SESIF project development (and its subsequent evaluation) would benefit from the use of more timely (i.e. the prevailing economic and market conditions altered significantly from 2007) and, importantly, localised/sub-regional property market analysis to justify investment decisions. As well as commissioned property market reports from consultants, a greater integration and use of Welsh Government and local authority held property market data would strengthen the evidence base and investment cases for individual sites.
3. **Improved recording and storing of project documentation:** The evaluators sought to review several important documents to better understand:
  - a. the timeline of project design/development activity (e.g. minutes of meetings which underpinned the decision making behind the site section process)
  - b. the initial site development appraisals (which considered viability)
  - c. project appraisals that were undertaken to assess value for money and project outputs and results delivered for the ERDF Programme (e.g. assumptions under-pinning the targets).

As a result of staff changes and internal departmental reorganisation these documents were not available to us and could not be located. For example, the project appraisals of potential outputs and results for Amazon Way stage

2 would have been extremely useful to see, in light of the outcome for this project, to understand the appropriateness of what was proposed. For future projects Welsh Government officers should develop processes that improve the recording and storing of such documents from the project outset to enable effective review and evaluation. If the design of new SESIF investments is already progressing, there is an immediate requirement to begin applying these principles. This is important given the clarity required in understanding original project timescales, how the investment was envisaged to genuinely enable development, and the scale of economic benefits expected to arise.

- 4. More robust internal appraisal of target outputs and results:** We are aware of the systems in place within Welsh Government for appraising project proposals and accompanying business cases. However, the evidence from the evaluation suggests that, in this instance, the legitimacy of some of the claimed outputs and results was questionable. This could be avoided in future projects by strengthening the guidance and communication related to outputs and results definitions so that scope for misinterpretation is reduced. A peer review process utilising officers not immediately involved in the project could also be implemented. These officers could identify any pertinent issues or risks that may have been overlooked during the design stage, and highlight any missed opportunities regarding the selection of specific project outputs and targets (e.g. the evaluation identified two outputs that could have been selected for the Amazon Way Stage 2 project, while additional/alternative sites also benefited from the investment).

## **Project Delivery**

- 5. Develop an overarching and detailed SESIF implementation plan:** Each of the three SESIF investment projects was managed by an individual Welsh Government technical manager. However, given the breadth and complexity of the site investments, the next SESIF project would benefit from the development of a detailed and overarching Project Implementation Plan. This plan would set out, for all investment sites, the key deliverable activities, milestones, overall timescales and risks. It should be used as a 'live' project management tool, helping Welsh Government officers monitor progress and manage risks (e.g. delays with utility providers) within the context of the overall ERDF Programme, as well as for individual investment sites.
- 6. Regular and comprehensive engagement between Welsh Government and utility companies:** While Welsh Government officers did engage with utility providers regarding their requirements arising from the SESIF investment, future SESIF projects would benefit from being able to bring on board utility providers at the earliest possible opportunity. This could be in a consultative role even during project design stage, where necessary, through to direct consultation and engagement during the technical planning and option development stages. This approach would tie in effectively with an Implementation Plan approach, and help Welsh Government to better understand



capacity constraints within the wider utilities networks. It should also contribute towards reducing lead in times for utility requirements.

- 7. A programme manager with responsibility for both financial and performance management:** Projects of this nature would benefit from the integration of both the financial project management function and the performance management functions for all of the individual investment sites. The evaluation highlighted the importance of ERDF project completion deadlines and the requirement to adhere to regulations to ensure that ERDF investments deliver their intended maximum benefit. Consequently, a project manager that combines these skills, alongside a clear overview of the progress and performance of each investment site, would ensure that an individual has responsibility for all aspects of project and can effectively drive it forward and address issues, alongside technical managers, as they arise.
- 8. Encourage greater private sector engagement with the project:** The Welsh Government should encourage private sector land owners and developers to either bid into a future SESIF project to directly support schemes they wish to take forward, or to collaborate on projects where new infrastructure can help to open up/enhance sites. If this approach was undertaken, there could be merit in the Welsh Government exploring a combined grant and loan based approach for SESIF. The grant could continue to be used to assist with the high costs of site infrastructure works, while the loan could be used to assist with the development of accommodation. This approach, if successfully deployed, could provide a clearer route to market for the site and give greater re-assurance that results and economic benefits will be realised within a reasonable timeframe.
- 9. Ensure officers receive regular updates and training to deliver ERDF programme investments:** There are already processes in place to ensure that Welsh Government adheres to the rules regarding the administration and delivery of ERDF funded projects. However, the evaluation has pointed to a potential knowledge gap that needs refreshing regarding technical managers' understanding/interpretation of ERDF guidance, regulations and compliance procedures. The Welsh Government should ensure that all officers receive the appropriate level of training, guidance and on-going support to deliver and administer their projects effectively throughout the delivery phase. This is particularly important when staff changes occur and officers are required to get to grips with projects and issues under tight timescales.
- 10. Require officers to actively record the wider benefits of projects and to monitor contributions to ERDF Programme Cross Cutting Themes (CCTs):** Officers were able to convey to the evaluators how their respective projects also delivered a series of wider benefits (a mix of intended and unintended benefits). Officers should be required to

periodically record these. This is also an important process in light of any staff changes that could occur and helps with the retention of project knowledge/insight. Contributions to ERDF Programme CCTs also vary across SESIF investments. However, the periodic recording of contributions to CCTs by officers should be better embedded throughout the delivery phase. This would ensure CCT progress can be tracked and contributions accurately documented. These measures would help in the promotion of the schemes, as well as in contributing toward future evaluation evidence.

**Report Authors:** Regeneris Consulting

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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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