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# Evaluation of Strategic Employment Sites: Interim Report

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## Summary

### 1. Research aims and methodology

- 1.1 The Welsh Government appointed Hatch Regeneris and OB3 in 2019 to undertake an evaluation of the Strategic Employment Sites (SES) operation. The operation is part funded by the ERDF under Priority Axis 4 (Connectivity and Urban Development) of the West Wales and the Valleys Operational Programme 2014-20.
- 1.2 The aim of SES is to increase the number of high quality employment sites in order to attract inward investment to Wales and support the growth of Welsh businesses. It does this by providing primary infrastructure and undertaking site preparation works at four sites in different parts of Wales:
  - Brocastle, Bridgend – 45.96 ha
  - Bryn Cefni, Llangefni, Isle of Anglesey – 1.82 ha
  - Cross Hands (Phase 2), Carmarthenshire – 8 ha
  - Ty Du, Nelson, Caerphilly – 3.8 ha
- 1.3 The objectives of the interim evaluation were to:
  - Assess whether the project was based on a sound rationale and consistent with Welsh Government policies and strategies
  - Assess whether the design of the project was fit for purpose and based on a robust theory of change

- Assess the early progress of the project and whether it is on course to achieve its outputs
  - Review the project management and monitoring processes implemented by Welsh Government and whether these are supporting the effective delivery of the project
  - Explore to what extent SES operations are successfully implementing and delivering the objectives of the WEFO Cross Cutting Themes.
- 1.4 A range of methods were used including document reviews, analysis of monitoring data and progress reports, analysis of property market trends and consultations with the project delivery staff and other project stakeholders.

## **2. Key findings**

### **SES shows a strong fit with Welsh Government strategies and policies**

- 2.1 The Welsh Government's Prosperity for All: Economic Action Plan explicitly identifies the need for public intervention in parts of Wales where there is evidence of market failure. This is the rationale for SES; as such there is a strong fit with this strategy.
- 2.2 A number of strategies underline the importance of employment creation as a tool for tackling poverty and labour market disadvantage in deprived areas. SES is aligned with this, although its impact could have been greater if local labour market conditions had been one of the criteria for selecting sites.
- 2.3 Strategies and policies also call for greater consideration of the other determinants of wellbeing, including sustainability, equality, community cohesion and protection of Welsh language and culture. These considerations have been embedded in the design of SES and during the early delivery phase.

### **There is good evidence of the need for intervention**

- 2.4 SES is designed to create new job opportunities in parts of Wales with high rates of unemployment and inactivity, and to address the shortage of high quality employment sites which are acting as a barrier to growth and investment. The report finds good evidence for both of these needs. It also finds that public sector intervention is required because of widespread market failure, whereby the costs of development exceed the market value. This disincentivises private sector development of new commercial premises.

### **The design of the operation is based on a sound theory of change**

- 2.5 The key assumptions are that the sites will be deliverable, that there will be strong market demand and that the jobs that are created will be accessible for unemployed people.
- 2.6 The selection of sites was a key factor in determining whether these assumptions are sound. Overall, the selection of sites was justified. All of the sites are deliverable and evidence of market demand is strong. All sites are also within a 30 minute drive-time of large numbers of jobseekers, although the project delivery teams should consider how jobs could be accessed by people living in areas with the largest concentrations which may be poorly connected by public transport.
- 2.7 The selection of sites was strongly influenced by the need to deliver the operation by the end of the programme period. However this may have come at the cost of a more rigorous process of prioritisation. For instance, there are likely to have been sites in the Cardiff City Region which could have made a greater economic impact than Ty Du, although the importance of this site for improving access to employment is recognised.
- 2.8 The report identifies a risk that the project activities will not be sufficient to overcome market failure. Evidence from previous interventions has shown that delivering sites infrastructure is not always sufficient to incentivise development of sites, although this will depend on the nature of development and its build costs. This will be explored in greater depth in the final evaluation.

### **The operation is on course to meet all of its output targets**

- 2.9 So far the operation has not achieved any outputs, but this reflects the nature of the operation and the fact outputs would always be backloaded. In conclusion the operation has made good progress and there is a low risk that it will not secure its output targets by the end of the programme period.
- 2.10 The works at Ty Du and Bryn Cefni are both likely to be complete by November 2019. Brocastle and Cross Hands have both been delayed and are not scheduled to be complete until summer 2020. However the risks of further delays are low and are being managed by the project delivery teams.

### **Project management systems are robust**

- 2.11 The project management processes are working well and have ensured the effective delivery of the operation. The Operations Manager who oversees delivery of the four sites, was reported to be an effective project manager who and has good relationships with the delivery teams at each site.
- 2.12 The site level arrangements have also worked well. In the case of Ty Du and Brocastle, appointing independent consultants to monitor progress and verify invoices has helped to ensure the works are on schedule, that they are delivered to the original design and specification and that costs are controlled. It is understood that the same approach will be used for Cross Hands.
- 2.13 Independent consultants have not been appointed for Bryn Cefni due to the much smaller size of the project. However the Welsh Government officers are both experienced engineers and are well placed to manage the relationship with the contractor.

### **Monitoring systems are robust and supported the effective delivery of the operation**

- 2.14 The systems put in place have been tailored to the size of each project. For Ty Du and Brocastle, contractors have provided frequent progress reports and attended monthly meetings with the Technical Manager. This has provided comprehensive information on progress of key tasks, project risks, invoicing and contributions to cross cutting themes, and ensured the Technical Manager has good oversight of each project. The same approach will be used for Cross Hands.
- 2.15 The monitoring system for Bryn Cefni has been more informal and relied on communication between the contractors and the Technical Manager. This is acceptable given that the intervention is small in scale, low risk and being delivered within a three month period.

### **Good progress has been made to delivering the objectives of Cross Cutting Themes**

- 2.16 Most of the contributions to Cross Cutting Themes have been embedded in Welsh Government processes, standards and requirements (adherence to Welsh Language standards, ensuring contractors have equal opportunities policies in place, following best practice guidance in the designs of the masterplan, and using Welsh Government procurement processes to deliver community benefits).

- 2.17 Principles of sustainable development have been incorporated in to the designs of all the sites, including maintaining or enhancing green infrastructure, promoting biodiversity and ensuring the sites can be accessed by public transport.
- 2.18 The extent to which SES has been able to deliver wider community benefits and tackle poverty varies from site to site. For Ty Du and Brocastle (the two sites which have made greatest progress) a range of measures have been implemented and targets agreed with the contractors. There has been less scope to deliver these benefits for Bryn Cefni due to the small scale of the project.

### 3. Recommendations

#### Project delivery

- **Cross Hands should follow the same approach to project management and monitoring as Ty Du and Brocastle.** This includes appointment of an independent consultant to oversee the works and monthly monitoring reports and progress meetings. The anticipated delivery schedule and risk register should be shared with the Operations Manager each month, raising issues which could prevent the project from meeting its output targets.
- **Targeted marketing of sites to occupiers and developers.** The masterplans developed should be used to market each site as development opportunities using appropriate marketing methods. For smaller sites (Bryn Cefni and Ty Du) this may be limited to advertising in commercial property and local journals and engaging developers with a track record of delivering similar projects. For the larger sites, appointing commercial agents to develop brochures and marketing material which could reach a national audience is recommended.
- **Site delivery teams to explore potential for further development grant funding or partnership arrangements.** In the absence of interest from private sector developers, delivery leads should explore other options for bringing forward development on the sites. This could include local sources of funding) as well as any future funding opportunities from the successor to ERDF. Welsh Government may also consider entering into a partnership with the private sector to develop the sites.

- **Welsh Government to identify how access to employment in deprived communities can be maximised.** Plans should be developed for how jobs created at the sites can be accessed by people living in deprived communities. These should identify physical linkages (i.e. public transport connections to areas with concentrations of claimants and how these could be improved) and any scope to work with local labour market programmes which help to reduce other barriers to accessing employment. This should be taken forward as part of the development of Regional Economic Frameworks. Once development comes forward on the sites, delivery leads should encourage occupiers to advertise job opportunities locally and work with local colleges to develop the skills required.

### **Data collection for final evaluation**

- **Monitoring of businesses moving in to new premises.** Once development comes forward on the sites (e.g. at Ty Du in 2020), Welsh Government or its partners should record the details of businesses who occupy premises. This should ideally include the sector, number of employees and previous address. If possible, this should also record the reason for moving to new premises.
- **Progress reports and itemised lists of community benefits to be stored.** The progress reports and itemised lists of community benefits provide valuable evidence on the operation's contribution to Cross Cutting Themes. The final reports should be saved for the final evaluation, along with any supporting evidence relating to community benefits targets.



Full Research Report:

Chapman, O and Evans, N (2020). Evaluation of Strategic Employment Sites: Interim Report. Cardiff: Welsh Government, GSR report number 12/2020

Available at: <https://gov.wales/evaluation-strategic-employment-sites-interim-report>

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

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