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# Evaluation of Strategic Employment Sites: interim report

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# Evaluation of Strategic Employment Sites: Interim Report

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

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## Glossary

Acronym/Key word	Definition
Annual Population Survey	A population survey used to analyse demography and labour market characteristics
Active Travel Route	Routes suitable for cycling and walking
Business Register and Employment Survey	A survey used to estimate the number of employees in a specific area or sector.
Community Benefits Plan	A plan which outlines how community benefits will be delivered by contractors
Cardiff Capital Region	Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda Cynon Taff; Torfaen; and Vale of Glamorgan
CCT	Cross Cutting Themes: General principles which require action in multiple fields across programmes and operations. The three CCTs are equal opportunities and gender mainstreaming, sustainable development and tackling poverty and social exclusion
CSPT	Creating Sustainable Places Together: a guide for policymakers and practitioners on place based working
ERDF	European Regional Development Fund
European Structural Investment Funds	Financial tools set up to implement the regional policy of the European Union. They aim to reduce regional disparities in income, wealth and opportunities.
Enterprise Zone	Designated areas across England and Wales that provide tax breaks and Government support.
GVA	Gross Value Added: a measures of the economic value of goods and services produced in an area or a specific sector
JLL	Jones Lang Lasalle
LDP	Local Development Plan
LQ	Location Quotient: a measure of the concentration of economic activity in a particular sector relative to the national average
Operation Manager	Welsh Government officer responsible for overseeing the delivery of SES
Operational Programme	Detailed plans in which EU Member States set out how money from the European Structural Investment Funds will be spent during the programming period.

Priority Axis	Provide the structure of the Operational Programme. Each priority axis is linked to a certain theme (e.g. encouraging enterprise, increasing innovation) and identifies the priorities for investment, the specific objectives that operations should seek to address and the types of activities that can be funded.
Property Delivery Lead	Welsh Government officer responsible for all legal, strategic and commercial issues involved in the delivery of each site in SES
Project Development Officer	The main contact in WEFO for the SES operation
PWE	Powering the Welsh Economy
Regional Engagement Team	Four teams set up across Wales to ensure EU funding proposals meet existing and future opportunities and investments at regional levels.
Sustainable Construction Plan	A plan produced by a contractor outlining how they will consider sustainability during the development process
SES	Strategic Employment Sites
SESIF	Strategic Employment Sites Infrastructure Fund
SMS	Maryland Scientific Methods Scale: a five point scale measuring the methodological quality of different evaluation approaches
SuDS	Sustainable Drainage System
Swansea Bay City Region	Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea
Technical Manager	Officer responsible for all technical and engineering issues involved in the delivery of the sites
Theory of Change	A graphical model which explains how and why the desired change of a operation is expected to come about, and what assumptions this is based on
Travel to Work Area	A statistical tool used to indicate an area where the population would generally commute to a larger town or city for the purpose of employment
Universal Credit	Social security payment that was designed to simplify the benefits system and to incentivise paid work.
WAP	Working age population
WDA	Welsh Development Agency
WEFO	Welsh European Funding Office

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WWV

West Wales and the Valleys: Blaenau Gwent, Bridgend,  
Caerphilly, Carmarthenshire, Ceredigion, Conwy,  
Denbighshire, Gwynedd, Isle of Anglesey, Merthyr Tydfil,  
Neath Port Talbot, Pembrokeshire, Swansea, Torfaen

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# 1. Introduction

## Background

- 1.1 The Welsh Government appointed Hatch Regeneris and OB3 in 2019 to undertake an evaluation of the Strategic Employment Sites (SES) operation. SES is designed to provide primary infrastructure (on and off-site roads, drains and utility services) and undertake site preparation works for four strategic sites which include;
- 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
- 1.2 This will ensure Wales has a network of high-quality sites which are readily developable to underpin Wales' inward investment efforts to attract mobile projects. The SES operation builds upon the delivery of the Strategic Employment Sites Infrastructure Fund (SESIF)<sup>1</sup> under the 2007-13 Wales European Regional Development Fund (ERDF) Convergence Programme. Welsh Government are responsible for managing the operation and are the beneficiary of the funding.
- 1.3 The operation is part funded by the ERDF under Priority Axis 4 (Connectivity and Urban Development) of the West Wales and the Valleys (WWV) Operational Programme 2014-20<sup>2</sup>. The operation has a total value of £20.78m, with £11.58m funded through ERDF and the remaining £9m provided by Welsh Government.
- 1.4 The evaluation is being delivered in two stages:
- An interim stage, the findings of which are presented in this report
  - A final impact stage, which will be conducted in 2021/22.

## Evaluation Objectives

- 1.5 The objectives of the interim evaluation are to:
- i. Develop a theory of change (logic model) that clearly identifies the inputs, activities, outputs and impacts to determine whether the associated

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<sup>1</sup> Regeneris Consulting (2017): [Evaluation of the Strategic Employment Sites Infrastructure Fund](#)

<sup>2</sup> Welsh Government (2016a): Strategic Employment Sites Business Plan, ERDF West Wales and the Valleys Priority 4

Business Plan and the delivery plans are based on sound assumptions that will deliver the anticipated outcomes and impacts.

- ii. Assess the strategic fit of SES with Welsh Government strategies and policies (e.g. Well Being of Future Generations Act (Welsh Government, 2015b<sup>3</sup>) Prosperity for All (Welsh Government, 2017a<sup>4</sup>), the Economic Action Plan, (Welsh Government, 2017b<sup>5</sup>), the Employability Plan (Welsh Government, 2018<sup>6</sup>), and Cymraeg 2050: Welsh Language Strategy (Welsh Government, 2017c<sup>7</sup>), and regional plans at the local level.
- iii. Review the project management processes implemented by the Welsh Government and partner local authorities to determine whether they adequately and efficiently support the delivery of SES.
- iv. Assess the monitoring systems at a local and national level to ensure they support the efficient and effective delivery of the operation and provide a sound basis through which data can be collected for evaluation purposes.
- v. Explore to what extent SES sites are successfully implementing and delivering the objectives of the Welsh European Funding Office (WEFO) Cross Cutting Themes (i.e. Sustainable Development, Equality and Diversity and Tackling Poverty).
- vi. Assess the suitability of the chosen sites in contributing to the operation aims and objectives.
- vii. Provide an update on the progress of the operation in achieving the outputs in the business plan.
- viii. Provide an assessment on the degree to which the recommendations and lessons from previous regeneration operations (e.g. SESIF, Regeneration Investment Fund for Wales) were built upon and incorporated into SES.

## **Structure of the Report**

1.6 The report is structured as follows:

- Chapter 2 provides a summary of the methodology and key research tasks

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<sup>3</sup> Welsh Government (2015b): [Well-being of Future Generations \(Wales\) Act 2015, The Essentials](#)

<sup>4</sup> Welsh Government (2017a): [Prosperity for All: the national strategy](#)

<sup>5</sup> Welsh Government (2017b): [Prosperity for All: Economic Action Plan](#)

<sup>6</sup> Welsh Government (2018): [Employability Plan](#)

<sup>7</sup> Welsh Government (2017c): [Cymraeg 2050: A Million Welsh Speakers](#)

- Chapter 3 scrutinises the need for the SES operation, considers whether it was based on a sound logic model and theory of change and whether it was consistent with Welsh Government policy and strategy documents.
- Chapter 4 reviews the project management, governance and monitoring systems and processes implemented for SES, and how effectively these are working.
- Chapters 5 to 8 focuses on each of the sites included in SES. For each site justification for site selection is assessed, progress of the site to date, and effectiveness of project management and monitoring systems.
- Chapter 9 assesses the scope to apply counterfactual impact evaluation methods for the final evaluation of SES.
- Chapter 10 provides the overall conclusions.
- Chapter 11 provides recommendations for the remaining part of the delivery period.

## 2. Methodology

2.1 The research for the interim evaluation has included the following tasks:

- A review of Welsh Government, regional and local policy and strategy documents (e.g. Well Being of Future Generations Act (Welsh Government, 2015b), Prosperity for All (Welsh Government, 2017a), the Economic Action Plan (Welsh Government, 2017b), the Employability Plan (Welsh Government, 2018), and Cymraeg 2050: Welsh Language Strategy (Welsh Government, 2017c)).
- A review of operation documentation, including the original Business Plan (Welsh Government 2016a), planning documents, progress reports, market demand assessments, sustainability and community benefits strategies and correspondence related to the operation. References for all documents are provided in the relevant sections of the report.
- Analysis of monitoring information, including financial expenditure data and monitoring reports produced for each of the sites in SES.
- Analysis of local economic and labour market conditions in the areas affected by SES. This has used publicly available datasets produced by ONS (Business Register and Employment Survey)<sup>8</sup>, Annual Population Survey<sup>9</sup>, Business Demography<sup>10</sup>, Jobs Density<sup>11</sup>) and inward investment data collected by Welsh Government.
- Analysis of property market trends. This was based on local market assessments and supplemented with data from CoStar<sup>12</sup>.
- 18 semi-structured telephone consultations with Welsh Government staff and other stakeholders including; WEFO staff, Regional Engagement Teams and commercial property agents. A list of consultees is provided in Annex B.

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<sup>8</sup> ONS (2017a) [UK Business Register and Employment Survey: provisional results 2017, revised results 2016](#)

<sup>9</sup> ONS (2018a): [Annual Population Survey](#)

<sup>10</sup> ONS (2018b) [Business demography, UK](#)

<sup>11</sup> ONS (2017b) [Jobs density](#)

<sup>12</sup> CoStar (2019) [Market Analytics](#)

### 3. Operation Rationale and Design

#### Key Findings

##### *Strategic Fit*

- The SES operation is strongly aligned with Welsh Government strategies and policies, particularly the Economic Action Plan.
- A number of strategies underline the importance of employment creation as a tool for tackling poverty and labour market disadvantage. 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.

##### *Need for the Intervention*

- SES is designed to address a labour market need (high rates of unemployment and inactivity) and a property market need (a shortage of high quality employment sites). There is good evidence for both of these needs. There is also clear evidence of market failure which prevents the private sector from delivering employment sites.

##### *Theory of Change*

- The key assumptions underpinning the theory of change 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. The four sites included in SES meet all of these criteria, although accessibility of the job opportunities is not as great in the case of Cross Hands and Bryn Cefni.
- 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.
- Operation activities are consistent with the theory of change. However, research suggests that, for three of the sites, the infrastructure works are likely to be necessary but not sufficient on their own to incentivise private sector development in the short term.

## **Purpose of Chapter**

- 3.1 This chapter scrutinises the need for the SES operation and whether it was designed in a way which is fit for purpose. The section responds to evaluation objectives 1 and 2 and includes the following:
- A critical analysis of the logic model and theory of change for SES. This is used to illustrate the rationale for intervention and the design of the operation, but also to test the underpinning assumptions which will determine whether the operation successfully delivers its intended outcomes.
  - A review of the economic and policy context for SES, and an assessment of whether the operation's objectives and activities remain consistent with national, regional and local policy objectives and economic conditions.

## **Purpose of SES**

- 3.2 SES is a Welsh Government operation which uses ERDF grant funding (£11.35m) alongside Welsh Government resources (£9m) to incentivise the commercial development of four strategic employment sites in Wales, with the aim of attracting investment and increasing employment in the surrounding areas.
- 3.3 It does this by providing primary infrastructure (on and off-site roads, drains and utility services) and undertaking site preparation works, which reduces the costs and risks of development to the private sector, and ensures development can be brought forward quickly in order to meet the needs of business and inward investors.
- 3.4 The three of the four sites which will receive investment are all owned by Welsh Government. The only exception to this is Cross Hands East which is managed through a Joint Venture between Welsh Government and Carmarthenshire County Council. The sites and the original funding profile for the operation are shown in Table 3.1<sup>13</sup>.

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<sup>13</sup> This profile was based on the original cost estimates for each of the sites. As these projects have progressed the costs have changed. The most recent cost estimates for each of the sites are provided in Chapters 5 to 8 which review each site individually.

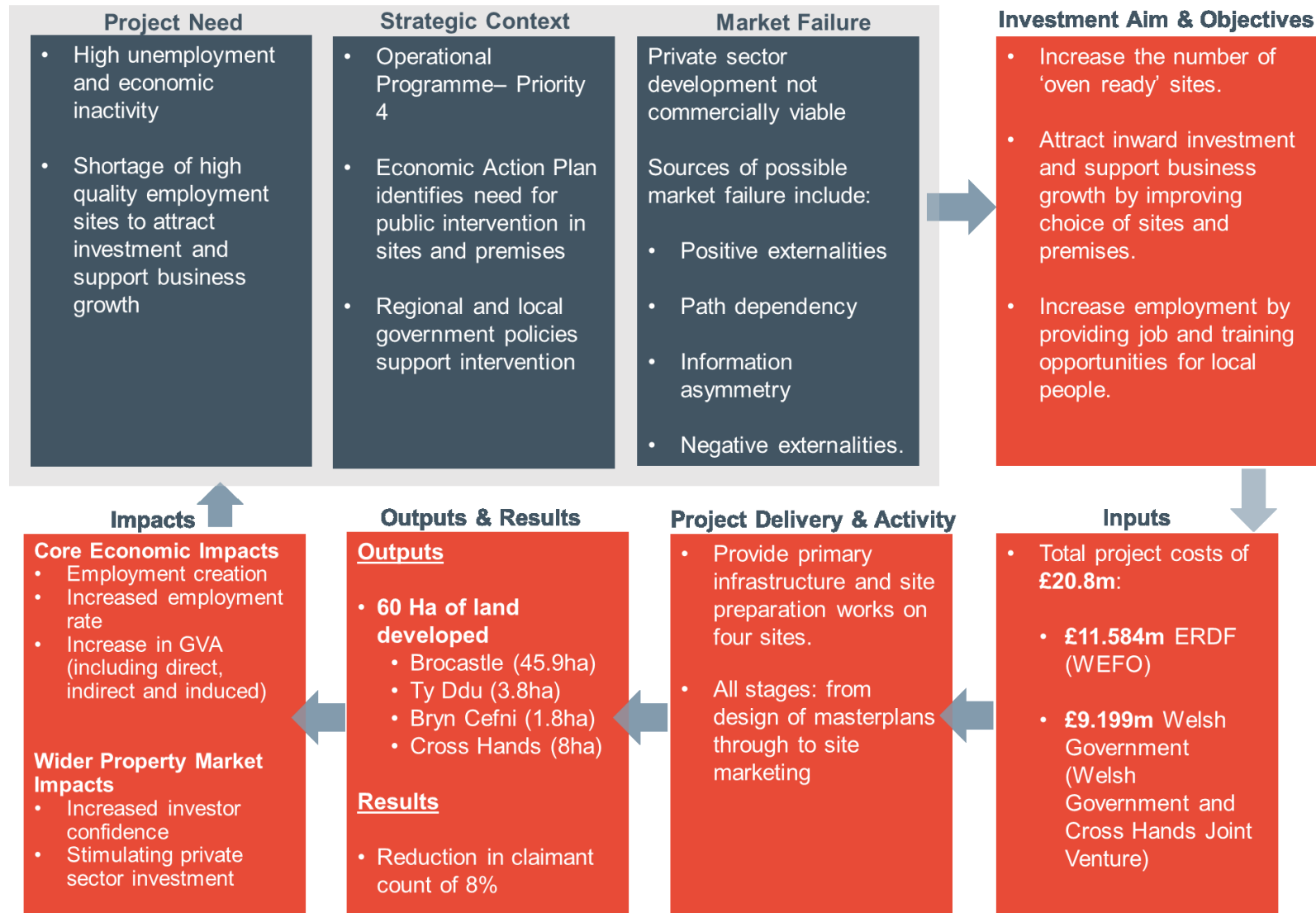
**Table 3.1: Operation costs and original funding profile**

	<b>Welsh Government (£)</b>	<b>ERDF (£)</b>	<b>Total (£)</b>
Brocastle, Bridgend	4,179,234	6,268,853	10,448,087
Bryn Cefni, Anglesey	276,797	415,196	691,993
Cross Hands, Carmarthenshire	3,099,760*	2,435,526	5,535,287
Ty Du, Caerphilly	1,643,345	2,465,017	4,108,362
<b>Total</b>	<b>9,199,136</b>	<b>11,584,592</b>	<b>20,783,729</b>

Source: SES Business Plan.

- 3.5 The operation is designed to overcome a market failure in WWV, whereby the cost of site preparation and commercial property development is greater than the end property values on the sites (i.e. the viability gap). This is due to persistently low rents for commercial property in many parts of Wales, which in some cases is exacerbated by high abnormal costs to prepare sites. These market conditions mean there is not a strong enough commercial incentive for site preparation and development of employment space without public intervention.
- 3.6 The logic model for SES is presented in Figure 3.1. This provides a graphical illustration of the operation components, including the need for intervention and the inputs, activities, outputs and intended impacts. This shows the desired pathway that the operation will take and critical analysis of the logic model and its key assumptions later in the chapter.

**Figure 3.1: Logic model for SES Operation**



Source: Hatch Regeneris

## **Strategic Fit of SES**

3.7 The purpose of this section is to assess whether the aims, objectives and design of SES remain consistent with the Operational Programme, as well as other Welsh Government policies and strategies, and hence that they remain appropriate and relevant given economic conditions and policy. The fit with Regional Plans and policies are assessed in later chapters which look at each of the sites individually.

*West Wales and the Valleys Operational Programme, 2014-20<sup>14</sup> (Welsh Government, 2015a)*

3.8 The Operational Programme represents the agreement between Welsh Government and the European Commission on what will be delivered with the support of ERDF during the 2014-20 programme. It sets out the Welsh Government's strategy and priorities for the economic, social and environmental regeneration of WWV based on a series of Priority Axes and corresponding Specific Objectives and actions.

3.9 SES is funded under Priority Axis 4: Connectivity and Specific Objective 4.4. This aims "to increase employment through investments in prioritised local or regional infrastructure supporting a regional or urban economic strategy". The types of action that could be supported include "business sites and premises in strategic sites, including property development and land remediation". The SES operation is therefore clearly aligned with the types of activity which can be funded under the Specific Objective.

3.10 The Operational Programme provides further guidance on the types of interventions that should be funded. Table 3.2 sets out the key requirements for selecting interventions and considers whether SES met this requirement.

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<sup>14</sup> Welsh Government (2015a): [West Wales and the Valleys: European Regional Development Fund \(ERDF\) operational programme 2014 to 2020 summary](#)

**Table 3.2: Requirements of Operational Programme for types of interventions funded under Specific Objective 4.4**

Principle	Consistency of SES
<p><b>Focus on growth:</b> schemes should support “<i>key regional or urban growth opportunities</i>” as opposed to seeking to mitigate the effects of decline. Investments should align with existing economic development interventions (e.g. Enterprise Zones, City Deals or other local economic strategies) or build on sector strengths to maximise impact.</p>	<p><b>Good:</b> at the time the operation was designed, three of the sites were linked to sector or growth opportunities or formed part of an economic strategy. For example, Bryn Cefni is located in the Energy Island Enterprise Zone, Brocastle was the largest employment site on the M4 corridor which is a growth area. Cross Hands is home to a nationally significant cluster of food businesses.</p>
<p><b>Integrated approach:</b> schemes “will be expected to demonstrate how they complement wider investment programmes and other strategic investments across the suite of ESI<sup>15</sup> programmes”. This means investments in sites should complement other major investments such as transport improvements on the road network.</p>	<p><b>Good:</b> One of the criteria used to select sites was that they should have good access to strategic transport corridors or the principal road network, and ideally align with emerging transport and Metro proposals. This is the case for the Ty Du site in Nelson which is a proposed hub on the plans for the South Wales Metro.</p>
<p><b>Addressing labour market disadvantage:</b> schemes should “<i>demonstrate that they have identified nearby areas of low employment or deprivation and can demonstrate how new employment opportunities will be made accessible to those areas</i>”. It also states a proportion of new jobs</p>	<p><b>Mixed:</b> although a number of the sites are in areas with unemployment rate above the Wales figure, others had a relatively low unemployment rate (eg Carmarthenshire). This was not one of the criteria used to select sites and the Business Plan does not set out how employment opportunities will be made</p>

<sup>15</sup> European Structural Investment

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*created through supported schemes “should be filled by jobseekers in nearby areas and appropriate measures should be incorporated into plans to ensure that happens”.*

accessible. Although this may be given more consideration by delivery teams once infrastructure works are near completion.

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**Partnership working:** the limited resources available means that only a small number of schemes can be supported. To ensure that the best sites are targeted, the OP states that *“the Managing Authority will expect all applications to provide clear evidence of comprehensive partnership working and to demonstrate a degree of prioritisation”*.

**Good:** the Business Plan demonstrated a high level of engagement with regional stakeholders (eg regional engagement teams). Consultations with these stakeholders confirmed they supported the selection of sites.

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Source: Hatch Regeneris

*Vibrant and Viable Places: New Regeneration Framework*<sup>16</sup> (Welsh Government, 2013)

- 3.11 This framework defined regeneration as “an integrated set of activities that seek to reverse economic, social, environmental and physical decline to achieve lasting improvement, in areas where market forces will not do this alone without some support from government”.
- 3.12 The framework identifies three main outcomes. The SES operation aligns with outcome one (Prosperous Communities), which aims to
- improve levels of economic activity and deliver more jobs
  - support strong and diverse local economies
  - encourage a thriving private sector and social enterprise

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<sup>16</sup> Welsh Government (2013): [Vibrant and viable places: framework](#)

3.13 The SES operation will help to deliver these outcomes by supporting the development of employment sites which will create jobs and strengthen local economies.

*Programme for Government 2011-2016<sup>17</sup> (Welsh Government, 2011)*

3.14 This was the contemporaneous Programme for Government when the SES operation was designed and set out Welsh Government's priorities for 2011 to 2016. The first priority was "*Growth and Sustainable Jobs*" which aimed to strengthen the conditions that will enable business to create jobs and sustainable economic growth and included the following commitments:

- To work with European Commission funding programmes to stimulate sustainable growth and jobs through investing in skills, infrastructure and job creation
- To develop a 10 year, Wales-wide, National Infrastructure Plan to identify and prioritise capital schemes which are of national significance.

3.15 The SES operation is clearly aligned with the first of these commitments. It is questionable whether the schemes being delivered through SES are of national significance given the scale and nature of some of the sites and their targeting of regional/local challenges. The one exception to this is Brocastle, which is one of the largest development opportunities in the country and located in a key growth corridor.

*Tackling Poverty Action Plan, 2012-16<sup>18</sup> (Welsh Government, 2012)*

3.16 This action plan outlines Welsh Government's commitment to social justice and tackling poverty. It aims to achieve better outcomes for all citizens, focusing on three priority actions:

- Preventing poverty
- Helping people in to work
- Improving the lives of people living in poverty

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<sup>17</sup> Welsh Government (2016): [Programme for Government](#)

<sup>18</sup> Welsh Government (2012): [Tackling Poverty Action Plan 2012-2016](#)

3.17 SES helps to address these priorities through two routes:

- Creating new jobs (once sites have been developed) which can help people in to work and address poverty in areas where there is a shortage of job opportunities.
- The wider community benefits that been contractually agreed with contractors delivering the site works. These include measures to recruit and train local people including unemployed individuals.

*The Well-being of Future Generations<sup>19</sup> (Wales) Act 2015*

3.18 The Well-being of Future Generations Act is legislation requiring public bodies to put long-term sustainability at the forefront of their thinking. It is based on the principle that quality of life is shaped by a range of economic, social, cultural and environmental factors, and that addressing these in a holistic and integrated way should be the primary goal of all public bodies. The Future Generations Act recognises prosperity and economic growth as important goals, but attaches equal weight to reducing inequality, improving health, ensuring cohesive communities and maintaining a vibrant Welsh culture.

3.19 The aims and objectives of SES are consistent with the Well-being of Future Generations Act insofar as the operation will help to create new job opportunities and improve access to employment which directly contribute to the first goal of the Act ('A Prosperous Wales'). However the operation is also aligned with a number of other goals through its contribution to Cross Cutting Themes:

- 'A Resilient Wales': the principles of sustainable development have been integrated in to the plans for each site through the Creating Sustainable Places Together (CSPT) tool. The masterplans for each site also set out a number of measures to contribute to sustainability (footpaths, cycleways, sustainable urban drainage systems etc.).
- 'A More Equal Wales': all procurement activities undertaken by SES required contractors to demonstrate that they have equal opportunities policies in line with Welsh Government requirements.
- 'A Wales of Cohesive Communities': contractors were required to demonstrate their proposals for providing wider community benefits, which

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<sup>19</sup> Welsh Government (2015b): [Well-being of Future Generations \(Wales\) Act 2015, The Essentials](#)

could include recruitment and training initiatives, supply chain initiatives, working with schools or other community initiatives.

*Taking Wales Forward*<sup>20</sup> (Welsh Government, 2016b)

- 3.20 Taking Wales Forward is the Welsh Government's programme for the current term (2016 – 2021) and sets out how Welsh Government will deliver a stronger and fairer economy and reform public services.
- 3.21 The document identifies four cross-cutting strategies to meet its goals. These reflect many of the principles in the Well-being of Future Generations Act, including raising prosperity, improving health and delivering inclusive growth.
- 3.22 Although the document does not make any explicit commitments to delivering land and property interventions, the SES operation is broadly consistent with these aims for the reasons set out above.

*Prosperity for All*<sup>21</sup> and the *Economic Action Plan*<sup>22</sup> (Welsh Government, 2017a and 2017b)

- 3.23 Prosperity for All and the accompanying Economic Action Plan provide more detail on how Welsh Government will deliver on the commitments outlined in Taking Wales Forward. The Economic Action Plan is the first Welsh Government policy document to explicitly identify a need for intervention in the property market to overcome market failure. It states:

*“Wales needs modern sites and premises to allow businesses to expand and grow, so we will proactively intervene where there is market failure. We will do this either by incentivising investment from developers and investors, by creating development consortia to allow us to maximise and capture the benefits of our Metros, or by being committed to direct delivery of sites and premises in parts of Wales where the private sector is not prepared to invest.”*

- 3.24 The Economic Action Plan commits to providing a delivery schedule that focuses on “*regional priority operations for North, Mid and South West Wales and South East Wales*” which will be identified with the support of regional stakeholders.

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<sup>20</sup> Welsh Government (2016b): [Taking Wales Forward: 2016-21](#)

<sup>21</sup> Welsh Government (2017a): [Prosperity for All: the national strategy](#)

<sup>22</sup> Welsh Government (2017b): [Prosperity for All: Economic Action Plan](#)

3.25 The SES operation is clearly consistent with the Economic Action Plan as it aims to incentivise development of commercial property in parts of Wales that the private sector is not prepared to invest. Although regional engagement teams were not involved in the identification of sites, they have all confirmed that they supported the selection of sites and agreed that these were priorities.

*Employability Plan*<sup>23</sup> (Welsh Government, 2018)

3.26 The purpose of the Employability Plan is to tackle unemployment and economic inactivity in Wales. It sets a number of targets, which SES could contribute to including eliminating the gap in unemployment and inactivity rates between Wales and the UK average.

3.27 The strategy underlines the responsibility of employers to upskill their workers, support staff and provide fair work. The SES operation is aligned with this priority by its use of procurement processes deliver community benefits, including targeted training and recruitment measures.

3.28 The strategy also sets out a new approach to providing employability support for people who face barriers to work. Given that a primary aim of SES is to reduce unemployment and inactivity in local areas, it will be important that Welsh Government or local partners work with the organisations and programmes identified in the Employability Plan to maximise local access to jobs that are created onsite.

*Cymraeg 2050: Welsh Language Strategy*<sup>24</sup> (Welsh Government, 2017c)

3.29 This strategy sets the target of a million people speaking Welsh by 2050. It identifies three strategic themes to achieve this vision:

- Increasing the number of Welsh speakers
- Increasing the use of Welsh language
- Creating favourable conditions – infrastructure and context

3.30 The second and third theme are both relevant to SES. The second theme states it is essential that there are no barriers to receiving services in the Welsh language.

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<sup>23</sup> Welsh Government (2018): [Employability Plan](#)

<sup>24</sup> Welsh Government (2017c): [Cymraeg 2050: A Million Welsh Speakers](#)

This is built in to the design of SES which ensured that the operation adheres to Welsh Language Standards. For example, all publicity activity for the operation has been bilingual.

- 3.31 The third theme also calls for good jobs to be delivered in Welsh speaking areas which enable young people to remain or, if they leave, to return to these areas to raise a family. By creating employment opportunities in Welsh speaking areas (particularly in Anglesey and Carmarthenshire, which have high a percentage of Welsh speakers) SES will help to meet this aim.

### **Analysis of Logic Model and Theory of Change**

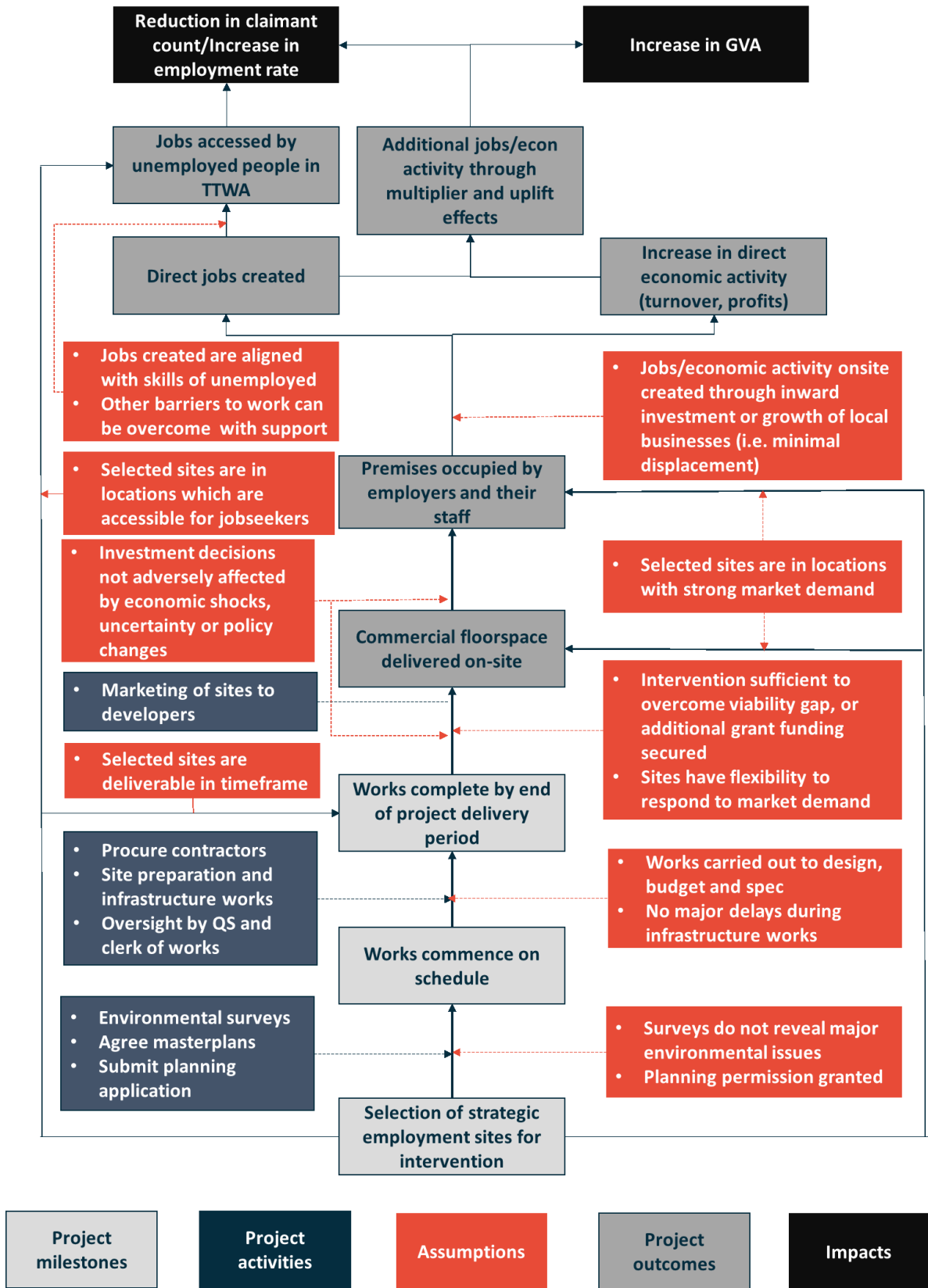
- 3.32 This section analyses the underpinning logic model and theory of change for SES. Key questions it seeks to address include:

- Is there clear evidence of the challenges that the operation is responding to, and is there a clear need for public intervention to address these challenges?
- Do the aims and objectives articulate the change that the operation will bring about, and are they SMART (specific, measurable, achievable, realistic, and time-bound)?
- How the inputs were determined and quantified, and are these sufficient to deliver the activities and outputs?
- Have activities been designed in a suitable manner to deliver the scale and types of outcomes expected?
- Are the output and results targets realistic and achievable in light of the value of the operation and level of support being provided?
- Is the operation based on a robust theory of change? That is, is it clear how activities will deliver the intended outcomes and impacts and is this based on realistic assumptions?

- 3.33 So far the report has referred to both logic models and theories of change. These are two linked but distinct concepts. Both are tools for analysing and improving operation design, but in different ways. The logic model for SES was set out in Figure 3.1 and provided an illustration of the operation's components, based on the desired path that it will take.

- 3.34 Theories of change link activities to outcomes to explain *how* and *why* the desired change is expected to come about, and what assumptions this is based on. It provides a useful tool for testing whether the Business Plan and the delivery plans are based on sound assumptions that will deliver the anticipated outcomes and impacts.
- 3.35 The theory of change model in Figure 3.2 graphically illustrates the series of outcomes that would need to occur for SES to achieve its intended impacts, and the preconditions necessary for one outcome to lead to another.

Figure 3.2: Theory of change model for SES



Source: Hatch Regeneris

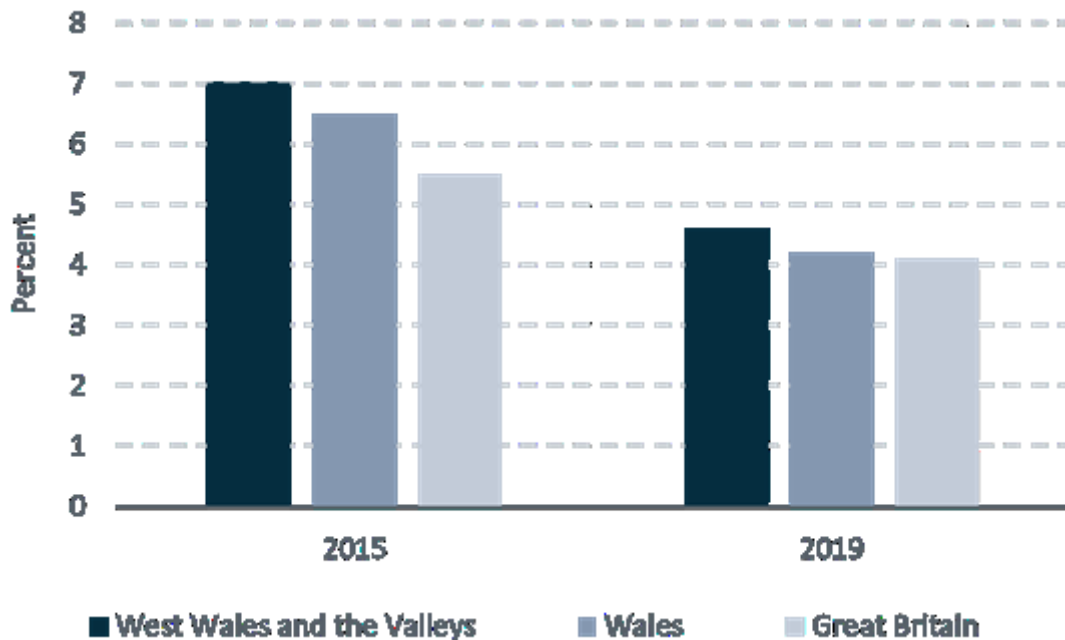
## Operation Rationale and Evidence of Need

3.36 The Business Plan for SES indicates it is designed to respond to two types of need, which are both linked:

- **A labour market need:** the operation is ultimately intended to create new employment opportunities in parts of WWV with high unemployment and economic inactivity.
- **A property market need:** the operation aims to address the shortage of high-quality employment sites in WWV, which is acting as a barrier to business growth and investment.

3.37 In both cases there is clear evidence of this need. Figure 3.3 shows the unemployment rate of people aged 16+ in WWV was higher than the Wales and Great Britain figures in 2015 (when the operation was designed). Since then there has been a fall in unemployment in all areas but the unemployment rate in WWV is still above the rate in Wales and GB. The economic inactivity rate is also higher (25 per cent compared to 21 per cent in Great Britain), indicating a clear labour market need in WWV.

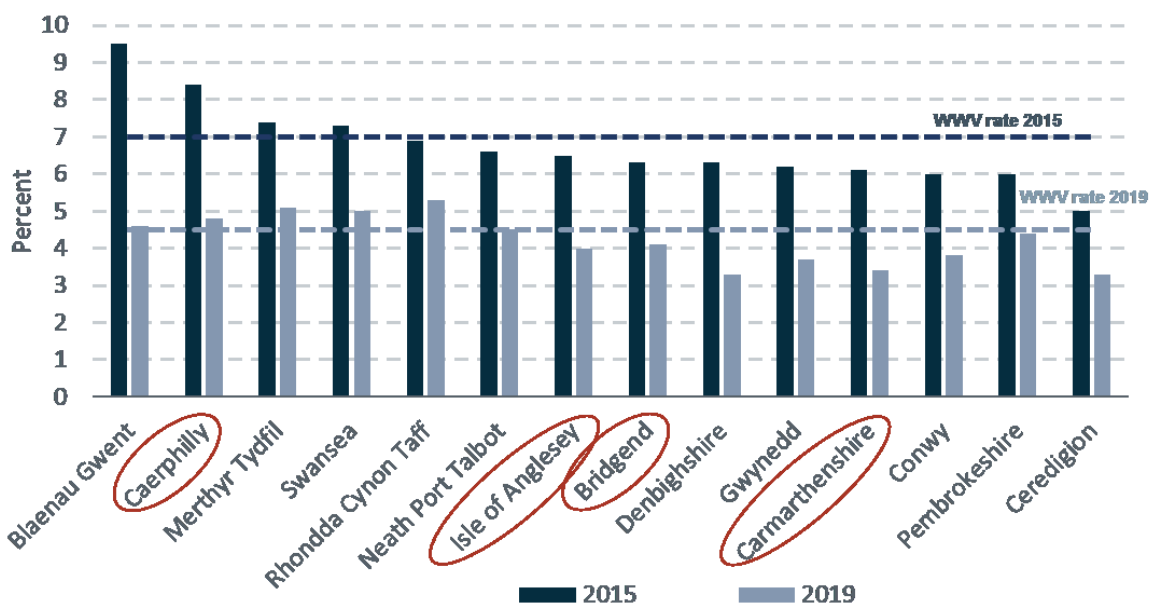
**Figure 3.3: Unemployment rate, 2015-2019**



Source: ONS, 2015 and 2019; Annual Population Survey (NOMIS). Figure draws on data from July 2014 to June 2015 and July 2018 to June 2019

3.38 Unemployment rates have fallen in every local authority area in WWV since 2015. Figure 3.4 also shows that, other than Caerphilly, each of the local authority areas with a site included in SES had unemployment rates below the rate for WWV in 2015, and continue to have relatively low unemployment rates in 2019. Carmarthenshire has a particularly low unemployment rate (3.7 per cent, down from 4.9 per cent in 2015), which raises questions over whether this site should have been selected for the operation. However, as stated elsewhere, this needs to be balanced against the potential for the site to unlock growth.

**Figure 3.4: Unemployment rates in WWV by local authority, 2015-2019**



Source: ONS 2015 and 2019, Annual Population Survey – model-based estimates of unemployment. Figure draws on data from July 2014 to June 2015 and July 2018 to June 2019

Note: circled districts are those with a site included in SES

3.39 The property market need is evidenced in a report by Jones Lang LaSalle (JLL, 2014<sup>25</sup>), which undertook a subsequent ‘Gap Analysis’ of the current offer for employment sites and buildings in Wales.

3.40 This report stated that having a portfolio of pre-prepared sites which can be readily developable within a short period of time can offer Wales a competitive advantage when attracting inward investment. However, the report found that the portfolio of

<sup>25</sup> Jones Lang Lasalle (2014): Gap Analysis, Achieving a balanced property portfolio for the delivery of economic objectives in Wales

sites across Wales was inadequate. As a result, it proposed that the Welsh Government focuses on the promotion of a limited network of high-quality sites, which are readily developable, of high quality and spanning the whole of Wales.

- 3.41 The report defined strategic employment sites as being “*strategically located site (nationally/regionally/locally) offering medium to large scale employment opportunities in the context of its environment*”. It recommended that the sites should be “*concentrated on large centres of population with proximity to the primary road network*” and also noted opportunities for “*supplier park developments alongside key anchor companies such as Ford, Airbus, Toyota etc*”.
- 3.42 It should be noted that the JLL report (2014) was a light-touch update of a previous report King Sturge/PWC (2004) which was an in-depth study of Wales’s property market and property strategy (not reviewed as part of this study). There is therefore a question over how comprehensive and robust the conclusions are, in comparison to the previous study. It is understood that an in-depth analysis of commercial property market trends in Wales is currently underway, however the findings of this study are not yet available.
- 3.43 It can be concluded that the SES operation is responding to clear evidence of need. Although the unemployment rate has fallen since the operation was designed, unemployment and inactivity rates in WWV are still above the Wales and Great Britain average, indicating a need for job creation. However, the analysis does raise some questions about the site selection process and whether these adequately considered the need to address unemployment. This is explored further below (see 3.73).
- 3.44 There is also good evidence of gaps in Wales’s portfolio of sites, which is acting as a barrier to attracting inward investment and supporting business growth.

#### *Evidence of Market Failure*

- 3.45 As noted above, the SES operation is designed to respond to economic and property market failures, which arise because the cost of site preparation and commercial property development is greater than the end property values on the site (the viability gap). This is due to persistently low rents for commercial property in many parts of WWV, which in some cases is exacerbated by high abnormal costs to prepare sites. These market conditions mean there is no commercial incentive for site preparation and development of employment space. This

prevents new commercial development, which could have increased economic welfare, from being delivered.

3.46 These conditions could reflect the presence of a number of different types of market failure (the extent to which each type is present will vary depending on the nature of the site):

- **Positive externalities:** some of the benefits associated with bringing development forward which are valuable to Welsh society (e.g. job creation) have little or no bearing on decisions made by developers and investors. This results in the under-delivery of employment space.
- **Path dependency:** developers and investors are unlikely to value the benefits of sectoral change and economic restructuring in the same way as the public sector. They might therefore be unwilling to take additional risk or bear extra cost to develop sites to support the development of sectors with particular property needs or which are at a nascent stage in their growth.
- **Information asymmetry:** whereby developers and investors are not fully aware of the risks and potential returns of investment opportunities in the programme area. Lack of full information could allow perceptions of the area (e.g. as being one of low or no opportunity) to dominate decision making and resultant investor and development activity.
- **Negative externalities:** benefits of removal of negative externalities such as dereliction or land contamination are not valued by developers or their investors. Many contribute to site viability problems and act as barriers to investment.

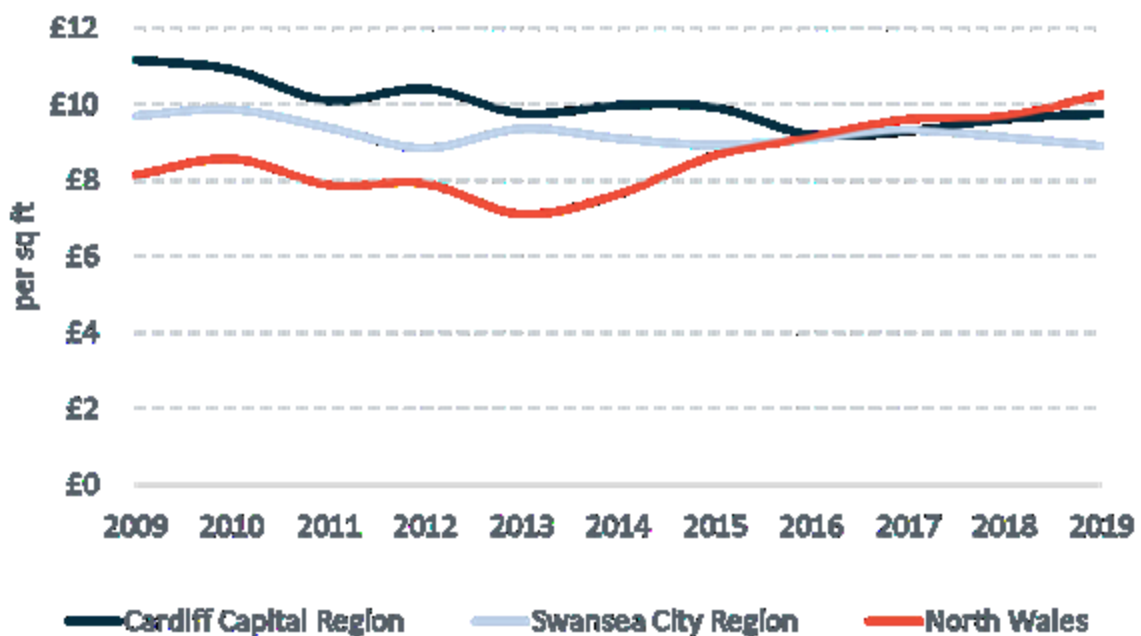
3.47 Again, there is clear evidence for this market failure which is longstanding and widespread across WWV. For instance, the JLL Gap Analysis stated: "*since 2007 there have only been limited private and public sector investments in new employment sites, where significant long-term funding can often be required to promote and service sites*". A report by Regeneris Consulting (2016) which reviewed the potential to use financial instruments to bring forward commercial development in WWV found that there are large viability gaps across Wales and that development could not be delivered without grant funding.

3.48 Analysis of average rental values shows there has been limited change in either the office or industrial market in recent years, despite the supply of vacant space

falling. Figure 3.5 shows change in average rents in the office market in each of the main geographical markets in Wales<sup>26</sup>. The only market area in which average rents have increased is in North Wales, and this increase has been confined to Denbighshire. Even here, average rents are just over £10 per sq. ft, which is well below the level needed for speculative development to be viable (at least £20 per sq ft according to Knight Frank<sup>27</sup>, although this threshold level varies by area).

3.49 It should be noted that the chart shows average rents as opposed to prime rents<sup>28</sup>, which is the key indicator for assessing whether development is likely to be viable. However, these are also some way below the viability threshold of at least £20 per sq ft<sup>29</sup> (£14.50 in Swansea city centre, £11 in Aberystwyth and £11 in Bangor).

**Figure 3.5: Change in average rental values per sq ft in office market, 2009-2019**



Source: CoStar

<sup>26</sup> The analysis uses the markets defined by CoStar but excludes those districts which lie outside WWV. Cardiff Capital Region includes districts of Blaenau Gwent, Bridgend, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taff and Torfaen. Swansea Bay City Region includes Carmarthenshire, Ceredigion, Neath Port Talbot, Pembrokeshire and Swansea. North Wales includes Conwy, Denbighshire, Gwynedd and Isle of Anglesey.

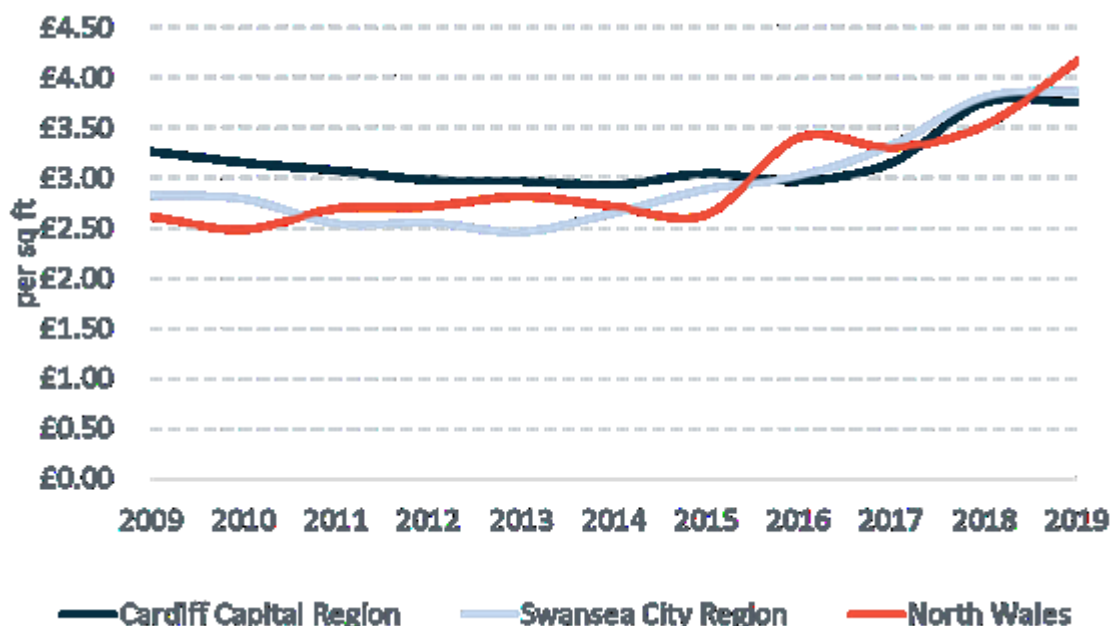
<sup>27</sup> Knight Frank, 2019; Based on a telephone consultation with a regional agent.

<sup>28</sup> These are the rents for the highest quality space on the market

<sup>29</sup> This is the level where speculative development of new office space is likely to be commercially viable. The viability threshold varies and is depending on the location, the nature of the site and specification. The minimum threshold of £20 was based on feedback from commercial agents Knight Frank

3.50 There is more evidence of rental growth in the industrial market since 2015 (see Figure 3.6). However, this is also below the viability threshold of around £8 per sq ft for smaller units below 20,000 sq ft<sup>30</sup>. Analysis of CoStar shows prime rents are around £6.50 per sq ft in the highest value locations (Swansea, Bridgend, Rhondda Cynon Taff).

**Figure 3.6: Change in average rental values per sq ft in industrial market, 2009-2019**



Source: CoStar

3.51 Given that rents are still below the viability threshold and have been for a sustained period of time, it is concluded that the SES operation was responding to clear evidence of market failure. Although industrial rents in some areas are increasing and approaching the point where speculative development could be viable in the near future. One example of this is Bridgend where the Brocastle site is based.

<sup>30</sup> The viability threshold varies depending on the nature of development (particularly the size). The threshold of £8 was based on feedback from commercial agents Cooke and Arkwright

### *Operation Aims and Objectives*

- 3.52 The Business Plan states that “the operation through capital investment in sites will ultimately aim to:
- Reduce the number of workless households
  - Increase the number of individuals who voluntarily choose to enter the labour market
  - Increase awareness of opportunities in the local labour market and the associated skills required”.
- 3.53 These are broadly consistent with the OP, which aims to bring about a reduction in the claimant count it could be argued that these may not be the most relevant aims for an operation of this nature. The investments should also create employment (a demand-side effect) which could reduce the number of workless households. However the second and third aims arguably relate to supply-side effects, which will only be indirectly affected by SES (e.g. people’s decisions on whether to re-enter the labour market). The focus on labour market aims also overlooks some of the economic impacts that SES seeks to deliver (e.g. increased inward investment, supporting business growth).
- 3.54 The business plan states that the Operation will support actions that will aim to:
- Reduce the number of undeveloped strategic sites
  - Increase the number of infrastructure and ‘oven ready’ sites capable of being developed upon
  - Increase the provision of suitable business premises
  - Provide greater employment and training opportunities for the local population
  - Increase targeted employment and training opportunities aimed at those displaced or furthest from the local labour market
  - Upskill the workforce through referrals to skills and training schemes”.
- 3.55 A number of these objectives are relevant, although the Business Plan would have benefitted from being more specific about the measurable change that SES would bring about and by when (although this can be inferred from the rest of the document).

3.56 Again, it could be argued that some of the labour market objectives are only indirectly affected by SES (if at all). For example, SES will have limited influence over the extent to which employment and training opportunities generated onsite are targeted at those displaced or furthest from the local labour market.

*Operation Inputs*

3.57 The Business Plan identified total operation costs of £20.78m, of which £11.58m would be met through ERDF. This was matched by just under £9.2m of Welsh Government funding.

3.58 Table 3.3 shows how this was distributed across the four sites. The intervention rate was 60 per cent for each of the sites (the maximum), with the exception of Cross Hands (44 per cent) which is being delivered through a Joint Venture between Carmarthenshire County Council and Welsh Government, which increased the match funding available.

**Table 3.3: Operation costs and original funding profile (£)**

	<b>Welsh Government</b>	<b>ERDF</b>	<b>Total</b>
Brocastle	4,179,234	6,268,853	10,448,087
Bryn Cefni	276,797	415,196	691,993
Cross Hands	3,099,760*	2,435,526	5,535,287
Ty Du	1,643,345	2,465,017	4,108,362
<b>Total</b>	<b>9,199,136</b>	<b>11,584,592</b>	<b>20,783,729</b>

Source: SES Business Plan.

\*match funding for Cross Hands was from Carmarthenshire County Council and Welsh Government

3.59 The operation costs were estimated for each site separately. In the case of Brocastle, Cross Hands and Ty Du, consultants were appointed to survey the scope of works required for each site and estimate costs. These cost estimates were not peer reviewed or internally appraised by Welsh Government. However, given that they were independently assessed by experienced consultants, it is concluded these represented a robust estimate of the inputs required to deliver the operation objectives. The costs for Bryn Cefni were estimated by Welsh Government officers (the Technical Manager and Property Delivery Lead for the site). This reflects the smaller scope of works for this site. These officers have an engineering background and significant experience of delivering property interventions and therefore well placed to estimate costs for this site.

3.60 The Business Plan acknowledged that the costs were subject to change once a fully costed and accurate programme of works has been developed. The latest cost estimates for Brocastle show only a small increase from the original cost estimate (£10.8m), and a larger increase for Ty Du (£5.0m<sup>31</sup>). The additional costs are being met from Welsh Government budgets.

*Operation activities – Site selection*

3.61 A key issue for the evaluation to consider is the suitability of the chosen sites, and whether the selection of sites will help to meet the operation's aims and objectives. As shown in the theory of change in Figure 3.2, a number of the intended outcomes are dependent on the selected sites meeting a number of conditions:

- Firstly, they need to be deliverable in the timescales of the ERDF programme.
- Secondly, they need to be in locations which are attractive to the market i.e. areas where there is clear evidence of demand and accessible to a suitable workforce and suppliers. Otherwise the site infrastructure and preparation activity are unlikely to lead to commercial development.
- Thirdly, they need to be in locations which are accessible for unemployed people in the Travel to Work Area. If not, then the operation is unlikely to achieve its desired outcome of reducing unemployment.

3.62 The policy review above also noted a number of additional criteria that the selection of sites would ideally meet:

- They needed to align with other economic development interventions and opportunities for growth.
- and be selected and prioritised through engagement with regional stakeholders.

3.63 It is also worth considering the definition of strategic sites within the JLL Gap Analysis (JLL, 2014) which stated a strategically located site should offer medium to large scale employment opportunities in the context of its environment and be located close to the primary road network.

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<sup>31</sup> The cost information provided for Ty Du for the evaluation is for the combined cost of employment and residential development. Costs for employment development have been estimated using an apportionment rate of 59.18 per cent which was agreed with WEFO.

- 3.64 The selection of sites therefore needed to consider a number of factors and achieve a balance between meeting market demand and addressing the needs of disadvantaged communities. Although not explicitly stated in the Business Plan, Welsh Government also needed to ensure the sites were drawn from across different regions of Wales to ensure investment was geographically balanced.
- 3.65 The sites included in SES were identified by the Property Management Team within Welsh Government, which had representation from each of the regions in Wales. Two of the sites (Ty Du and Brocastle) had been shortlisted in the earlier SESIF operation from the 2007-13 programme but could not be delivered with the funding that was available. These were therefore brought forward as priorities for this programme. The other sites were agreed between the Property Management Team.
- 3.66 The SES Operation Manager reported that there was no long-listing or short-listing of sites (although a site in Margam was identified as a reserve site). There also does not appear to have been much wider engagement with other stakeholders as part of the process of identifying potential sites. This was driven by timescales and the need to deliver sites within the funding programme.
- 3.67 Consultees from Welsh Government reported that the sites were all felt to be strong candidates because they met the following criteria:
- The sites were all of national, regional or sub-regional importance.
  - They had good access to Wales' strategic transport corridors or principal road network and/or they aligned with emerging transport and Metro proposals;
  - They were deliverable within the funding programme;
  - They were all identified in the JLL Gap Analysis from 2013/14
- 3.68 These are consistent with the conditions identified above. The main issue which was not considered was each site's ability to address labour market disadvantage, which was a key rationale for the intervention. Although consultees reported that each of the sites were close to areas of deprivation and therefore met these criteria anyway.

3.69 Later chapters consider the strengths of each site and the justification for its selection. Table 3.4 draws upon the evidence in these chapters to assign a red-amber-green rating for each site against the criteria which should have been used to assess potential sites. These ratings are based on professional judgement, following the review of the evidence for each site.

**Table 3.4: Red Amber Green rating of each site based on key criteria**

	Brocastle	Bryn Cefni	Cross Hands	Ty Du
Deliverable				
Market demand				
Accessible for unemployed				
Strategic in local context				
Supported by regional stakeholders				
Aligned with other interventions/growth opportunities				

Source: Hatch Regeneris

*Deliverability and Market Demand*

3.70 All of the sites score highly for deliverability and market demand, although the nature of this demand varies from site to site. Brocastle and Cross Hands are likely to attract a range of occupiers including large strategic uses and smaller local requirements. While in the case of Ty Du and Bryn Cefni, demand is likely to be limited to small requirements from local businesses.

*Support from Regional Stakeholders*

3.71 Consultations with regional engagement teams showed a high level of local support for all of the sites (hence a rating of green for all four). While these consultations identified other sites that could have been considered (particularly in the Swansea Bay City Region), overall consultees supported Welsh Government’s position that the selected sites offered the best prospects of being delivered in the time available.

3.72 In conclusion, it is evident that each of the sites was aligned with other interventions and/or responding to growth opportunities. For instance, Bryn Cefni is in the Energy Island Enterprise Zone, Nelson is a proposed station on the South

Wales Metro and Bridgend and Cross Hands are both home to existing industry clusters and successful industrial estates.

#### *Accessibility Criteria for Unemployed People*

- 3.73 For the accessibility criteria for unemployed people, amber ratings have been assigned to Bryn Cefni and Cross Hands. This is because the local unemployment rate in the labour market catchment of each site is low (below 2.5 per cent within a 30 minute drive of each site, compared to over 3 per cent for Ty Du<sup>32</sup>). There is also a much lower number of claimants living within a 15 minute drive of each site (although there are much larger numbers within a 30 minute drive). This reflects the rural locations of the Bryn Cefni and Cross Hands sites.

#### *Strategic Nature of Site*

- 3.74 The only site to receive a red rating for any of the criteria is Ty Du, based on whether it can be considered a strategic site in its local context. This is on the grounds that the site is likely to deliver small scale B1 uses, targeted at a local market. This is also the case for Bryn Cefni, however the local market contexts are quite different. Bryn Cefni is located in a more remote and rural location, with limited demand for medium to large units. Ty Du is located in the Cardiff Capital Region where demand for these units is strong. Nelson itself is poorly connected to the motorway network and is close to much larger centres in Caerphilly and Pontypridd.
- 3.75 However, it is recognised that Ty Du is located in an area of high unemployment and deprivation, and any job creation schemes which are brought forward would be of significant benefit to local communities.

#### *Conclusion on Site Selection*

- 3.76 Given the number of criteria that needed to be considered, SES has achieved a good balance of sites overall. While the selection of individual sites could be criticised on the basis of certain criteria, taken together they should help Wales to attract inward investment and increase access to employment for communities in need. Critically, evidence suggests there is strong demand for each site which means the theory of change is sound, and that the selected sites should help to deliver the anticipated outcomes and impacts.

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<sup>32</sup> ONS (2019): [Claimant Count via Nomis](#)

### *Operation activities – Delivery of sites*

- 3.77 The main operation activities and milestones involved in the delivery of sites are as follows:
- Agreeing masterplans for each site
  - Submitting planning applications and securing consent (including undertaking environmental surveys)
  - Procurement of contractors
  - On-site activities (delivery of infrastructure and site preparation)
  - Marketing of sites to developers
- 3.78 The review of each of the sites has found that the development plans in the masterplans are consistent with the local market demand evidence which was undertaken (e.g. a range of different size units at Brocastle reflecting the strong demand from strategic and local occupiers in this location, and smaller units at Ty Du and Bryn Cefni). The planning consent for Brocastle also allows some flexibility for different sizes of plots to be brought forward dependent on market demand. The operation activities have therefore been appropriately designed in the context of market demand.
- 3.79 All of the other operation activities are consistent with the logic model for SES, and are necessary to ensure the sites are available for development by the end of the delivery period.
- 3.80 There is still uncertainty as to whether the operation activities will be sufficient to deliver the anticipated outcomes (i.e. overcoming the market failure in WWV and encouraging development onsite). The experience from sites that received investment in the 2007-13 programme is that the infrastructure works have been necessary but not sufficient to incentivise development (for example, Cross Hands East received infrastructure investment in the last programme, but development is only coming forward with additional grant support from Carmarthenshire County Council).
- 3.81 Consultations with commercial property agents indicated that, of the four sites, the one with greatest potential to be delivered without additional public support is Brocastle due to stronger market conditions in Bridgend. For the other sites, future development in the short term will depend on Welsh Government or its partners

securing additional public support. In the case of Ty Du, this has already been secured through a complementary ERDF funded operation (also under SO4.4) which will deliver an initial round of development onsite.

- 3.82 It is also recognised that the infrastructure works are a long term benefit for these sites, and that the prospects of development coming forward is much greater in the long term, as market conditions improve.

*Operation activities – Cross Cutting Themes*

- 3.83 The potential to contribute to Cross Cutting Themes (CCTs) was clearly considered in the design of SES from the outset and this has continued during the delivery phase. Many of the contributions to CCTs were already embedded in Welsh Government processes (e.g. procurement processes and best practice guidance tools). Key measures included the following:

- **Sustainable development:** following guidance set out in *Creating Sustainable Places Together*<sup>33</sup> (SUSPLACE, 2019) - when developing the masterplans for sites, requiring contractors to prepare sustainable development plans.
- **Equal opportunities:** ensuring adherence to the Equality Act 2010 and Welsh Government Building Regulations, compliance with Welsh Language Standards, and ensuring contractors can demonstrate that they have the requisite policies on equal opportunities in place.
- **Tackling poverty:** following Welsh Government processes for procurement, which require contractors to demonstrate their proposals for providing wider community benefits which can help to tackle poverty.

- 3.84 The extent to which these measures have been applied has varied from site to site. For instance, the measures implemented by contractors for Brocastle and Ty Du have been extensive and wide-ranging. However the much smaller scale of works at Bryn Cefni has meant there has been limited scope to deliver wider community benefits and the approach has been proportionate to the size of the operation.

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<sup>33</sup> SUSPLACE (2019): [Creating Sustainable Places Together. A quick start guide for policy-makers and practitioners to place-based working and co-production](#)

3.85 WEFO officers who lead on CCTs reported they were satisfied with the measures that have been implemented and the progress that has been made towards CCTs. Consultees also reported that the delivery team had sought advice on how to strengthen the designs for Ty Du and Brocastle and maximise the contributions to sustainable development.

#### *Operation outputs*

3.86 The SES operation has one ERDF output indicator target to develop 59.6 Ha of land. This target was based on the total area of each site receiving infrastructure investment:

- Brocastle: 45.96 ha
- Bryn Cefni: 1.82 ha
- Ty Du: 3.8 ha
- Cross Hands: 8 ha

3.87 The evaluation of SESIF (Regeneris, 2017<sup>34</sup>) (the forerunner to SES) had highlighted the need for more robust appraisal of target outputs. This was based on a query about the legitimacy of the outputs claimed for one of the sites included in SESIF. It found that 12 ha of the claimed outputs related to an area of land which was not dependent on the infrastructure investment and should therefore not have been attributed to it.

3.88 This does not appear to have been an issue for any of the sites included in SES. Based on the review of the site plans, it is clear that the land being claimed as outputs directly benefits from the infrastructure investment.

3.89 The operation's output targets therefore appear to be based on sound evidence and are consistent with the operation's theory of change.

#### *Operation results*

3.90 The ERDF Result Indicator for Specific Objective 4.4 (to which SES contributes) is for a reduction in the claimant count rate in Travel to Work Areas by an average of 8 per cent. The Business Plan stated that targets would be agreed for the operation itself following approval of the operation.

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<sup>34</sup> Regeneris Consulting (2017): [Evaluation of the Strategic Employment Sites Infrastructure Fund](#)

3.91 The selection of result indicators was set out in the Operational Programme. However, there are a number of reasons why this is not an appropriate or sufficient result indicator for SES. Firstly, it focuses only on improving access to employment. This is part of the rationale for the intervention, but SES also aims to deliver economic benefits (increased inward investment, business growth etc.) which are not captured by a reduction in the claimant count. Secondly, as noted in the Business Plan, it is highly unlikely that a contribution to the results indicator will be realised during the life of the programme. Thirdly, it would be very difficult to attribute a reduction in the claimant count to SES because of the large number of other factors which affect it.

### **Summary and conclusions**

3.92 This chapter has assessed the strategic fit of SES and analysed the theory of change and logic model which underpins the intervention. The conclusions are as follows:

- The operation shows a strong fit with Welsh Government strategies and policies. In particular, the Economic Action Plan explicitly identifies the need for public intervention in areas where there is property market failure, which is the rationale for SES.
- 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.
- Strategies and policies also call for greater consideration of the other determinants of wellbeing, including sustainability, equality, community cohesion and protection of Welsh culture. These considerations have been embedded in the design of SES and during the early delivery phase.
- A theory of change has been designed, which sets out all of the underpinning conditions necessary to achieve the intended outcomes and impacts. 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.

- The selection of sites was a key factor in determining whether these assumptions are sound. Overall, the selection of sites appears to be justified. All of the sites are deliverable and evidence of market demand is strong. The sites are all close to areas with concentrations of claimants, although accessibility of the job opportunities is not as great in the case of Cross Hands and Bryn Cefni.
- 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 eligible sites in Cardiff Capital Region which could have made a greater economic impact than Ty Du, although the importance of this site for job creation, is recognised.
- Operation activities are consistent with the theory of change. However, research suggests that, for three of the sites, the infrastructure works are likely to be necessary but not sufficient to incentivise private sector development in the short term. The intended outcomes for these sites are only likely to be realised if Welsh Government or its local partners seek additional grant funding to support development.

## 4. Process Review

### Key Findings

#### *Project Management*

- Project management systems are supporting the effective and efficient delivery of the operation. The appointment of an overall Operation Manager has ensured there is good oversight of the operation and the progress of individual sites.
- The project management arrangements for delivery of individual sites is also working well. Experienced contractors have been appointed to deliver the works, and independent consultants overseeing progress provide an additional safeguard to ensure effective and efficient delivery.

#### *Monitoring*

- Monitoring systems are robust and proportionate. Monthly progress reports and meetings ensure the Technical Managers have an excellent understanding of the progress of tasks, project expenditure and key risks.
- A more informal system has been applied for Bryn Cefni reflecting the much smaller scale of the project.

4.1 This section reviews the project management, governance and monitoring processes implemented for SES, and how effectively these are working. This responds to the following evaluation requirements:

- Review the project management processes implemented by the Welsh Government and partner local authorities to determine whether they adequately and efficiently support the delivery of SES.
- Assess the monitoring systems at a local and national level to ensure they support the efficient and effective delivery of the operation and provide a sound basis through which data can be collected for evaluation purposes.

4.2 The main focus in this section is on the management and monitoring processes for SES at a national level, rather than the delivery of individual sites. Local processes are commented on in later chapters, which look at the progress of each of the sites.

## Management of SES

- 4.3 The management for the SES operation is split in to two functions:
- Delivery: responsible for delivery of operation activities and outputs
  - Finance: responsible for ensuring all ERDF and Welsh Government financial requirements and financial regulations governing the use of public money are met.
- 4.4 A Finance Lead and SES Operation Manager each have overall responsibility for their respective functions and report on progress to the Deputy Director for Property in the Economy, Skills and Natural Resources Directorate of Welsh Government who is the Senior Responsible Officer for the operation.
- 4.5 The delivery of each site is managed by two Welsh Government officers<sup>35</sup> who work closely together:
- A Property Delivery Lead: the Property Delivery Lead has responsibility for all legal, strategic and commercial issues involved in the delivery of each site, and will lead on marketing the sites once the works are complete.
  - A Technical Manager: The Technical Manager has responsibility for all technical and engineering issues involved in the delivery of the site including the designs for the site and procuring/managing contractors.
- 4.6 Property Delivery Leads and Technical Managers are also able to draw on specialist expertise in Welsh Government, including around the procurement of site works, ERDF compliance, CCTs and monitoring and evaluation. This support was provided both from specialists within Welsh Government, and WEFO.
- 4.7 The Property Delivery Leads/Technical Managers report to the Operation Manager who has responsibility for overseeing delivery of the operation as a whole and can also respond to site-specific issues if they arise. The evaluation of SESIF had recommended that a single programme manager should be appointed to oversee future interventions, with responsibility for both financial and operations management. The SES operation has acted upon this recommendation in appointing an Operation Manager to oversee the performance of all of the four

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<sup>35</sup> The only exception to this is Cross Hands, which is managed through a Joint Venture between Carmarthenshire County Council and Welsh Government. The Technical Manager is therefore an officer from Carmarthenshire County Council.

sites. However, the decision was taken not to give one officer overall responsibility for both delivery and finance. This was for a number of reasons, which are justified:

- The skillsets required for each role are distinct, and it would have been difficult to find someone with the ability to do both.
- Combining responsibility for delivery and finance in to a single role would on balance have created too large a workload for a single officer.
- There were felt to be benefits in having two officers leading on each function but working closely together. This not only spreads the workload but ensures there are “two pairs of eyes” monitoring the performance of the operation.

4.8 Having a single Operation Manager with oversight of delivery of the four sites appears to be working well. All Property Delivery Leads and Technical Managers indicated that, in their view, the structure works well and that they have a good working relationship with the Operation Manager with whom they are in contact regularly. The Operation Manager role also means that WEFO has a single point of contact for the operation. Consultees from WEFO were positive about the Operation Manager who was reported to have good oversight of each of the sites and a good working relationship with the Project Development Officer.

4.9 There is no formal system in place for reporting progress to the Senior Responsible Officer. However, it is understood the Operation Manager and Senior Responsible Officer work closely together (in the same office) and the Senior Responsible Officer is available to provide advice and guidance if required.

### **Operation Monitoring**

4.10 The relevant ERDF output indicator for this operation is ‘land developed’ which is only likely to be achieved towards the end of the delivery period. Therefore, this is not a good indicator for monitoring progress.

4.11 Monitoring of progress is carried out based on progress against milestones for each site and profiled financial expenditure. The Technical Managers for each of the sites provide updates to the Operation Manager based on their own site-level

monitoring. Further details of the systems in place for each of the sites are provided in the relevant chapters, but these typically involve:

- Monthly progress reports prepared by the contractors (independently verified by consultants), which report on progress, any variance with the agreed schedule, an updated risk register, financial claims etc.
- Monthly site meetings with the Technical Manager to discuss the contents of the progress report.

- 4.12 The progress reports for Ty Du and Brocastle suggest there are robust processes for monitoring progress at each of the sites. The same processes have not been put in place for Bryn Cefni, where progress is reported on a more informal basis by the contractor. This appears to be justified given the scope of the works for this site. Similar monitoring processes will be put in place for Cross Hands once works have commenced.
- 4.13 The Operation Manager for SES is also the Property Delivery Lead for Ty Du and Brocastle, which provides them with first-hand knowledge of the progress of each of these sites. The progress with the other two sites (Cross Hands and Bryn Cefni) is reported to the Operation Manager on a quarterly basis by the Technical Managers. These progress updates were reported to be informal and provide an overview of progress in the quarter, the reasons for any slippage, progress against CCTs and planned activities for the next quarter. However, the Technical Managers do not provide an updated risk register.
- 4.14 The evaluation of SESIF recommended that future interventions develop an overarching and detailed implementation plan which set out the deliverable activities, milestones and risks for each of the individual sites. This would be a 'live' project management tool which would help Welsh Government officers monitor progress and manage risks. This was not developed for SES, with the justification given that SES was not a complex project and that the monitoring systems put in place were sufficient to keep track of the progress of the operation overall and each of the individual sites.
- 4.15 To date it appears that the monitoring systems have been adequate to support the successful delivery of the operation. However, this reflects the fact that the Operation Manager for the operation is also the Property Delivery Lead for the two sites where there has been most activity. Once the infrastructure works at Cross

Hands have commenced, it is recommended that the progress reports prepared by the contractor are shared with the Operation Manager, and that they are kept informed of the key risks in the remaining part of the delivery period.

#### *Financial monitoring*

- 4.16 There appear to be good systems in place for financial control. For Ty Du and Brocastle, contractors' costs are verified, recorded and monitored by the independent consultants acting on behalf of Welsh Government<sup>36</sup>. This ensures costs are closely scrutinised and any issues flagged to Welsh Government as early as possible.
- 4.17 Some difficulties were encountered when accessing up to date monitoring data on the financial performance of the operation (both overall and by site). The operation underwent re-profiling and was not able to make any financial claims in 2019 until this was approved. As such, the financial monitoring data that was provided was only correct as of December 2018 and is therefore several months out of date. This means it has not been possible to determine whether the overall operation and individual projects are on budget for this stage of the operation (based on profiled and incurred expenditure).

#### *Cross Cutting Themes*

- 4.18 The evaluation of SESIF called for improved systems for recording contributions to CCTs in order to provide stronger evidence of the operation's wider impact. The systems put in place for SES have been much stronger. The Monitoring and Evaluation Plan (Davies, 2017) for SES set out the indicators and evidence that will be monitored for each of the CCTs. This provided a useful guide for each of the sites to provide better evidence of their impact. The indicators and their relevance to individual sites are set out in Table 4.1.

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<sup>36</sup> It is understood a similar system will be put in place for Cross Hands. Independent cost consultants have not been appointed for Bryn Cefni due to the smaller scale of works.

**Table 4.1 Cross Cutting Themes Indicators and Relevance to Individual Sites**

CCT	Indicator	Bro-castl e	Bryn Cefni	Cross Hands	Ty Du
Equal opportunities	Welsh Language (adherence to Welsh Language standards)	✓	✓	✓	✓
	Equality of opportunity (contractors have policies on equal opportunities which meet Welsh Government requirements)	✓	✓	✓	✓
Sustainable Development	Integration of green infrastructure	✓	✓	✓	✓
	Integration of blue infrastructure	✓			
	Support for biodiversity on site	✓		✓	✓
	Site environmental plan submitted	✓	✓	✓	✓
	Use of Sustainable Urban Drainage System	✓		✓	✓
	Resource efficiency measures developed	✓		✓	✓
	Development of sustainable transport initiatives	✓	✓	✓	✓
Tackling poverty	Contractors undertaking community skill building activity	✓		✓	✓
	Contractors paying the living wage	✓	✓	✓	✓

Source: SES Monitoring and Evaluation Plan

- 4.19 For both Ty Du and Brocastle, the monthly progress reports submitted by the contractors include a section which reports on progress against the CCT targets set for each project (e.g. recruitment and training targets, environmental initiatives). The contractors for Ty Du have also produced an itemised list of all community benefits delivered as part of the project. The reports provide robust evidence of each site's contribution to CCTs and it is suggested that Cross Hands follows a similar approach once works commence onsite.
- 4.20 There has been less formal monitoring of CCTs for Bryn Cefni, however this reflects the small scale of this project, which meant there was limited scope to deliver community benefits as part of the contract. The site's main contribution to

CCTs has therefore been through its adherence to Welsh Government standards for equal opportunities and sustainability. The evidence for this is embedded in the tender documents and the contract with the supplier.

## **5. Brocastle**

5.1 This chapter focuses on the Brocastle site. It includes analysis of the following:

- The local policy context and whether the selection of Brocastle was consistent with local strategic priorities.
- The local economic and property market context, focusing on the district of Bridgend. This is used to test the rationale for including the Brocastle site in the project.
- The progress of the infrastructure and site preparation works at the Brocastle site, and whether it is on course to meet the targets for outputs and financial expenditure.
- The monitoring systems which have been put in place and whether they support the efficient and effective delivery of the project.
- The extent to which the Brocastle site is successfully implementing and delivering the objectives of the WEFO Cross Cutting Themes

### **Site Background**

5.2 Brocastle is located on the outskirts of Bridgend, approximately 2.5 miles from Junction 35 of the M4 motorway with access gained off the A48. With an ERDF output target of 45.96 ha, it is the largest of the four sites included in SES. The total project value was originally £10,448,087, of which £6,268,853 is funded through ERDF. According to the latest estimates, the total cost of the project will be £10.8m. The increase in costs is being met through Welsh Government resources.

5.3 The site is owned by Welsh Government, having been acquired by the former Welsh Development Agency (WDA) to facilitate employment opportunities. The site is undeveloped except for an access roundabout and is allocated for employment use under the adopted Bridgend County Borough Council Local Development Plan (LDP).

5.4 An illustrative masterplan for the site was developed by White Young Green in 2011. The proposed development includes a mix of office and industrial units,

providing c. 770,000 sq ft of employment space, of which 600,000 sq ft is for industrial use.

- 5.5 In September 2019 it was announced that INEOS Automotive will construct a new bespoke 250,000 sq ft manufacturing and assembly plant at Brocastle for the production of their 4x4 Grenadier vehicle. It is estimated this will create up to 500 jobs on the site.

### **Policy Context**

*Powering the Welsh Economy (Cardiff Capital Region, 2015<sup>37</sup>)*

- 5.6 Bridgend forms part of the Cardiff Capital Region, although its location on the M4 corridor means that it also shares strong economic links with the Swansea Bay City Region.
- 5.7 Cardiff Capital Region's strategic vision was set out in Powering the Welsh Economy (PWE) (2015). This identified four delivery themes (Connectivity, Skills, Innovation and Growth and Identity). The SES operation is aligned with the Innovation and Growth theme, which identifies property market conditions as a key barrier to growth in Wales as it is preventing speculative development and the delivery of sites.
- 5.8 As with national policies, PWE advocates an approach which balances growth objectives with the need to address inequality and poverty. It identifies a need for a limited number of high-quality sites which should be prioritised on the basis of market demand and economic impact, but also adds this should also recognise the needs of our more disadvantaged communities.
- 5.9 Although the strategy does not identify specific sites, it is concluded the Brocastle site meets these criteria.

*Bridgend Local Development Plan, 2006-2021 (Bridgend County Borough Council, 2013<sup>38</sup>)*

- 5.10 Brocastle is one of four strategic employment sites identified in the Bridgend LDP. It describes the site as "*one of the most important and prestigious greenfield inward investment sites within the South Wales M4 corridor and a one the local authorities' greatest assets in attracting inward and local investment*".

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<sup>37</sup> Cardiff Capital Region (2015): [Powering the Welsh Economy](#)

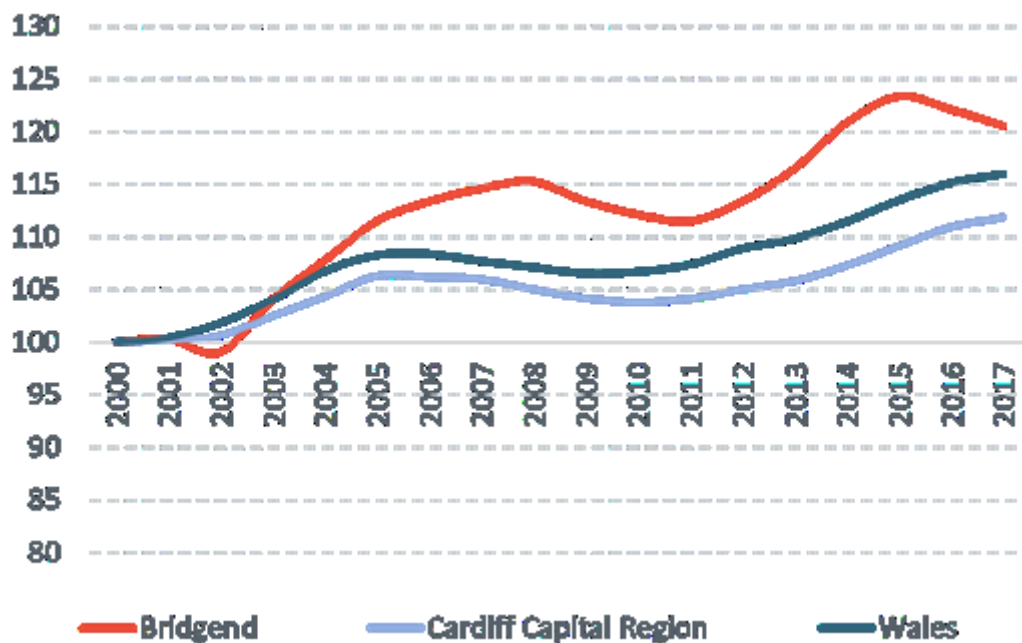
<sup>38</sup> Bridgend County Borough Council (2013): [Bridgend Local Development Plan](#)

5.11 Brocastle is located close to an area of growth and linked to the Waterton Industrial Estate and south of the existing Ford factory, the largest private sector employer in Bridgend. The delivery of Brocastle is therefore a key strategic priority for Bridgend County Borough Council, and there was a strong policy rationale for the inclusion of the site.

### Economic and Labour Market Context

5.12 Bridgend had a population of 144,900<sup>39</sup> in 2018 and is home to 4,100<sup>40</sup> businesses<sup>41</sup> employing 64,500<sup>42</sup> employees. The recent performance of the economy has been strong; the number of jobs has grown at a faster rate than the average for Cardiff Capital Region and Wales as a whole. The jobs market has also seen a strong recovery from the economic downturn from 2011 onwards.

**Figure 5.1: Employment change index (2000=100)**



Source: ONS, Jobs density 2011 - 2017

Note: Data smoothed based on three year moving averages.

<sup>39</sup> ONS (2018e) [Mid year population estimates](#)

<sup>40</sup> ONS (2018c) [UK Business Counts](#)

<sup>41</sup> This includes all business that are registered for Value Added Tax (VAT) or Pay as You Earn (PAYE). This means that some small businesses are not included.

<sup>42</sup> ONS (2018d) [Employees in the UK: 2018](#)

5.13 Bridgend's key strengths are:

- Its location on the M4 corridor between Swansea and Cardiff, make it an attractive location for investors looking to serve markets in both city regions. Data on Foreign Direct Investment collected by Welsh Government show that Bridgend has attracted 29 Foreign Direct Investment projects since 2014-15, which was the fourth highest of the 22 local authorities in Wales<sup>43</sup>.
- A high concentration of jobs in highly skilled and high value sectors, including manufacturing (location quotient<sup>44</sup> (LQ) of 1.3), computer programming (LQ of 1.7) and engineering consultancy (LQ of 1.2).

5.14 These strengths mean the area has a relatively high rate of productivity, which is in line with the average for Cardiff Capital Region and above the Wales average. Bridgend also has a low unemployment rate (4.5 per cent), which is in line with the city region and national average.

5.15 However the table also points to a number of economic and labour market challenges:

- The area has a low rate of enterprise, as evidenced by the business density and business start-up rates being well below comparator areas.
- A high share of employment in the public sector.
- A high rate of economic inactivity (people who have withdrawn from the labour market and are neither in work or seeking work). This, rather than the unemployment rate, explains the relatively low jobs density in the borough.

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<sup>43</sup> Welsh Government, Foreign Direct Investment statistics

<sup>44</sup> Location quotients measures the relative concentration of employment in a sector in a specific area. An LQ of 1 means the sector accounts for the same share of employment as the Wales average. An LQ of more than 1 means it accounts for a larger share

**Table 5.1: Economic and labour market indicators for Bridgend**

	Bridgend	Cardiff Capital Region	Wales
GVA per filled job* (£), 2017	46,000	47,000	44,400
Business density (businesses per 1,000 working age people (WAP)), 2017	46.5	51.3	53.5
Business startup rate (business starts per 1,000 WAP), 2017	5.1	9.1	7.3
% of employment in private sector, 2017	73.8	76.4	76.1
Jobs density (ratio of jobs to WAP), 2017	0.71	0.73	0.76
Percentage of population who are working age (%), 2018	61.7	62.9	61.3
Economic inactivity rate (% of WAP), 2018-19	26.0	21.3	23.3
Unemployment rate (% of economically active population), 2018-19	4.5	4.8	4.5

Source: ONS (Region and Sub-regional Productivity in the UK, Business Demography, Mid-Year Population Estimates, Annual Population Survey, Model Based Estimates of Unemployment, Jobs Density Data).

\*data for Bridgend and Neath Port Talbot

5.16 The accessibility of jobs at Brocastle has been estimated using drive-time software and analysis of the number of people claiming Universal Credit or Jobseekers Allowance within given drive times. In total there are estimated to be:

- 1,000 Universal Credit claimants living within a 15 minute drive of the Brocastle site (with the main concentration being in the town of Bridgend). This represents a claimant rate<sup>45</sup> of 2.1 per cent.
- 5,500 Universal Credit claimants living within a 30 minute drive, representing a claimant rate of 2.6 per cent.

5.17 The proposed closure of the Ford Motor Plant in 2020 is the key threat facing Bridgend's economy. It is estimated that the plant has been worth over £3 billion to the local economy over the last ten years<sup>46</sup>, and is a key source of wealth creation and jobs in the borough:

- 18 per cent of GVA in Bridgend was generated through the manufacture of metals, electrical products and machinery (which includes automotive and

<sup>45</sup> based on the proportion of working age residents who are claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work.

<sup>46</sup> HC Deb 29<sup>th</sup> June 2019 vol 661 [Ford in Bridgend](#)

large parts of its supply chain) in 2017, compared to only 13.5 per cent in Wales<sup>47</sup>.

- The same sector accounted for 7.4 per cent of employment in 2018 compared to 5 per cent in Wales<sup>48</sup>.

5.18 The proposed closure, and its impact on the local supply chain, therefore has the potential to deliver an economic shock, although this would be mitigated by the investment by INEOS.

### **Property Market Context**

5.19 A Market Analysis report for Brocastle (Knight Frank, 2016) examined the development proposals for the site in the context of recent trends in demand and supply. The key findings of this assessment were:

- Bridgend has a strong industrial market, particularly in locations close to the M4, and has continued to attract manufacturing and distribution occupiers. This is credited to its *“skilled workforce, good quality accommodation and strategic location in South Wales”*.
- The report found *“a shortage of opportunities across South Wales for occupiers to acquire sites to construct bespoke facilities in Tier One locations”*. It also noted that, where land is available *“work is often required to make the ground suitable for development and to fully service the site. Such delays can often result in ‘footloose’ occupiers seeking alternative premises outside of Wales”*.
- Bridgend’s office market is much weaker. The South Wales office market was still recovering from the economic downturn when the report was produced, and occupier demand in second tier locations (outside Cardiff) was reported to be weak. This includes Bridgend, which was described as an industrial business location where most demand for office space is from local businesses typically occupying less than 5,000 sq ft.
- There were numerous other office schemes in the local area offering units between 1,000 and 5,000 sq ft. This availability coupled with low rental values was likely to discourage speculative office development.

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<sup>47</sup> ONS (2017c) [Nominal and real regional gross value added \(balanced\) by industry](#)

<sup>48</sup> ONS (2018d) [Employees in the UK: 2018](#)

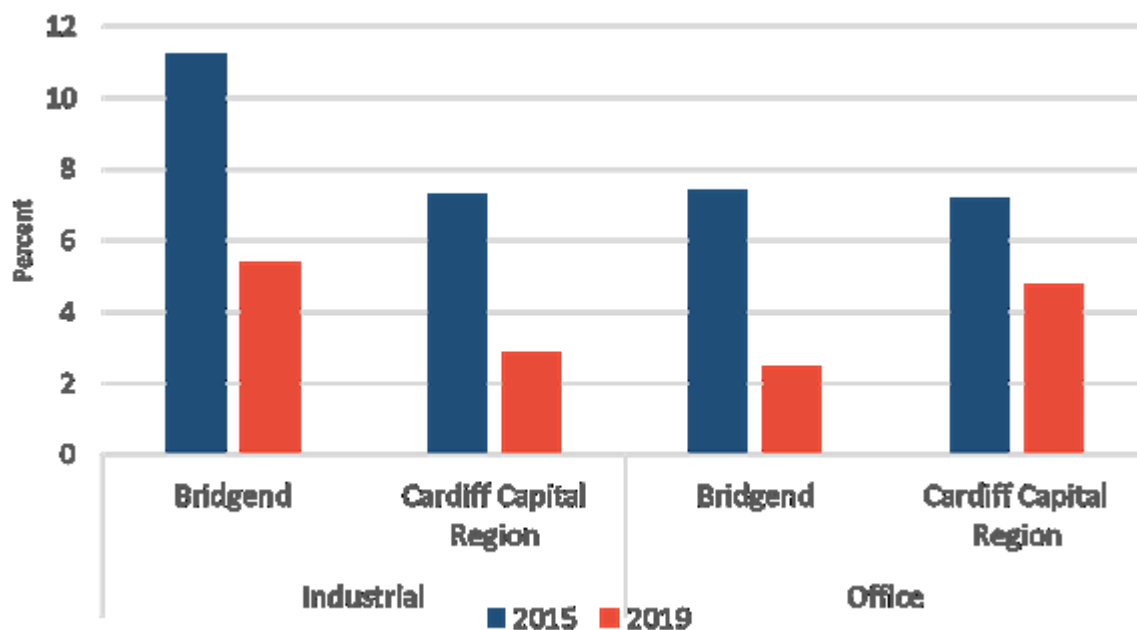
- The report was generally supportive of the development proposals for the site (i.e. an industrial-led development, with a smaller share of office space), but recommended that the larger industrial units targeted at national occupiers was balanced with smaller and mid-size units which will attract local and regional occupiers and are more commercially viable. It also recommended that any office development was designed with the flexibility to be broken down into suites of 5,000 sq ft and below.

- 5.20 Recent trends show that the main change in the property market since 2015<sup>49</sup> is a reduction in the availability of both office and industrial space. This is the case for Bridgend and for the wider Cardiff Capital Region (see Figure 5.2). There is currently around 455,000 sq ft of vacant industrial space in Bridgend and only 27,000 sq ft (2,500 sq m) of vacant office space. Most of the space which is remaining is either poor or average quality.
- 5.21 Employment land reviews tend to assume that a vacancy rate below 7.5 per cent is an indication that the commercial property market is undersupplied. Based on this benchmark there is therefore an undersupply of both office and industrial space in Bridgend and the wider market area. This was confirmed by consultations with commercial agents, including the author of the Market Analysis report.
- 5.22 This is likely to act as a constraint on the area's ability to attract inward investment and support the growth of indigenous businesses.

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<sup>49</sup> The Knight Frank report was published in February 2016 but was based on market trends from 2015

**Figure 5.2: Vacancy rates for office and industrial space, 2015-2019**



Source: CoStar

- 5.23 Analysis of recent trends<sup>50</sup> in demand for office and industrial space largely confirm the findings of the Market Analysis report, although it should be noted that the limited supply of office and industrial space is likely to have limited take-up.
- 5.24 There have been 67 deals for office space in Bridgend since 2015 and the majority of these have been for small units below 5,000 sq ft. There have been only two deals over 10,000 sq ft and one of these was for the public sector (the Public Service Ombudsman). The other was for an undisclosed occupier.
- 5.25 Knight Frank reported that there is still very little market demand for larger units in Bridgend, which is increasingly focused on Cardiff city centre and, to a lesser extent, Swansea and Newport.

<sup>50</sup> CoStar (2019) [Market Analytics](#)

**Table 5.2: Office deals by size bracket in Bridgend, 2015-2019**

	Number of deals	% of leased space
<5,000 sq ft	63	62
5,000-10,000 sq ft	2	9
10,000-20,000 sq ft	1	11
>20,000 sq ft	1	19
Total	67	100

Source: CoStar

5.26 The industrial market has been more active, with 115 deals recorded on CoStar since 2015. Again, the majority of these have been for modest floorplates of 10,000 sq ft or less. However there have been a number of mid-size deals of between 20,000 and 50,000 sq ft and one large deal for 105,000 sq ft on Bennett St (again the occupier was not disclosed). All of the deals over 20,000 sq ft have been in the Bridgend Industrial Estate or Waterton which is close to the Brocastle site.

5.27 Knight Frank reported that the industrial market in Bridgend is still very strong, and if sites came forward there is likely to be demand for small, medium and larger units. It was acknowledged that the closure of the Ford plant would have an economic impact on the town, but was confident that industrial demand would still be strong despite this. The recent announcement that INEOS will construct a new facility at Brocastle supports this.

**Table 5.3: Industrial deals by size bracket in Bridgend, 2015-2019**

	Number of deals	% of leased space
<10,000 sq ft	97	44
10-20,000 sq ft	11	20
20-50,000 sq ft	6	21
>50,000 sq ft	1	15
Total	115	100

Source: CoStar

5.28 As noted in Chapter 2 there is some evidence that rental values in the industrial market have been increasing in Bridgend, and this is the case for each of the size brackets. Knight Frank reported that rental values for large sheds were around £2 to £3 per sq ft at the time the Market Analysis report was produced, but are now around £4.50 per sq ft. Despite this there has been very limited speculative development in the M4 corridor. This was attributed to increasing build costs and developers finding it difficult to borrow from banks to fund speculative development. Nevertheless, they reported that an infrastructured site in a Bridgend location

would be attractive to the market and could be enough to incentivise speculative development in the near future. The INEOS investment is also likely to build market confidence and could trigger further development onsite.

5.29 Rents in the office market are still some way off the level needed for speculative development. Bocam Park which is an established out of town business park close to the M4 currently attracts rents of around £14 to £15 per sq ft. Even with the infrastructure in place, Knight Frank believed some form of gap funding or development by the public sector would be required.

### **Rationale for site selection and proposed delivery strategy**

5.30 There was a strong case for including the Brocastle site in the SES operation. This is for the following reasons:

- The site is large, well-connected to the motorway network and serves large centres of population. It therefore clearly meets the definition of 'strategic employment sites' set out in the JLL Gap Analysis. The announcement that INEOS will build a new manufacturing facility at Brocastle is evidence of the site's appeal to high value inward investors.
- Including the site is consistent with sub-regional and local strategies, and has the support of regional stakeholders.
- Bridgend has historically had a high growth rate and is an attractive area in Wales for Foreign Direct Investment. Inclusion of Brocastle is therefore consistent with the need to support opportunities for growth in Wales.
- Market analysis indicates there is a lack of supply for both office and industrial space in the local area which could act as a constraint on growth. Bridgend's industrial market is stronger than the office market, but there is clearly a need for both types of space, which this project could help to deliver. Consultation with commercial agents suggested that industrial demand is still likely to be strong despite the proposed closure of the Ford plant.
- Average rental values are below the level needed for speculative development to be viable, which provides grounds for public intervention.
- Although the local unemployment rate is low, the Brocastle site can be accessed within 15 minutes by close to a thousand jobseekers (a further

4,500 jobseekers live within a 30-minute drivetime). Delivery of the site could also provide job opportunities for Ford workers who lose their job as a result of the proposed closure. Including Brocastle could therefore help to reduce unemployment and address deprivation.

- 5.31 The project delivery team reported that the plans for the Brocastle site have been designed to be flexible and accommodate different uses in line with market demand. Although the masterplan sets out a proposed mix of floorspace, the site has outline planning permission for 71,400 sq m of B1, B2 or B8 development and the exact configuration of space is subject to reserved matters. Nevertheless, the mix set out in the masterplan, which is dominated by industrial space looks to be consistent with market demand.

### **Delivery activities**

- 5.32 The Brocastle site is the largest of the four sites included in SES. The works involved site clearance, formation of development plateaux (due to the sloped nature of the site) and provision of roads and services.

### **Delivery Progress**

#### *Progress against milestones*

- 5.33 The commencement of works onsite at Brocastle started later than planned. The Business Plan stated that a start on site in the second quarter of 2017 could be achievable. However, this was subject to receiving planning consent in early 2017 and detailed design and statutory approvals progressing in parallel. In practice consent was not granted until summer 2017 and came with a number of planning conditions which needed to be discharged before procurement of contractors could commence.
- 5.34 The procurement exercise began in June 2018 and a contract was awarded to Walters in March 2019, with works commencing shortly afterwards. Walters have identified an anticipated completion date of July 2020. Early progress onsite has been good. The first two plots were reported to be “95 per cent complete” and the works are currently on schedule for the target completion date.
- 5.35 The main risk for project delivery relates to a planning condition for maintaining an Active Travel Route (a cycle path) in one part of the site. This needs to cross a railway line owned by Network Rail and requires them to grant access before works

can start on that section of the site. At the time of writing it is still uncertain whether access will be granted in time. This is being kept under review but, if necessary, Welsh Government plan to remove these works from the contract with Walters (roughly 10 per cent of the contract value). This risk has been flagged up with the council and an initial meeting has been held to discuss a change in the planning condition which would allow works to proceed, with the cycle way installed at a later date.

- 5.36 Although there is some uncertainty about the Active Travel Route, overall there appears to be a low risk that the works will not be complete by the end of the programme period. Therefore the project is on course to deliver the target outputs.

#### *Financial performance*

- 5.37 Financial data provided by Welsh Government shows £2.8m of costs have been incurred to date, out of a total budget of £10.8m (26 per cent). The data provided does not show the profiled costs for this stage of the project, but the TM reported that the project is within budget.
- 5.38 The main risk from a cost perspective is that bad weather increases the costs of earthworks. However, the majority of these works should be complete by October 2019 which should mitigate this risk. There may also be an increase in costs depending on when contractors can gain access to the part of the site with the Active Travel Route. The project budget has an allowance for contingency which should cover this.

#### **Project Management and Monitoring**

- 5.39 Delivery of Brocastle is overseen by a Property Delivery Lead (also the Operation Manager for SES as a whole) and a Technical Manager. In addition, Welsh Government has appointed Arcadis to oversee the works on its behalf. Arcadis are based onsite and their role is to ensure that the works are carried out to the original design and specification and verify all financial claims made by Walters.
- 5.40 Both Arcadis and Walters provide progress reports and attend bi-weekly progress meetings with the Technical Manager, which ensures that issues are flagged at an early stage and allows the Technical Manager to monitor progress of the project against the agreed plan. The progress reports provide the following monitoring information:

- An update on the delivery schedule and whether there has been any variance (slippage) from the original schedule.
- A description of progress and activities during the reporting period. This summarises progress made towards key milestones (e.g. soil strip for Plot 1A is 100 per cent complete).
- A description of progress anticipated in the next period.
- A summary of recent invoices and whether these have been signed off by Arcadis
- A summary of stakeholder engagement activities and how relationships are being managed
- An update on progress towards agreed targets relevant to CCTs.
- A summary of works undertaken relevant to “project added value” including community benefits and environmental initiatives.

5.41 In addition, the project uses CEMAR, contract management software, which allows all project members to access accurate, real-time project monitoring information.

5.42 Both the Technical Manager and the contractors reported that the systems put in place for project management and monitoring are working effectively and did not require any further changes.

### **Cross-cutting themes**

5.43 Table 4.1 lists all of the CCT indicators relevant to Brocastle, although no specific targets have been set for the site. A number of measures have been implemented to contribute to CCTs which are summarised below.

#### *Equal Opportunities*

5.44 The project ensures all publicity is available in Welsh and in accessible formats. All contractors were required to demonstrate that they have policies on equal opportunities that are in line with Welsh Government requirements.

#### *Tackling Poverty*

5.45 A number of targets relating to local recruitment and training have been agreed with the contractor, Walters, which will help to tackle poverty. These include targets for ‘new entrant trainees’, proportion of staff on training programmes, staff

retention and opportunities for long term unemployed people. The project also contributes educational benefits by offering internship opportunities, school projects and promotional visits.

### *Sustainable Development*

5.46 Principles of sustainable development have been considered in all stages of project design and delivery of Brocastle. It is understood that the Property Delivery Lead sought advice from WEFO on how to ensure the plans are as sustainable as possible. Key features of sustainability incorporated in to the masterplan are as follows:

- A landscape strategy which protects, retains and enhances woodland planting for biodiversity and landscape character. Ponds have been enhanced as landscape features.
- The site is crossed by two public rights of way and the development will incorporate a cycle route. There are two bus stops on the A48 immediately adjacent to the site.
- The development will incorporate a Sustainable Drainage System (SuDs).

5.47 The Officers Report for the planning application for Brocastle (Bridgend County Borough Council, 2016) concluded the development would achieve national and local policy objectives for sustainable development including supporting biodiversity, inclusive access and encouraging sustainable travel.

5.48 Walters have developed a Sustainable Construction Plan<sup>51</sup>. This sets out how sustainability will be embedded in to all of the project activities, and how they will deliver improvements in resource efficiency, minimise waste and use of resources and mitigate climate change. It also sets out how performance will be monitored, with a designated Environmental Manager responsible for auditing all activities and reporting to the site management team. Actions are then agreed on how to improve the sustainability of project activities.

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<sup>51</sup> This has not been shared but a copy for Ty Du has been reviewed and understand they follow the same format.

5.49 Targets have been agreed with Walters for the following environmental initiatives, with progress monitored and reported on in the monthly progress reports:

- 99 per cent of waste diverted from landfill through re-use or recycling on or off site, helped by creating a balanced earthworks profile
- 50 per cent reduction in carbon impact of scheme (based on a 'Carbon Accounting Plan')
- Site offices to use renewable energy eg solar panels
- Minimise single use plastics in consumables and building materials

5.50 Some of these targets are not clearly defined. For example, it is not clear how the 50 per cent reduction in carbon impact is calculated, or what represents a strong performance in terms of minimising single use plastics.

### **Conclusions**

- There was a clear rationale and justification for including the Brocastle site in SES. It meets all of the criteria that needed to be considered when selecting sites.
- There is clear evidence of market demand, including from large occupiers, and initial discussions are already ongoing with one potential investor. In conclusion, the prospects of future development are very strong and the delivery plans are based on a sound logic model.
- The works were delayed in getting started due to a third party (Bridgend County Borough Council). Welsh Government did everything they could to speed up this process, but this was outside their control. Since then, the progress onsite has been good and the project is making good progress towards securing its output targets.
- The processes put in place for project management and monitoring are very strong. This has helped to ensure costs are managed and that TMs have robust and up to date knowledge of progress onsite and the key risks.
- The development site is making clear and measurable contributions to all of the CCTs. There are also strong processes in place for recording and demonstrating these contributions.

## **6. Bryn Cefni**

- 6.1 This chapter focuses on the Bryn Cefni site and assesses the site selection process, rationale for the project and progress of the site to date.

### **Site Background**

- 6.2 The site area of Bryn Cefni is approximately 13 ha, half of which has already been developed with road infrastructure and industrial units. The total project value is £691,993, of which, £415,196 is ERDF. Table 4.1 lists all of the relevant CCT indicators for Bryn Cefni.
- 6.3 Masterplanning of the site has been carried out and as part of the Strategic Employment Sites programme it is intended to undertake infrastructure works (circa 200m of road and main services) to enable the development of three plots. The ERDF output target is to prepare 1.82 ha (4.49 acres) of land for employment uses.
- 6.4 The site is allocated for employment use in Anglesey's current Local Development Plan and Deposit Plan of the Anglesey and Gwynedd Joint Local Development Plan and the site is in the ownership of the Welsh Government. The eventual end use for the site is intended to be a B1/B2 hybrid up to 5,000 sq.ft.
- 6.5 The site was identified as part of the SES programme at a time when the Wylfa Newydd Nuclear Power Plant was still set to go-ahead. However, since then the proposed developer, Horizon, has withdrawn from the scheme and forfeited its developer status.

### **Policy Context**

*North Wales Growth Deal Bid (North Wales Economic Ambition Board, 2017<sup>52</sup>)*

- 6.6 The North Wales Growth Deal bid was prepared by a partnership including six North Wales councils, businesses, colleges and universities. The proposals would enable investment of £1.3billion in the North Wales economy from a growth deal investment of £383.4m.

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<sup>52</sup> North Wales Economic Ambition Board (2017): [A Growth Deal for North Wales, Smart, Resilient and Connected](#)

- 6.7 The bid document identifies 16 projects for which Growth Deal funding is sought, one of which relates to sites and premises. Bid partners report that property shortages across north Wales have led to concerns that businesses are being held back from growing and creating more jobs. The bid calls on Welsh Government to support the creation of an Arm's Length Property Development entity, to accelerate development of strategic sites and premises.
- 6.8 The document does not identify priority sites, but the intervention at Bryn Cefni is clearly consistent with this priority.
- Anglesey and Gwynedd Joint Local Development Plan, 2011-2026 (IACC and GC, 2017<sup>53</sup>)*
- 6.9 Within the local development plan, Bryn Cefni Industrial Estate is identified as a primary site for B1, B2 and B8 uses within the Anglesey Enterprise Zone. The Local Plan also states within the Vision for the Plan area that *“Investment in Bryn Cefni and its expansion and in Grŵp Llandrillo-Menai will have increased the range and variety of jobs available”*.
- 6.10 The Local Plan also states that the Employment Land Review *“establishes a hierarchy of existing and new employment sites that could meet the needs of modern business, have prospects of being developed during the Plan period and should be retained, as far as is possible, from redevelopment for other uses. Additional provision for employment uses is required (B1, B2 or B8) in or near to Llangefni, Gaerwen and Y Ffor”*.
- Isle of Anglesey County Council Plan, 2017 – 2022 (IACC, 2017<sup>54</sup>)*
- 6.11 The County Council Plan aims to encourage major developers to invest in the Island and use this as a catalyst for business development and inward investment, and to ensure that key projects that offer local employment opportunities go ahead.
- 6.12 The delivery of Bryn Cefni is a strategic priority for Isle of Anglesey County Council, and there was a strong policy rationale for the inclusion of the site.

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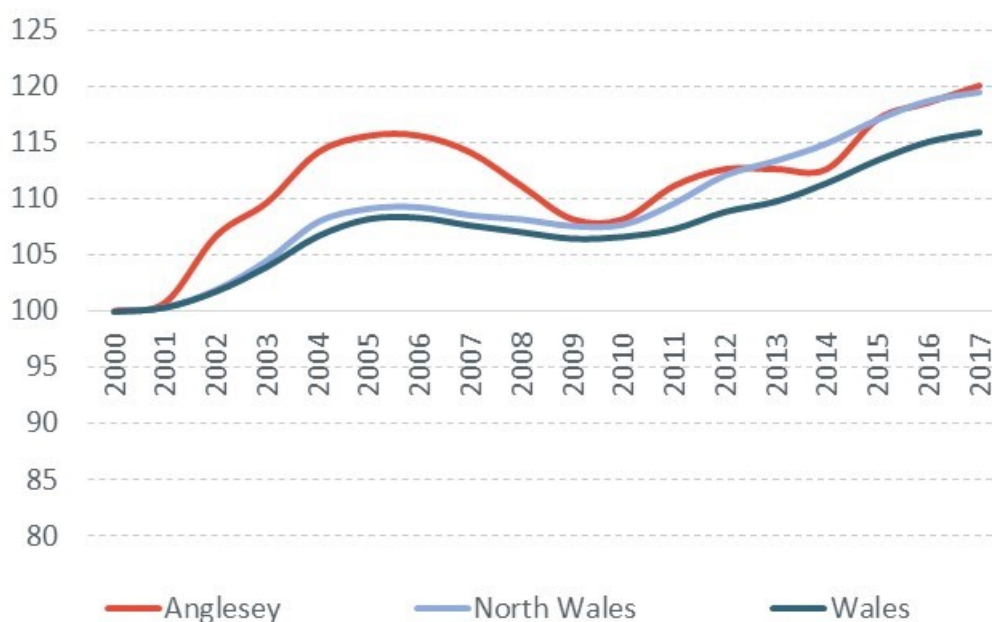
<sup>53</sup> Isle of Anglesey County Council and Gwynedd Council (2017): [Anglesey and Gwynedd Joint Local Development Plan, 2011-2026](#)

<sup>54</sup> Isle of Anglesey County Council (2017): [Isle of Anglesey County Council Plan](#)

## Economic and Labour Market Context

6.13 Anglesey had a population of 70,000<sup>55</sup> in 2017 and is home to 2,500 businesses<sup>56</sup> supporting 27,000 jobs<sup>57</sup>. The recent performance of the economy has been reasonably strong; the number of jobs has grown at a faster rate than the average for the North Wales region and Wales as a whole. The jobs market has also seen a strong recovery from the economic downturn from 2011 onwards.

**Figure 6.1: Employment change index (2000=100)**



Source: Jobs density (ONS)

Notes: Data smoothed based on three year moving averages.

6.14 Anglesey's key strengths include:

- It has a skilled workforce, with over 60 per cent of its WAP having a Level 3 qualification or above.
- A high concentration of jobs in highly skilled priority sectors, including Low Carbon (location quotient<sup>58</sup> (LQ) of 2.23). This is due to the presence of the Wylfa Nuclear Power Station.

<sup>55</sup> ONS (2018e) [Mid year population estimates](#)

<sup>56</sup> ONS (2018c) [UK Business Counts](#)

<sup>57</sup> ONS (2018d) [Employees in the UK: 2018](#)

<sup>58</sup> Location quotients measures the relative concentration of employment in a sector in a specific area. An LQ of 1 means the sector accounts for the same share of employment as the Wales average. An LQ of more than 1 means it accounts for a larger share

- Low levels of unemployment, with 4 per cent of economically active residents unemployed, which is lower than the national level of 4.5 per cent. This is twinned with low economic inactivity, 19 per cent of working age population, compared to 21 per cent across the region and 23 per cent nationally<sup>59</sup>.

6.15 However, despite the low levels of unemployment, skilled workforce and high concentration of jobs in the highly skilled Low Carbon sector, productivity levels across Anglesey on the whole are low. Gross Value Added (GVA) per filled job is £39,700 compared to £42,100 and £44,000 across the region and rest of Wales, respectively. The dependence on the nuclear sector as a source of jobs and wealth presents risks for Anglesey as the Wylfa plant is now in its decommissioning phase. This is exacerbated by uncertainty over the future of the proposed new nuclear power station (Wylfa Newydd), with Horizon having announced their intention to withdraw from the project.

6.16 Furthermore, Table 6.1 points to a number of economic and labour market challenges:

- The working age population (57 per cent of all adults) is lower than regional (59 per cent) and national figures (61 per cent)
- The area has low jobs density with 0.64 jobs per work age person, compared to 0.81 regionally and 0.76 nationally.
- The area has a low rate of enterprises, as evidenced by the business density and business start-up rates being well below comparator areas.
- A high share of employment in the public sector.

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<sup>59</sup> ONS (2019a) [Annual Population Survey via Nomis](#)

**Table 6.1: Economic and labour market indicators for Anglesey**

	Anglesey	North Wales	Wales
GVA per filled job (£), 2017	39,700	42,100	44,400
Business density (businesses per 1,000 WAP), 2017	52	57.4	53.5
Business startup rate (business starts per 1,000 WAP), 2017	4.3	5.9	7.3
% of employment in private sector, 2017	76.4	77.3	76.1
Jobs density (ratio of jobs to WAP), 2017	0.64	0.81	0.76
Percentage of population who are working age (%), 2018	57.1	59.2	61.3
Economic inactivity rate (% of WAP), 2018-19	19.3	21.3	23.3
Unemployment rate (% of economically active population), 2018-19	4.00	4.00	4.5
% of WAP with Level 3+ qualification, 2018	60.9	54.5	55.1

Source: ONS (Region and Sub-regional Productivity in the UK, Business Demography, Mid-Year Population Estimates, Annual Population Survey, Model Based Estimates of Unemployment, Jobs Density Data).

- 6.17 Analysis of the accessibility of jobs at Bryn Cefni for people claiming either Job Seekers Allowance or Universal Credit shows the following:
- 300 claimants living within a 15 minute drive of Bryn Cefni (with the main concentration being on the northern fringe of Llangefni). This represents a claimant rate of 2.4 per cent.
  - 2,000 claimants living within a 30 minute drive, representing a claimant rate of 2.4 per cent.

### Property Market Context

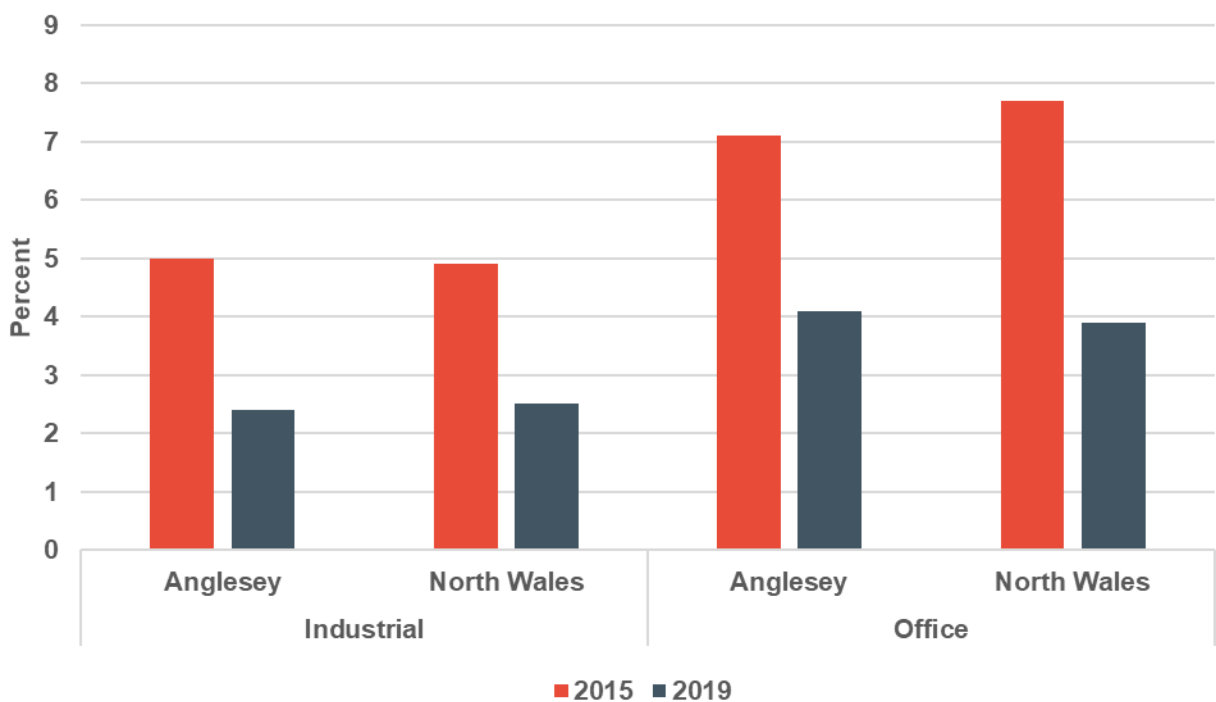
- 6.18 A recent market assessment by JLL<sup>60</sup> highlighted the lack of suitable office and manufacturing units in Anglesey and the need for a greater supply of ‘oven ready’ sites. It concluded that Bryn Cefni has the ability to attract ‘step-change’ projects and higher value sectors. However, the historic rate of large inward investment projects into Anglesey is low and, therefore this is not guaranteed.
- 6.19 It should be noted that the study was commissioned prior to the announcement that the nuclear new build project at Wylfa will be postponed, which will make it more

<sup>60</sup> Jones Lang Lasalle (2018): Study to assist the case for the development of new employment units, Anglesey Enterprise Zone

challenging to attract inward investment to Anglesey. Even in the absence of new nuclear development on the Island, the report found there is demand for industrial floorspace to meet the needs of existing businesses.

6.20 Recent trends show a reduction in the availability of both office and industrial space. This is the case for Anglesey and North Wales (see Figure 6.2). There is currently around 19,500 sq ft of vacant industrial space in Anglesey and only 5,900 sq ft (550 sq m) of vacant office space. Most of the space which is remaining is either poor or average quality. There is therefore a severe undersupply of both office and industrial space in Anglesey and the wider North Wales area. This is likely to act as a constraint on the area’s ability to attract inward investment and support the growth of indigenous businesses.

**Figure 6.2: Vacancy rates for office and industrial space, 2015-2019**



Source: CoStar

6.21 There have been five deals for office space in Anglesey since 2015, two of these located at Bryn Cefni. The majority of these have been for small units below 5,000 sq ft and there has been one deal above 5,000 sq ft, which was taken up by Minesto marine energy (8,700 sq ft) located in Holyhead.

6.22 The latest Anglesey Enterprise Zone Report highlighted there was limited demand for office at the time, which is supported by the CoStar data.

**Table 6.2: Office deals by size bracket in Anglesey, 2015-2019**

	Number of deals	% of leased space
<5,000 sq ft	4	40
5,000-10,000 sq ft	1	60
10,000-20,000 sq ft	0	0
>20,000 sq ft	0	0
Total	5	100

Source: CoStar

- 6.23 The industrial market has seen more activity, with 43 deals recorded on CoStar since 2015. Similar to office deals, the majority (41) of these have been for modest floorplates of 10,000 sq ft or less. However, there have been a mid-size deal of between 26,000 sq ft, which was located at Mona Industrial Estate (occupier undisclosed) in Holyhead and one large deal for 174,000 ft on the Former Welsh Country Foods site at Lon Groes, Gaerwen, which is occupied by Farmer's Choice.
- 6.24 The latest JLL report suggests that there is a requirement for additional industrial floorspace to service the existing industrial base and that the County Council has been of the opinion that speculative development of employment floorspace is required to address the shortage of industrial units.

**Table 6.3: Industrial deals by size bracket in Anglesey, 2015-2019**

	Number of deals	% of leased space
<10,000 sq ft	36	24
10-20,000 sq ft	5	9
20-50,000 sq ft	0	0
>50,000 sq ft	2	67
Total	43	100

Source: CoStar

- 6.25 There is evidence that rental values in the industrial market have been increasing in North Wales and Anglesey (£5 per sq. ft) and are currently at a 10-year high. The current rental values are higher than the average stated in the most recent JLL report in 2018 (£4.50 per sq ft) suggesting rental values are continuing to increase.
- 6.26 Office rents have also been increasing however, current rental values (£9.50) are still slightly below the 10 year high seen locally (£10 per sq. ft) and regionally (£11 per sq. ft).

6.27 Despite increasing rents and limited supply of commercial land, the JLL (2018) study still found a significant viability gap for new development and recognised the delivery of new floorspace will only be achieved through the offer of gap funding (grant aid) to private sector developers or development by the public sector.

### **Rationale for site selection and proposed delivery strategy**

6.28 Based on the review of evidence, it appears there was a case for including the Bryn Cefni site in the SES operation. This is for the following reasons:

- Although the site is small, it can be considered a strategic site in the context of its local market.
- The inclusion supports the identification of the site as a primary site for B1, B2 and B8 uses within the Local Development Plan and has the support of regional stakeholders.
- Market analysis indicates there is a lack of supply for both office and industrial space in the local area which could act as a constraint on growth. JLL note that Anglesey's industrial market is stronger than the office market and there is a need for industrial units to meet local demand. Whilst the planned development of Wylfa Newydd is no longer due to go ahead consultation has suggested local industrial demand is still likely to be strong.
- Average rental values are below the level needed for speculative development to be viable, which provides grounds for public intervention.
- The delivery of further employment sites at Bryn Cefni will also complement the new strategic Llangefni link road that has recently been completed.

6.29 The plans for Bryn Cefni are to provide flexible B1/B2 hybrid units of up to 5,000 sq. ft to meet local demand for this type of commercial premises which appears to be consistent with market demand.

### **Delivery activities**

6.30 Bryn Cefni is a small site however, it does have primary infrastructure and only requires secondary infrastructure therefore, identified as a site that can be delivered quickly. The site is located near to an earlier phase of the Bryn Cefni business park that has been recently developed as part of a previous programme.

It is also in close proximity to the new Llangefni link road which was completed earlier in the year.

- 6.31 The site requires preliminary and infrastructure works (including: Primary Drainage, Utilities Extension, Design Consultants, Pre-planning Surveys, Procurement of contractors) before it can be offered to the private sector. The current market particularly in Anglesey is difficult due to the gap between end value and development. Part of the 'gap' can be attributed to site servicing, infrastructure and preparation costs which can be a barrier to development by the private sector.
- 6.32 The complete site will deliver a total of 1.82 ha of serviced employment land.

### **Delivery Progress**

- 6.33 The delivery of the site is behind schedule, however the works on site have recently started with North Wales contractor GH Jones appointed to oversee the infrastructure works.
- 6.34 It is anticipated that the majority of works will be completed by November 2019. The project is still on track to meet this schedule and the costs of the works are reported to be within budget. Overall there is a very low risk that the project will not secure its output targets by the end of the delivery period.

### **Project Management and Monitoring**

- 6.35 Delivery of Bryn Cefni is overseen by a Property Delivery Lead and Technical Manager within Welsh Government. Both are experienced engineers with a strong track record of delivering similar interventions.
- 6.36 Due to the relatively small nature of the Bryn Cefni development, project monitoring is carried out on an informal basis with the Property Delivery Lead keeping regular contact with the main contractor who reports on progress and any potential risks or concerns. This is not as detailed or comprehensive as the progress reports provided for other sites but is reasonable given the much smaller scale of this project.

### **Cross-cutting themes**

- 6.37 There has been less formal monitoring of CCTs for Bryn Cefni, however this reflects the small scale of this project, which meant there was limited scope to deliver community benefits as part of the contract. The site's main contribution to

CCTs has therefore been through its adherence to Welsh Government standards for equal opportunities and sustainability (see Table 4.1). The evidence for this is embedded in the tender documents and the contract with the supplier.

## **Conclusions**

- There was a good rationale for including the Bryn Cefni site in SES. Despite the power plant currently being on hold, there is still a need to increase the supply of employment space and create employment locally. Whilst Bryn Cefni may not have been recognised as a strategic site on a national scale, the site is considered strategic in the context of Anglesey.
- There is good evidence of market demand for the types of units that will be delivered at Bryn Cefni. There is also an undersupply of space that the intervention will help to address.
- There is a strong strategic alignment with the development of the new link road, which runs in close proximity to the site.
- Whilst there was a delay to the start of the project, a contractor has now been appointed and work is underway on the site. A project completion date of November 2019 is anticipated.
- Due to the small-scale nature of the site there are informal project management updates carried out to monitor progress. This monitoring is made of regular phone calls, emails and meetings between the regional property lead, technical project manager and the main contractor.
- As the project is small in nature and the construction period is short, the time available to carry out detailed monitoring against cross cutting themes would have been unrealistic.

## 7. Cross Hands East (Phase 2)

- 7.1 This chapter focuses on the Cross Hands East (Phase 2) site and assesses the site selection process, rationale for the project and progress of the site to date.

### Site Background

- 7.2 Phase 1 of the Cross Hands site has recently been completed and is almost at full occupation. Phase 2 requires infrastructure works comprising road construction, services, ground works and landscaping before it can be offered to the private sector. A masterplan has been prepared for the site which proposes to deliver 8 ha (the ERDF output target) for B1 and B8 employment premises development. The site works have a total project value of £5,535,287, of which, £2,435,526 is ERDF.

### Policy Context

*Swansea Bay City Region Economic Regeneration Strategy, 2013 – 2030  
(Swansea Bay City Region, 2013<sup>61</sup>)*

- 7.3 The region's economic strategy recognised challenges in relation to *“Land, Property & Infrastructure, despite the significant investment that has gone into the physical fabric of the City Region over the past decade, major challenges remain, and our infrastructure is not currently meeting the needs of modern businesses, and community”*.
- 7.4 In response to this challenge the Cross Hands site is highlighted as a strategic employment location. It identifies the *“substantial employment and investment opportunities that stand to be gained from the successful continued development out our strategic employment sites.... effort will focus initially on existing key sites including...Cross Hands Food Park”*.
- 7.5 The strategy also recognises that there were challenges around viability and delayed development and hence prioritises *“exploring novel funding mechanisms to unlock stalled strategic developments in partnership with private developers and institutional investors”*

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<sup>61</sup> Swansea Bay City Region (2013): [Swansea Bay City Region Economic Regeneration Strategy, 2013-2020](#)

7.6 These priorities show the strategic importance of the Cross Hands site and the need for intervention to help bring sites forward.

*Carmarthenshire County Council Local Development Plan, 2006 – 2021*  
(*Carmarthenshire County Council, 2014*<sup>62</sup>)

7.7 The site is identified within the LDP proposals map as a ‘*Proposed Employment Area*’ with permitted uses of B1 and B8, which is located within the *Growth Area 3*.

7.8 *Policy EMP1 Safeguarding of Employment Sites* within the Local Development Plan which covers employment land allocations identified through policy SP7 and existing employment sites will be safeguarded for such uses (B1, B2, B8) and is applicable to Cross Hands East.

*Carmarthenshire County Council Emerging Local Development Plan, 2018 – 2033*  
(*Carmarthenshire County Council, 2018*<sup>63</sup>)

7.9 Carmarthenshire County Council is in the process of revising the adopted Local Development Plan and the Cross Hands site is being put forward as a strategic employment site within the emerging local development plan.

### **Economic and Labour Market Context**

7.10 Carmarthenshire had a population of 188,000<sup>64</sup> in 2017 and is home to over 6,000 businesses<sup>65</sup> supporting 84,000 jobs<sup>66</sup>. The recent performance of the economy has been strong; the number of jobs has grown at a faster rate than the average for Swansea Bay City Region and Wales as a whole. The jobs market has also seen a strong recovery from the economic downturn from 2011 onwards.

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<sup>62</sup> Carmarthenshire County Council (2014): [Local Development Plan 2006-21](#)

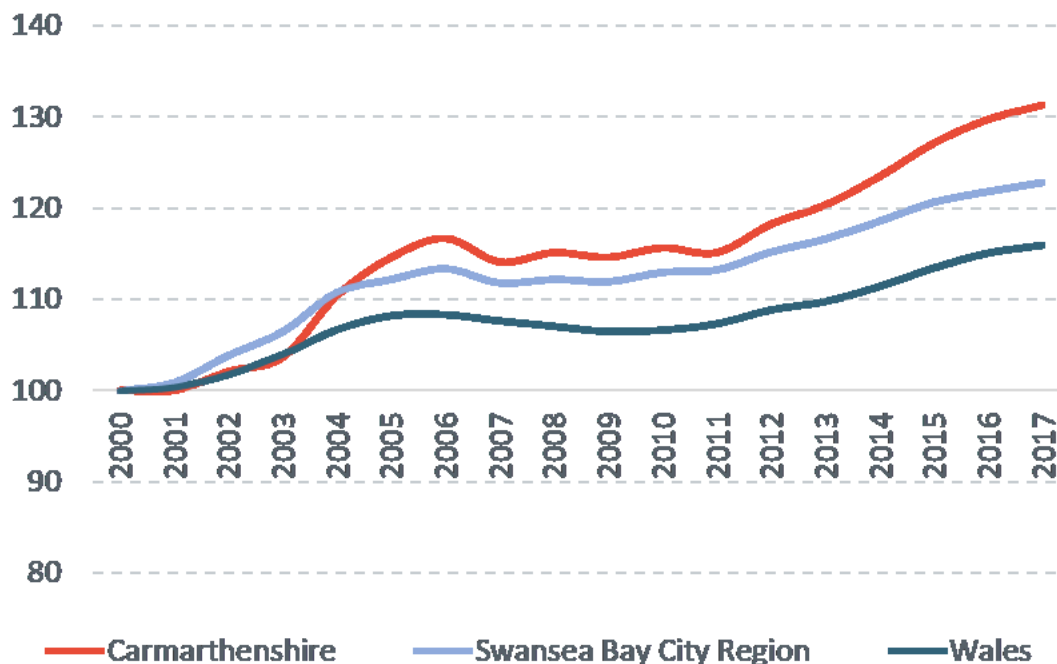
<sup>63</sup> Carmarthenshire County Council (2018): [Emerging Local Development Plan, 2018-2033](#)

<sup>64</sup> ONS (2018e) [Mid year population estimates](#)

<sup>65</sup> ONS (2018c) [UK Business Counts](#)

<sup>66</sup> ONS (2018d) [Employees in the UK: 2018](#)

**Figure 7.1: Employment change index (2000=100)**



Source: Jobs density (ONS). Data smoothed based on three year moving averages.

7.11 Carmarthenshire’s key strengths are:

- A high concentration of jobs in the automotive sector (location quotient (LQ) of 2.54). However, the closure of the Schaeffler car parts manufacturing plant in Llanelli and also the closure of Ford in Bridgend could impact on automotive businesses within Carmarthenshire.
- Low levels of unemployment, with 3.7 per cent of economically active residents unemployed, which is lower than the national level of 4.5 per cent.
- A relatively high jobs density (0.76 jobs per working age person) which is in-line with the national average.
- A high business density, with 56 businesses per 1,000 working age residents, which is higher than both Swansea Bay City Region and Wales. However, data suggests a higher than average number of micro businesses which could reflect a weakness in the demand side of the economy.

7.12 However, Table 6.1 points to a number of economic and labour market challenges:

- GVA per job filled in Carmarthenshire (£39,000) is lower than both Swansea Bay City Region (£42,000) and Wales (£44,000) which indicates lower levels of productivity locally. This could be exacerbated further by the loss of Schaeffler and loss of other high value manufacturing and supply chain jobs.
- Working age population (59 per cent) is lower than regional and national levels (61 per cent) twinned with an economic inactivity rate that is slightly higher than the national average.
- Despite the high business density in the area, start-up rates are lower than those seen nationally.
- A high share of employment in the public sector.

**Table 7.1: Economic and labour market indicators for Carmarthenshire**

	Carmarthenshire	Swansea Bay City Region	Wales
GVA per filled job* (£), 2017	38,987	42,095	44,400
Business density (businesses per 1,000 working age residents), 2017	56	49.5	53.5
Business startup rate (business starts per 1,000 WAP), 2017	5.7	5.3	7.3
% of employment in private sector, 2017	73.3	74.0	76.1
Jobs density (ratio of jobs to WAP), 2017	0.76	0.73	0.76
Percentage of population who are working age (%), 2018	58.8	60.8	61.3
Economic inactivity rate (% of WAP), 2018-19	25.4	26.1	23.3
Unemployment rate (% of economically active population), 2018-19	3.70	4.80	4.5
% of WAP with Level 3+ qualification, 2018	52.8	54.2	55.1

Source: ONS (Region and Sub-regional Productivity in the UK, Business Demography, Mid-Year Population Estimates, Annual Population Survey, Model Based Estimates of Unemployment, Jobs Density Data).

\*data is for South West Wales which is the closest matching NUTS3 area

- 7.13 Analysis of the accessibility of jobs at Cross Hands for people claiming Universal Credit or Job Seekers Allowance shows the following:
- There are 600 claimants living within a 15 minute drive time (with the highest concentration in and around Ammanford), representing a claimant rate of 2.4 per cent.
  - There are 6,400 people claimants within a 30 minute drive time, representing a claimant rate of 2.3 per cent.
- 7.14 It was noted that there have been public transport improvements made between Cross Hands and Llanelli, which has some of the most deprived neighbourhoods within Carmarthenshire. This means Cross Hands aligns well with other interventions and could help to address deprivation. The project is also complemented by other skills initiatives, such as Business Class. This is an initiative which encourages businesses and schools to work together to ensure school leavers who are looking to go directly into employment meet the skills needs of employers.

### **Property Market Context**

- 7.15 A Market Assessment by JLL (JLL, 2019<sup>67</sup>) in relation to new employment floorspace proposed at Cross Hands East - Plot 3 recognised Cross Hands East as a key strategic site for Carmarthenshire and whilst the assessment focusses on a particular plot of Phase 2 and the viability of a B1/B2 Hybrid 'Hub' within Phase 2, the commentary in relation to market demand is applicable to the site as a whole.
- 7.16 The report recommends that the site should target "*a wide-ranging mix of uses including B1, B2 & B8 uses, targeting high value added whilst retaining flexibility to capture those mobile projects that are prepared to consider this location.*"
- 7.17 The report explicitly recommends a Hub based approach, an incubator centre providing both business space and industrial accommodation around a central estate management function with shared services, including the following:
- **B1 office floorspace** – a reduced office element offering flexibility in terms of internal layout, i.e. suites capable of being combined and sub-divided as required by occupiers.

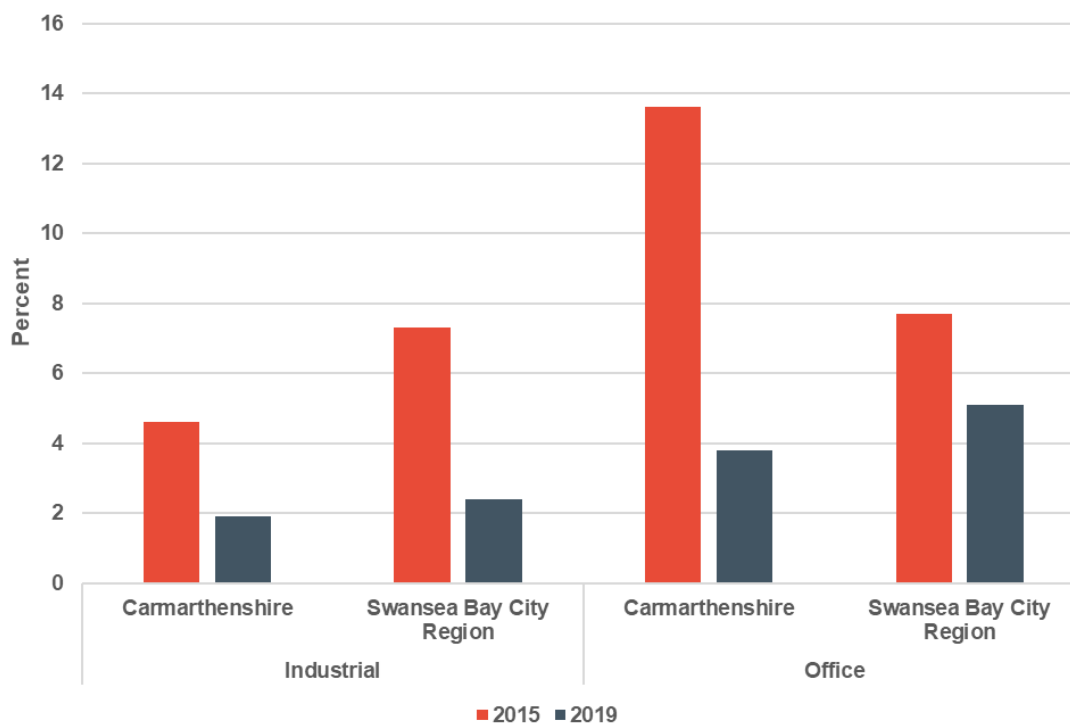
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<sup>67</sup> Jones Lang Lasalle (2019): Cross Hands Strategic Employment Site, Carmarthenshire (on behalf of Welsh Government)

- **Industrial floorspace** - the industrial accommodation, should be specific in terms of its design to provide five distinct units, varying in size to provide a more flexible mix of accommodation.

- 7.18 The report suggests a mix of flexible accommodation that range in size and specification would allow the site to be flexible in the face of changing demand in the office and industrial markets. For example, smaller units and floorplates are required for office occupiers whilst more bespoke specs are required by manufacturing and logistics companies.
- 7.19 Recent market trends show there has been a reduction in the availability of both office and industrial space. This is the case for Carmarthenshire and Swansea Bay City Region (see Figure 7.2).
- 7.20 There is currently around 88,000 sq ft (1.9 per cent) of vacant industrial space in Carmarthenshire and only 26,500 sq ft (2,500 sq m) (3.8 per cent) of vacant office space. Most of the space which is remaining is either poor or average quality with only two office properties (Dragon 24 and Landmark) and one industrial property (Dewhirst Building) rated above 3 stars in CoStar. There is therefore an undersupply of both office and industrial space in Carmarthenshire.
- 7.21 As with other areas across Wales, lack of available commercial space is likely to act as a constraint on the area's ability to attract inward investment and support the growth of indigenous businesses.

**Figure 7.2: Vacancy rates for office and industrial space, 2015-2019**



Source: CoStar

- 7.22 There have been 31 deals for office space in Carmarthenshire since 2015, the majority (30) of these have been for small units below 5,000 sq ft and there has been one deal above 20,000 sq ft, which was taken up by an undisclosed tenant (21,200 sq ft) located at Heol Sur.
- 7.23 The JLL report for Cross Hands recognises that local demand has steadily increased and rents are broadly back to their peak at £12-14 per sq ft for good quality out of town office space.

**Table 7.2: Office deals by size bracket in Carmarthenshire, 2015-2019**

	Number of deals	% of leased space
<5,000 sq ft	30	65
5,000-10,000 sq ft	0	0
10,000-20,000 sq ft	0	0
>20,000 sq ft	1	35
Total	31	100

Source: CoStar

- 7.24 The industrial market has seen slightly less activity, with 26 deals recorded on CoStar since 2015. The majority (21) of these have been for modest floorplates of 10,000 sq ft or less. There have been four mid-size deals of between 10,000 and 20,000 sq ft, which were located at Spring Gardens (Western Seeds), Dairy Park

(Argip Technologies) and Pont Henri (undisclosed). There has also been one large deal for over 127,000 ft on the Former Welsh Country Foods site at Stradey Business Park which is tenanted by Thales Technology.

- 7.25 The JLL report suggests that there is “*considerable merit in the development of additional floorspace in Cross Hands as there little available supply available for existing and new businesses to consider at this time*”.

**Table 7.3: Industrial deals by size bracket in Carmarthenshire, 2015-2019**

	Number of deals	% of leased space
<10,000 sq ft	18	17
10-20,000 sq ft	3	9
20-50,000 sq ft	4	20
>50,000 sq ft	1	53
Total	26	100

Source: CoStar

- 7.26 Rental values in the industrial market have been increasing in Carmarthenshire (currently £4.60 per sq. ft), a 10-year high, which is in line with the achievable rents stated in the most recent JLL report in 2018 (£4.50 - £5.00 per sq. ft) and almost 30 per cent higher than the 10-year average.
- 7.27 Office rents have increased over the last 12 months however, current rental values (£8.80 per sq ft) are still significantly below the 10 year high seen locally (£9.70 per sq. ft) and regionally (£11 per sq ft). The current rental values locally are still slightly below what is stated as achievable within the latest JLL report (£9 - £13 per sq ft).
- 7.28 In addition, the adjoining Food Park and Business Park at Cross Hands are almost fully occupied, which demonstrates there is market demand for both office and industrial units in the area.
- 7.29 Notwithstanding this, there is still a significant viability gap across Carmarthenshire and the Swansea Bay City Region. The JLL report found the viability gap is as high as 40 per cent. Although there is some evidence that the gap is narrowing, JLL expect the gap to remain for the foreseeable future. As a result, the report recommends public intervention to overcome the viability gap, attract investment and support the growth of existing businesses.

## **Rationale for site selection and proposed delivery strategy**

7.30 Based on the socio-economic data, property market intelligence and stakeholder consultation, a case for including the Cross Hands Phase 2 site in the SES operation, is justified for the following reasons:

- Cross Hands is recognised as a strategic employment site both regionally and locally, that can be realistically delivered within the timescales of the programme.
- The successful development of Cross Hands Phase 1 and neighbouring Food Park and Business Park demonstrate deliverability of the project, as well as strong market demand.
- Market analysis indicates there is a lack of modern, high-quality supply of both office and industrial space in the local area which could act as a constraint on growth.
- Average rental values are below the level needed for speculative development to be viable, which provides grounds for public intervention.
- Although the local unemployment rate is low, Cross Hands is in a good location to access the labour market in Llanelli, Ammanford and Carmarthen. Delivery of the site is complemented by public transport improvements to Llanelli which will improve accessibility of employment for people in deprived communities.

7.31 Whilst there are aspirations to attract new major investment to the region, in practice the site is likely to serve the existing business base looking to expand or move to better quality premises. However, building on the success of the Food Park, which is recognised as a national cluster, it is possible footloose inward investment could be attracted to the area.

### **Delivery activities**

7.32 Whilst Carmarthenshire County Council had the overall rights to the land via a Compulsory Purchase Order and owns the majority of the site, legal proceedings were still required on a small part of the site, which were part of a larger land holding forming part of Phase 1.

7.33 A Joint Venture agreement was put in place between Carmarthenshire and Welsh Government 2016 to help deliver the site.

7.34 Following the Joint Venture agreement, a range of preliminary works were completed, which included:

- updates to the Environmental Management Plan;
- updates to the Ecological Survey;
- updates to the Topographical Survey, and;
- updates to Ground Investigation.

### **Delivery Progress**

7.35 Whilst it was anticipated that there would be issues relating to previous mine activity on the site, the ground investigation works confirmed this. This has delayed progress of the project, however these issues have now been addressed and the project has recommenced.

7.36 The procurement process is now complete and a main contractor to oversee the works and project manage the development has been selected. The appointment of the selected contractor is in the process of being approved with an appointment letter to be issued imminently.

7.37 The next steps of the process will see Welsh Government and Carmarthenshire County Council agree a project management and monitoring programme that can monitor project and financial progress for the remainder of the works. This will look at how the contractor and the development can maximise social benefit and ensure cross-cutting themes are met throughout the development of the site.

7.38 It is anticipated that work will commence on-site in the next few months, however the delays to the project will affect the profiled drawdown of funds, which were expected to be completed in Spring 2020. The revised timetable for the project is detailed in Table 7.4.

**Table 7.4: Timetable and Project Milestones for Cross Hands**

Programme / Key Milestones	Actual / Planned Completion
Surveys / Investigations	Mar-19
Detailed Designs	Mar-19
Planning - Reserved Matters Approval	Jul-19
Discharge of Conditions	Jul-19
Procurement Mine Capping	Jan-19
Mine Capping Works	Oct-19
Procure Advanced Ecology Works / Coppicing	Jan/Feb-19
Coppicing & Main site Clearance	Sep/Oct-19
Tender Main Contract	Feb/Mar-19
Main Contract Award	Sep-19
Practical Completion (9-month construction period)	Jun-20
Retention	Jun-21
Final Claim	Sep-21

Source: Welsh Government

### **Project Management and Monitoring**

- 7.39 Due to the delayed progress of the Cross Hands East site and no works commencing onsite, project management has been carried out on an informal basis in-house by Welsh Government.
- 7.40 However, a main contractor who will oversee the works is due to be appointed imminently. Once in place, an agreed project programme will be agreed, in which, delivery progress will be measured.
- 7.41 The Property Delivery Lead has confirmed that project management and monitoring plans are currently being developed by Welsh Government and Carmarthenshire County Council which will follow a similar approach to those applied for Brocastle (see 5.39 to 5.42) and Ty Du (see 8.34 to 8.37).

### **Cross-cutting themes**

- 7.42 Table 4.1 shows the relevant CCT indicators for Cross Hands. The project has contributed to CCTs by adhering to Welsh Government standards and processes relating to equal opportunities, sustainable development and tackling poverty.

7.43 Key features of environmental sustainability which have been included in the masterplan include:

- Mitigation measures which protect existing habitats and create new habitats
- The development is within walking distance of existing and proposed bus routes, local shops and other services, which will encourage sustainable travel patterns. The bus route between the site and Llanelli will also help to tackle poverty.
- Incorporation of SuDs

7.44 There are currently no details available on the potential community benefits which could be delivered (relevant to tackling poverty). However, the project management and monitoring plan will set out indicators and metrics that the main contractor will be expected to report on throughout the project. This will help demonstrate how the works are contributing to CCTs.

### **Conclusions**

- There was a good rationale for including the Cross Hands site in SES. This is recognised as a strategic site in the context of Carmarthenshire, and previous phases of development have attracted a mix of local businesses and more footloose occupiers.
- There is good evidence of market demand for the types of units that will be delivered at Cross Hands. There is also an undersupply of space that the intervention will help to address.
- There has been successful development of a range of business units at both the nearby Food Park and Business Park, which provides confidence that the intervention will bring forward development (i.e. the logic chain is sound).
- The site works were delayed due to the investigation of historic mining works on site. However, the main contract is due to be awarded imminently and the construction period should take nine months to complete once started. The Property Delivery Lead believes all of the main risks have been overcome and there should be no issues meeting this delivery schedule.
- Whilst there are no processes in place for contract management and monitoring at this stage, these are currently being drawn-up by Welsh

Government and Carmarthenshire County Council. Following consultation with the Property Delivery Lead, reassurances have been given that this will follow a similar approach to Ty Du and Brocastle, including include monthly monitoring reports.

- The approach to CCTs is being finalised between Welsh Government and Carmarthenshire County Council. However, it is understood the approach will also mirror those employed for Ty Du and Brocastle.

## 8. Ty Du

8.1 This section focuses on whether there was a strong rationale for including Ty Du in the SES operation and assesses progress to date in line with previous chapters.

### Site Background

8.2 Ty Du is located in Nelson, a town in the County Borough of Caerphilly. It sits five miles north of Caerphilly and ten miles north of Cardiff. The site as a whole is 19.2 ha, but a large proportion of this is for residential development. Around 3.8 ha is proposed for employment uses (the ERDF output target).

8.3 The site works were estimated to have a total project value of £4,108,362, of which, £2,465,017 would be funded through ERDF. The latest estimates forecast project costs of just under £5m. The additional costs will be met through Welsh Government resources.

8.4 The site is owned by Welsh Government, having been acquired by the former Welsh Development Agency (WDA) to facilitate employment opportunities. The site is currently allocated for B1 development in Caerphilly County Borough Council's LDP. The site previously had outline planning permission for a business park development which lapsed. A subsequent employment land review (BE Group 2014) recommended that the site be developed for an alternative mixed-use scheme due to the oversupply of employment land in the area and a lack of market interest in the site for employment use.

8.5 An illustrative masterplan for the site was developed by Arup which proposed 6,300 sq m of B1 development to the south of the site. This would be accessed through the residential area which means any development would need to be small in scale and not give rise to large traffic flows.

### Policy Context

*Powering the Welsh Economy (Cardiff Capital Region, 2015)*

8.6 Caerphilly forms part of the Cardiff Capital Region and is therefore covered by the strategic vision set out in PWE (summarised in Chapter 3). The investment at Ty Du is consistent with this strategy, in that it recognises the need for public intervention to increase Cardiff Capital Region's supply of employment sites.

However, it also stresses the need for projects to be prioritised on the basis of market demand and economic impact, and also consider how they could meet the needs of disadvantaged communities.

- 8.7 It is clear that Ty Du could help to meet the second of these criteria; the site is close to a number of deprived areas and can be accessed by a large number of unemployed people (see below). However, it is less clear that Ty Du can be considered a priority site in the context of Cardiff Capital Region<sup>68</sup>. As shown below, market demand in this location is fairly weak and limited to small scale local requirements. Nevertheless, the Regional Engagement Team did confirm that the development of the site had the support of regional stakeholders. This was due in part to the fact that the site is owned by Welsh Government and was therefore deliverable in the time available.
- 8.8 Investment at Ty Du is also consistent with the Connectivity theme in PWE, which prioritises the development of the Cardiff Capital Region Metro (“*a modern high quality multimodal, integrated public transport network*”). The strategy stresses the importance of ensuring development proposals are aligned with this transport investment to maximise economic, social and environmental benefits. Proposals to connect Nelson to the Metro network which would mean development at Ty Du is consistent with the aims and objectives of PWE have yet to be confirmed.

*Caerphilly County Borough Council Local Development Plan (LDP) (Caerphilly County Borough Council, 2010<sup>69</sup>)*

- 8.9 As noted above, Ty Du is allocated in the LDP as an employment site, suitable for business park development with potential to be a location for innovative employment opportunities and/ or higher education facilities. However, there was limited market interest for this type of development and this led to Caerphilly County Borough Council accepting proposals for a mixed use development when the planning application was submitted.

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<sup>68</sup> It should be noted that several areas in Cardiff Capital Region are not within WWV and are therefore ineligible; however there are a number of other areas within WWV (Blaenau Gwent, Merthyr Tydfil and Rhondda Cynon Taff)

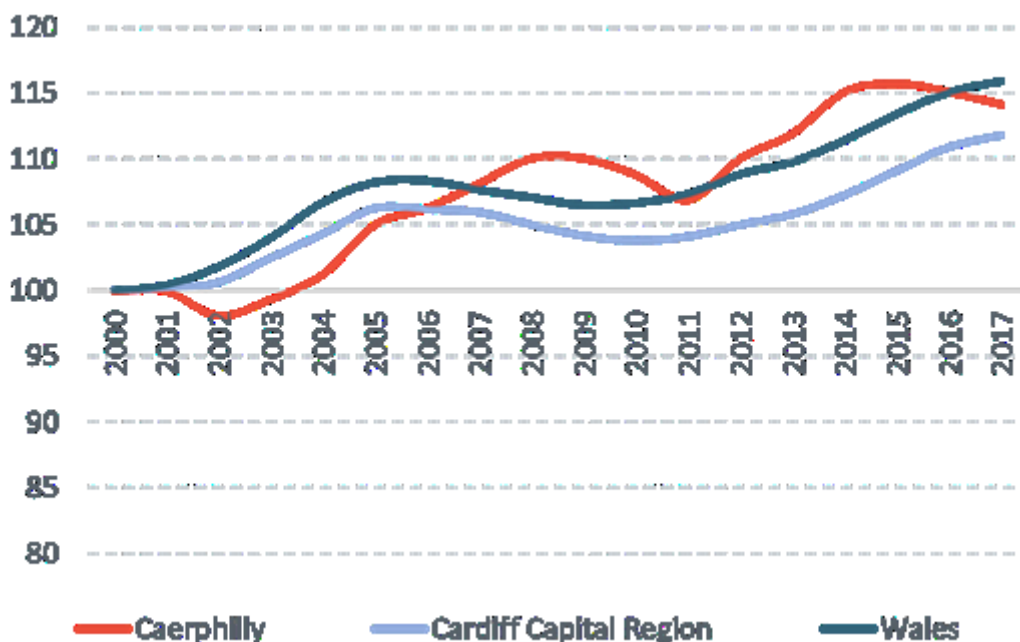
<sup>69</sup> Caerphilly County Borough Council (2010): [Local Development Plan](#)

## Economic and Labour Market Context

8.10 Caerphilly had a population of 181,000<sup>70</sup> in 2017. The borough is home to 4,300 businesses<sup>71</sup> employing 60,500 people<sup>72</sup>. Over 7,000 new jobs have been created since 2000. Figure 8.1 shows the rate of growth is in line with the average for Cardiff Capital Region and Wales.

8.11 The local economy is highly dependent on manufacturing. A fifth (21 per cent) of jobs are in the manufacturing sector which is almost double the proportion of Wales (11 per cent)<sup>73</sup>. Despite challenging economic conditions, Caerphilly's manufacturing sector has shown to be resilient and has grown slightly since the economic downturn.

**Figure 8.1: Employment change index (2000=100)**



Source: Jobs density (ONS). Data smoothed based on three year moving averages.

8.12 Although jobs growth has been strong, Caerphilly faces a number of economic and labour market challenges, which could act as a barrier to future growth:

- Labour productivity is low; GVA per filled job is £2,300 lower than the average for Cardiff Capital Region.

<sup>70</sup> ONS (2018e) [Mid year population estimates](#)

<sup>71</sup> ONS (2018c) [UK Business Counts](#)

<sup>72</sup> ONS (2018d) [Employees in the UK: 2018](#)

<sup>73</sup> ONS (2018d) [Employees in the UK: 2018](#)

- A low rate of enterprises. The business density and business start-up rate is among the lowest of any authority in Wales.
- A very low jobs density and a high unemployment/inactivity rate, indicating a weak demand side of the economy and a lack of employment opportunities in the local area.
- A low skilled workforce; less than half the population have a Level 3 qualification or higher compared to over 55 per cent in Cardiff Capital Region and Wales.

8.13 Despite these challenges, Caerphilly has been reasonably successful at attracting Foreign Direct Investment. There have been 26 successful projects since 2014 (the 7<sup>th</sup> highest among Welsh local authorities) which have created 900 jobs and safeguarded 1,000.

**Table 8.1: Economic and labour market indicators for Caerphilly, 2017**

	Caerphilly	Cardiff Capital Region	Wales
GVA per filled job* (£), 2017	43,700	47,000	44,4001
Business density (businesses per 1,000 WAP), 2017	38.4	51.3	53.5
Business startup rate (business starts per 1,000 WAP), 2017	4.5	9.1	7.3
% of employment in private sector, 2017	79.1	76.4	76.1
Jobs density (ratio of jobs to WAP), 2017	0.53	0.73	0.76
Percentage of population who are working age (%), 2018	61.8	62.9	61.3
Economic inactivity rate (% of WAP), 2018-19	26.4	21.3	23.3
Unemployment rate (% of economically active population), 2018-19	5.6	4.8	4.5
% of WAP with Level 3+ qualification, 2018	49.4	55.5	55.1

Source: ONS (Region and Sub-regional Productivity in the UK, Business Demography, Mid-Year Population Estimates, Annual Population Survey, Model Based Estimates of Unemployment, Jobs Density Data).

\*data is for Gwent Valleys which is the closest matching NUTS3 area

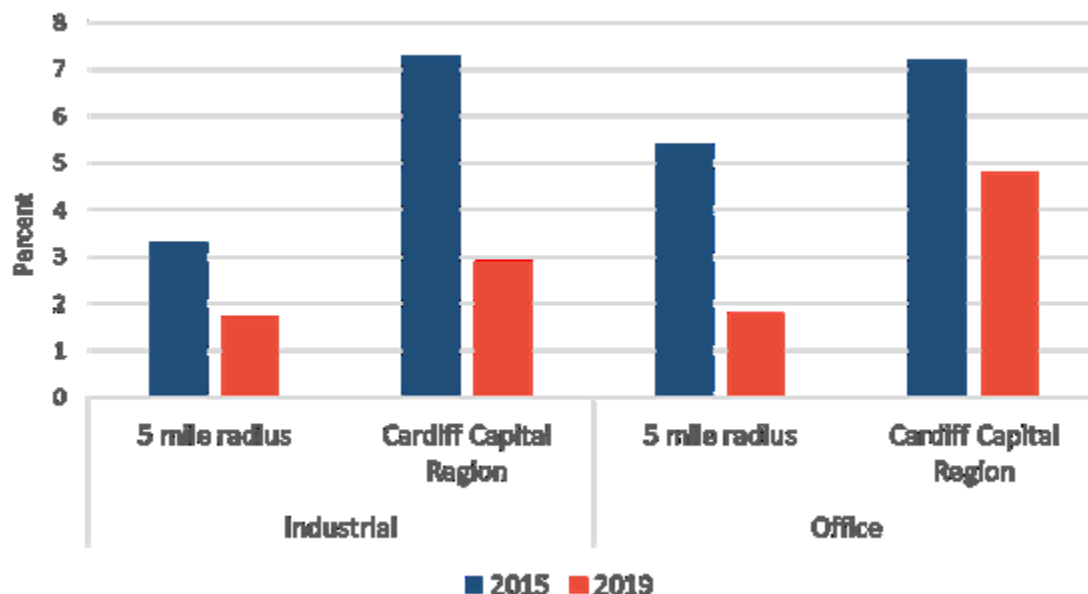
- 8.14 Analysis of the accessibility of jobs at Ty Du for people claiming Universal Credit or Job Seekers Allowance shows the following:
- There are 2,000 claimants within a 15 minute drive time (3.1 per cent of working age people)
  - There are 9,400 claimants within a 30 minute drive time (3.1 per cent of working age people).
- 8.15 In both cases this is the highest catchment of any of the four sites, indicating Ty Du is highly accessible for unemployed people.

### **Property Market Context**

- 8.16 A Market Analysis report carried out for Ty Du (Knight Frank, 2015) indicated there was little demand for traditional large employment units in the area, with the local market for smaller office and flexible workspaces being the most attractive. The report concluded that the employment provision at the site should be split into smaller flexible units and that this provision would be the most appropriate and effective for the local economy. The report also confirmed that speculative development would not be viable without some form of public intervention.
- 8.17 Consultation with Knight Frank confirmed that their conclusions have not changed since the work was undertaken. The site's location, distance from the M4 and competition from Caerphilly, Pontypridd and Cardiff mean there is limited demand from larger occupiers in Nelson, and the nature of the employment area which would need to be accessed through a residential area means it is only suitable for small scale uses. However, Knight Frank reported that demand from local businesses for small units is likely to be strong.
- 8.18 In order to review recent trends in demand locally an area within a 5-mile radius of the Ty Du site has been analysed. This is due to the site being located within Caerphilly, but also close to the local authorities of Merthyr Tydfil and Rhondda Cynon Taf.
- 8.19 Figure 8.2 shows that vacancy rates have fallen for both office and industrial space since 2015. There is currently around 59,000 sq ft (5,500 sq m) of vacant industrial space within 5 miles and only 10,700 sq ft of vacant office space (c. 1,000 sq m).

In both cases the vacancy rate is below 2 per cent indicating an undersupply in the local market.

**Figure 8.2: Vacancy rates for office and industrial space, 2015-2019 (per cent)**



Source: CoStar

8.20 There have been 54 deals for office space within 5 miles of Ty Du since 2015 and the majority of these have been for small units below 5,000 sq ft. There has been only one deal over 10,000 sq ft and this was for the public sector (JobCentre Plus).

8.21 Knight Frank reported that there is still limited market demand for larger units in this area, which is increasingly focused on Cardiff city centre and, to a lesser extent, Swansea and Newport.

**Table 8.2: Office deals by floorspace size within 5 miles of Ty Du, 2015-2019**

	Number of deals	% of leased space
<5,000 sq ft	51	69
5,000-10,000 sq ft	2	16
10,000-20,000 sq ft	1	16
>20,000 sq ft	0	0
Total	54	100

Source: CoStar

8.22 The industrial market has been more active, with 74 deals recorded on CoStar since 2015. Again, the majority of these have been for modest floorplates of 10,000 sq ft or less. However there have also been a number of large deals for over 50,000 sq ft. These include deals for Transcend Packaging on Caerphilly

Industrial Estate, British Airways Interiors and Hawker Siddeley Switchgear in Blackwood.

- 8.23 Although these deals indicate there is some market demand from larger strategic occupiers in the local area, the nature of the Ty Du site means it is better suited to small scale development.

**Table 8.3: Industrial deals by size bracket within 5 miles of Ty Du, 2015-2019**

	Number of deals	% of leased space
<10,000 sq ft	64	14
10-20,000 sq ft	5	10
20-50,000 sq ft	1	5
>50,000 sq ft	4	71
Total	74	100

Source: CoStar

- 8.24 Average industrial rents are around £5 per sq ft for smaller units, while office rents are around £10 per sq ft. Knight Frank reported there is still limited prospect for speculative development in this area without further public sector support (even with the infrastructure in place).

**Rationale for site selection**

- 8.25 Ty Du meets a number of the criteria for its inclusion in SES and for that reason its inclusion can be justified. In particular:
- Market analysis indicates there is strong demand for small scale B1 uses and a severe lack of supply in the local area. This could be acting as a constraint on growth of local businesses.
  - There is a real need for employment creation in the local area. The site is close to a number of deprived areas and would be accessible for a large number of jobseekers.
  - The infrastructure works were deliverable within the programme period.
  - The inclusion of the site was supported by the regional engagement team.
  - It aligns with the proposals for a possible metro extension to Nelson (although this is not confirmed).
  - Average rental values are below the level needed for speculative development to be viable, which provides grounds for public intervention.

- 8.26 However, there is a reservation as to whether Ty Du should have been considered a priority site in the context of the Cardiff Capital Region property market. The nature of Ty Du and its location means it is only suitable for meeting small scale requirements from the local area. There may have been better sites in the Cardiff Capital Region (and WWV programme area) which are more attractive to larger, strategic occupiers which could have had a greater economic impact.
- 8.27 Nevertheless, this needs to be balanced against the need to deliver sites by the end of programme period. The South East regional engagement team confirmed there were other sites which could be considered a greater strategic priority, but these would not have been deliverable. It is also acknowledged that this site could help to create employment opportunities in an area with a large number of unemployed and inactive people.

### **Delivery activities**

- 8.28 The site infrastructure works for Ty du included provision of roads and services, procured through a single civil engineering contract.
- 8.29 Separate to the SES operation, Caerphilly Borough Council (through a joint venture with Welsh Government) has secured ERDF (also under Priority Axis 4 Specific Objective 4) to deliver an initial phase of development on Ty Du. This will provide up to 20,000 sq ft of terraced B1 starter units (likely to be small units providing B1a and B1c space). This is in line with the masterplan for the site.

### **Delivery Progress**

#### *Progress against milestones*

- 8.30 The SES Business Plan stated that a planning application would be submitted in May 2016 and assumed permission would be resolved by Autumn 2016. Following a two-stage procurement process it anticipated that works onsite would start in Spring 2017 and should be complete within 12 months.
- 8.31 In practice, the project has been delivered roughly one year behind this schedule due to delays securing planning permission. Outline planning consent was secured in June 2017 with reserved matters discharged in December 2017. Procurement took place in early 2018 with the contract awarded to Walters in June 2018. As of September 2019 the works are nearly complete and Walters will begin demobilising

in the next month. The project is therefore very close to completion and achieving its target outputs.

- 8.32 Once the works are complete this will enable the development of business units (being delivered through the complementary ERDF project) to begin in early 2020.

#### *Financial performance*

- 8.33 Financial data provided by Welsh Government shows £3.7m of costs have been incurred to date, out of a total estimated cost of £5.0m (74 per cent). The data provided does not show the profiled costs for this stage of the project, but the Technical Manager reported that the project is within budget. Given that the works are close to being fully completed there are not likely to be any unforeseen costs.

#### **Project Management and Monitoring**

- 8.34 Delivery of Ty Du is overseen by a Property Delivery Lead (also the Operation Manager for SES as a whole) and a Technical Manager. In addition, Welsh Government appointed WSP to oversee the works on its behalf, as well as cost consultants to verify all financial claims made by Walters. Consultees reported this approach has ensured that the works are delivered to the original design and work schedule, and ensured good financial control.
- 8.35 Walters provide progress reports and attend monthly progress meetings with the Technical Manager and WSP, which ensures that issues are flagged at an early stage and allows the Technical Manager to monitor progress of the project against the agreed plan. The progress reports provide the following monitoring information:
- An update on the delivery schedule and planned completion dates for the mail elements of work.
  - A description of progress and activities during the reporting period. This summarises progress made towards key milestones (e.g. “40 per cent of earthworks complete”) which gives the Technical Manager a good oversight of progress of each task.
  - A description of progress anticipated in the next period.

- A summary of key risks and issues which may affect progress (a separate comprehensive risk register is also provided).
- A summary of “community benefits” activities undertaken during that period.
- A commercial summary, which reports on the invoices issued to date and lists the quotations being prepared for approval.

8.36 In addition, the project has used CEMAR, contract management software, which provides real-time progress reports and monitoring information (see description for Brocastle).

8.37 These monitoring systems appear to have worked effectively and have helped the project to be delivered on time and on budget.

### **Cross-cutting themes**

8.38 A number of measures have been implemented which contribute to the WWV programme’s cross cutting themes at Ty Du. Table 4.1 shows the relevant CCT indicators for Ty Du although no specific targets have been set for the site.

#### *Equal Opportunities*

8.39 The project ensures all publicity is available in both English and Welsh and in accessible formats. All contractors were required to demonstrate that they have policies on equal opportunities that are in line with Welsh Government requirements.

8.40 Some of the community benefits delivered by Walters are also relevant to equal opportunities. For example, they made a financial contribution towards the installation of Disability Discrimination Act compliant benches.

#### *Tackling Poverty*

8.41 Walters developed a Community Benefits Plan (Walters, 2018). This set targets for a number of initiatives relevant to tackling poverty. These include:

- Targeted recruitment and training
- Supply chain opportunities
- Contributions to regional education
- Community based initiatives.

- 8.42 The Community Benefits Plan states that Walters will work with local employment and training support agencies to help meet these targets. They also commit to working with training support agencies, Jobcentre Plus and locally delivered interventions including the Welsh Government funded 'Caerphilly Supporting People' programmes.
- 8.43 All activity and progress against targets is monitored and recorded as part of the monthly progress reports submitted to the Technical Manager. The contractors also provide an itemised list of all agreed community benefits activities and the status of each task. Following the review of both reports and it is considered these are a robust record of the site's contribution to community benefits, many of which are relevant to tackling poverty.

#### *Sustainable Development*

- 8.44 Principles of sustainable development were embedded in the masterplan for Ty Du and WEFO provided advice on how elements of the project could be strengthened. Key features of Ty Du's environmental sustainability include:
- Accommodation of existing levels in the site, and respect for the site's topography, vegetation and existing habitats. Existing woodland has been retained and strengthened.
  - The site is within walking distance of an existing bus route, local shops and other facilities in the centre of Nelson which encourages sustainable travel choices.
  - There is a network of footpaths and rights of way which encourage active travel and informal recreation
  - The development incorporates a SuDs.
- 8.45 The contractors, Walters, have developed a Sustainable Construction Plan which follows the same approach as Brocastle (see Chapter 5). Welsh Government have also agreed a similar set of targets with Walters, with progress monitored and reported in the monthly progress reports.

## Conclusions

- There was a good rationale for including the Ty Du site in SES, although this is based on the need to create employment in the local area rather than its potential to attract inward investment to Wales.
- There is good evidence of market demand for the types of units that will be delivered at Ty Du. There is also an undersupply of space that the intervention will help to address.
- Development of new business units is already planned for the site meaning there is a high probability that the intervention creates new employment opportunities in the local area within the next year. There is therefore a clear logic model for the intervention, built on sound assumptions.
- Given the small size of units and the fact these will be targeted at a local market means there is a high risk of displacement. This will need to be assessed in the final evaluation. To assist with this, Welsh Government or Caerphilly Caerphilly County Borough Council should record the details of businesses occupying the units, including the sector, number of employees and previous business address.
- The works were delayed getting started, however progress on site has been good and is now nearly complete. The project is therefore on course to achieve its output targets. It has also been delivered within budget.
- The processes put in place for project management and monitoring are very strong. This has helped to ensure costs are managed and that TMs have robust and up to date knowledge of progress onsite and the key risks.
- The development site is making clear and measurable contributions to all of the CCTs. There are also strong processes in place for recording and demonstrating these contributions.

## 9. Options for Counterfactual Impact Assessment

### Introduction

- 9.1 Chapter 3 set out the logic model and theory of chain for SES, including the objectives of (i) increasing the number of infrastructure sites which are capable of being developed quickly in response to business needs; (ii) attracting inward investment and supporting growth of local business, and (iii) increasing employment levels by providing access to greater employment and training opportunities amongst local people.
- 9.2 The evaluation will be able to thoroughly examine the extent to which the operation is successful in achieving its immediate aim of increasing the supply of 'oven ready' sites. However robustly evaluating the economic impact of sites and premises projects with these types of objectives is challenging. This is due to a combination of factors including the complex and typically indirect ways in which these investments support the growth, competitiveness and labour market performance of local economies, as well as the time lags between investment and outcome and impact.
- 9.3 The What Works Centre for Local Economic Growth (WWCLEC, 2016a<sup>74</sup>) has undertaken a comprehensive review of impact evaluations for area-based initiatives (including a mix of tax breaks to firms, wage subsidies, reduced planning regulation, improvements to physical and transport infrastructure and improvements to communications infrastructure). The review concludes that there has been limited use of robust counterfactual impact methods in land and property interventions, with the notable exception of spatially targeted initiatives such as Enterprise Zones. However, these initiatives are very different from the type of grant support provide through the SES, typically involving a high degree of spatial targeting using both the provision of sites and financial and tax incentives.
- 9.4 Where feasible, the most robust way to undertake an impact evaluation is through the use of a counterfactual. That is, the use of a control area or comparison group of similar sites, ideally with treatment and non-treatment determined on a random basis. However, random assignment is rarely possible in economic development and for this reason the issue of self-selection bias is often a major issue in

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<sup>74</sup> What Works Centre for Local Economic Growth (2016a): [Evidence Review 10, Area Based Initiatives](#)

evaluations like this. That is, sites which receive the grant support or treatment are by their nature different to those that do not, but not all of these differences can be observed by the evaluators. For example, a developer may have land banked a site with intention of only developing it in the longer term. Or a site may have significant remediation issues which are not known to the evaluators and which seriously constrain its development potential and likelihood.

9.5 Another challenge is that the interventions do not in their own right directly support local growth and competitiveness. Rather they indirectly enhance business competitiveness through improving the supply of land and property in order to better meet the needs of different types of businesses. However, whilst the provision of land and property is a necessary requirement for a competitive local economy, it is difficult to directly observe the benefits in terms of the performance of local businesses nor in the wider economy.

9.6 In addition, it can take a long time for the initial investment to result in local economic benefits, especially when the investments are focused on remediation and site infrastructure rather than supporting development itself and possibly the subsequent occupiers. Longer lead times can make it harder to test for and establish attribution due to the potential for other factors to be more important in determining outcomes.

9.7 For the selected counterfactual impact method to be robust, it needs to reliably monitor the changes that SES is seeking and to be able to attribute these changes to the interventions being supported. As illustrated in the logic model on page 14, the desired changes or outcomes may occur at various levels:

- Direct site-specific outcomes: availability of development plots, development of new commercial floorspace, refurbishment of commercial floorspace, uplift in property values
- Indirect site-specific outcomes: occupancy rates, gross employment (and associated GVA) within new or refurbished development
- Local economy – net change in development activity, net additional wealth creation and employment growth (allowing for displacements effects).

- Wider economy effects – strengthening of the local property market and improved choice for businesses, as well as strengthening rental and property values.

### Consideration of Possible Methods

9.8 Various methods could potentially be used to test the attribution of the observed outcomes to the support provided through SES. The broad types of methods are highlighted in Table 9.1 below.

**Table 9.1: Main types of counterfactual method**

Method	Approach	Robustness	Issues
Random Control Trials	Randomly allocates participants to treatment & non treatment	High (SMS 5)	Designed into delivery approach; Random allocation not possible; ability to measure key variables
Quasi-experimental approaches	Construction of comparison groups in ways which account, partially, for selection bias e.g. regression continuity analysis, non-equivalent design,	Medium (SMS 3-4)	Unobservable differences even in quasi-experimental approaches; there may not be suitable quasi-experimental approaches; ability to measure key variables
Non-random methods	Other methods for selection of comparison groups	Low – Very low (SMS 0-2)	Very limited allowance for self-selection bias; ability to measure key variables

9.9 The specific methods which could feasibly be used to evaluate SES are outlined in Table 9.2, including a brief summary and an indication of the potential score on the Maryland Scientific Measurement Scale<sup>75</sup> (SMS). An initial consideration of the suitability of these methods for use in the counterfactual impact evaluation is considered after the table.

<sup>75</sup> What Works Centre (2016b); [Guide to scoring evidence using the Maryland Scientific Methods Scale](#)

**Table 9.2: Specific methods for counterfactual impact assessment**

Method	Brief Summary	Potential SMS Score (5=high; 1=low)
Regression discontinuity designs	A quasi-experimental approach which relies on the selection method for sites. If there is a quantitative score which determines if sites receive investment, this method would compare the outcomes for sites which are just above the success threshold to ones which are just below. The logic is that these sites, once observed differences are controlled for, should be similar in their challenges and market prospects.	3-4
Phasing	Another quasi-experimental approach which relies on comparing the outcomes associated with sites over time between an area which receives support in an initial phase to areas which receive support in subsequent phases.	2-3
Proximate area analysis	The approach analyses the change in employment and productivity of the businesses located in a specific location (e.g. business park) to those located in concentric rings around the location	2-3
Matched sites	The approach compares the outcomes for supported sites to other similar but unsupported sites in the same locality (allowing for observed differences between them).	<2
Spatial comparators	The comparison of key site related outcomes indicators for SES to areas with similar economic characteristics which do not benefit from a land and property fund or other grant based support.	<2

- 9.10 Whilst a randomised control trial approach is not feasible in this instance, it may be possible to adopt a Regression Discontinuity Design. This would determine the causal effect of grant support for sites by setting a threshold above or below which support for eligible sites is or is not awarded. The approach tends to be adopted where there is a high volume of applicants and an objective quantitative basis for the selection and rejection of applicants. In the case of SES, it is highly unlikely to be suitable due to these criteria not being met.

- 9.11 The Phasing Approach relies on the delayed introduction of the scheme to different spatial areas within the programme area. The method examines changes in the key outcomes for the eligible sites in the area benefiting from SES in the earlier phases to those in the later phases (but which have not yet been able to apply for funding). It requires the selection of areas for the different phases of support not to be dependent on their economic characteristics and performance. Whilst the method is technically feasible, the four SES sites have not been selected in this phased manner.
- 9.12 The main method to estimate impact of area-based interventions is spatial and time-differencing, referred to as Proximate Spatial Analysis. The approach compares the number and performance of businesses in a specific location to a control groups in adjacent areas (often configured as concentric rings around the target location). There are caveats to looking at proximate areas as comparators. Businesses might decide to relocate close to a supported site because their product demand is higher due to the intervention or to fill a place in a commercial development, pushing up employment in nearby areas and down in areas further away (displacement effect). Therefore, evaluating the extent of additionality may be confounded by displacement if comparisons are made with nearby areas, themselves affected by the support.
- 9.13 Displacement is a key concern in area-based interventions, and much literature has been dedicated to understanding whether any positive impacts in treated areas are offset by negative impacts in neighbouring areas. Studies of displacement effects of enterprise zones in the UK, US, and France have shown that displacement can be a significant effect (e.g. for every two jobs created on an Enterprise Zone one may have been displaced from the local region surrounding it). Policy can limit risks of displacement by focusing support on sectors that do not compete directly with local businesses. For instance, support might target advanced manufacturing or other knowledge intensive industries that are less likely to result in displacement, rather than retail investment which has been associated with shops and shoppers moving out of nearby town centres.
- 9.14 A way to overcome these problems is to understand how the treatment effect varies with intensity at different distances from an intervention. The standard difference-in-differences approach is altered to allow the control group to change in

size by varying geographical distances of comparison firms (the control group will increase in size when more geographically distant firms are included in the analysis). This approach assumes all firms within a given distance of an intervention are treated, with areas close to an intervention receiving the treatment more intensively than areas further afield.

- 9.15 The focus of published studies has been the impact on employment and business location decision. However, there have been recent improvements in impacts covered by using wider datasets. Broadly two advances have been made: using wage data to look at the quality of the jobs in a new commercial development and integrating into analysis higher quality data about commercial developments in general.
- 9.16 The challenge with the approach for SES are three fold:
- The operation does not seek to gather monitoring data on the occupiers of the sites and hence additional monitoring arrangements would need to be put in place to capture this data (in particular the URN for the businesses).
  - Whilst some progress would be expected with securing occupiers for the four sites, it is high unlikely that they will be fully built out and occupied during the evaluation period.
  - In addition, the evaluation would need to cover a sufficient period post occupation (c. two years) in which to monitor the change in business performance and hence to test attribution.
  - Arguably three of the four sites may be too small in scale to provide a meaningful basis for this type of analysis, whilst one is in too rural a location to provide suitable comparison areas.
- 9.17 Whilst potentially feasible, it is concluded that the method would have limited value within the time period of this evaluation and for the smaller rural sites.
- 9.18 The Matched Sites approach compares the outcomes for eligible supported sites to eligible unsupported sites, allowing for the observable differences between these sites (e.g. location, previous use, site characteristics, proposed development type and scale, market characteristics, etc.). Subject to the volume of eligible sites, it might not be possible to control for the observable characteristics. Also there may be important unobserved characteristics (such as the intentions of the site owners)

which determine the outcomes. Mostly importantly though, given the evidence of the strength of market failure in the areas eligible for SES, it is unlikely that comparable sites will be progressed in the absence of public sector assistance.

9.19 The Spatial Comparators approach compares the outcomes for eligible sites to similar eligible sites in another area which has a similar economy, faces common economic challenges and experiences similar constraints on its property markets (in terms of site characteristics and market conditions). The thrust of this approach would be to compare outcomes in the WWV area to those for similar sites in areas where no similar mechanism is in operation. The main challenges facing this method are:

- The ability to identify suitable comparators areas – whilst it is possible to identify areas which perform similarly on the basis of a small number or a basket of indicators, they may nevertheless be very different in terms of the factors which influence the development prospects of commercial development. Identical or even close matches are likely to be difficult or impossible to achieve.
- Detailed information on the sites in the comparator area(s), including their eligibility based on SES criteria, might not be available. In many instances, such information is likely to be commercially sensitive and therefore inaccessible for evaluation purposes.
- There may be few similar locations where some form of public grant assistance and other forms of development support are not available.

9.20 It is also possible to compare to average outcome indicators such as development rates to the region or Wales as a whole and other comparable areas. Whilst this type of analysis will help to identify the change in relevant baseline indicators, it does not allow us to identify causality with the grant support provided.

9.21 Whilst it might not be possible to identify a preferred approach at this stage, the final stage of the evaluation will enable us to explore these potential approaches in detail, identifying their strengths and weaknesses, and recommending a preferred method.

## Conclusions

- 9.22 Whilst there are a range of counterfactual impact evaluation methods which could potentially be used (and a number have been improved through enhanced analytical techniques), they have limited value as part of this evaluation of SES. There may be merit in enhancing the monitoring systems in order to enable a counterfactual impact evaluation assessment at a later stage.
- 9.23 For example, 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. This will provide valuable data for the final evaluation, irrespective of which approach is taken (counterfactual or survey based approach).
- 9.24 If it is not feasible to collect this data (e.g. due to resource issues), it should be possible to identify the occupiers of new business premises through analysis of business and property market datasets (e.g. Companies House or CoStar). Although these datasets may provide limited data on size and will not provide the previous business location.
- 9.25 If a counterfactual approach is not deemed to be feasible, the final evaluation will adopt a survey based approach. This would assess the extent to which firms that have occupied new premises could have secured their property requirements at other similar locations, the associated benefits and disbenefits of the respective property offers and extent to which local residents have accessed the available jobs. This would be a structured telephone survey. A sample size of 100 businesses has been assumed at this stage, although this will be revisited during the final stage.

## 10. Conclusions

### Strategic fit of SES

- 10.1 The operation shows a strong fit with Welsh Government strategies and policies. In particular, the Economic Action Plan explicitly identifies the need for public intervention in areas where there is property market failure, which is the rationale for SES.
- 10.2 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.
- 10.3 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.

### Robustness of logic chain and theory of change

- 10.4 Following a review of the logic chain it has been concluded that SES is based on a robust logic chain and theory of change. Key points to note are as follows:
- **There is good evidence for the need for intervention.** This includes the need for job creation, a shortage of employment space across Wales and a need for more serviced sites that could attract investment. There is also clear evidence of market failure; Welsh Government commissioned research to explore other financial mechanisms for delivering employment space (repayable finance) which found these are not viable. There is therefore a strong case for public intervention.
  - **The selection of sites is justified.** The selection of sites needed to achieve a balance between supporting economic growth and improving access to employment. This is difficult to achieve, and there should have been a more rigorous process for identifying and prioritising sites, but taken together the sites do deliver this balance.
  - **There is good evidence of market demand.** All of the sites are supported by strong market demand evidence, although the nature of this demand

varies from site to site. The site with the greatest potential to attract inward investment is Brocastle, while Ty Du and Bryn Cefni are likely to meet demand from local businesses.

- **There is a risk of displacement at some of the sites.** The local nature of demand at a number of the sites means there is a risk of displacement of economic benefits once sites are developed (e.g. companies moving within the area). However this risk needs to be set against the fact that there is an undersupply of premises/space in each of the local market areas, and the fact that the new sites will provide opportunities for existing businesses to expand or to improve the quality of their premises. The extent of displacement will be measured in the final evaluation.
- **There is a risk that operation 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.

### **Progress towards output targets**

10.5 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. This is based on the following:

- Ty Du is almost fully complete.
- Brocastle is making good progress and is on target for a July 2020 completion date. The only risk relates to the Active Travel Route on the site and ensuring contractors have access to the land owned by Network Rail. However this risk is being managed by Welsh Government and should not hold up the project.
- Bryn Cefni is a small project and will be complete by November 2019
- Cross Hands has a target completion date of June 2020. Works have yet to commence on site, however further issues which could prevent the project

from being delivered on schedule are not anticipated. Nevertheless this should be kept under review.

### **Project management processes**

- 10.6 The project management processes are working well and have ensured the operation is being delivered effectively. Having an Operation Manager with oversight of all four projects has helped to ensure the operation stays on track. The Operation Manager was reported to be an effective project manager who has good relationships with the teams leading delivery of each site and a good relationship with the Project Development Officer within WEFO.
- 10.7 The management arrangements put in place for the delivery of each of the sites 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. The same approach will be used for Cross Hands.
- 10.8 Independent consultants have not been appointed for Bryn Cefni due to the size of the project. However the Property Delivery Lead and Technical Manager within Welsh Government are both experienced engineers and are well placed to manage the relationship with the contractor.

### **Robustness of monitoring processes**

- 10.9 The monitoring systems put in place for each of the sites has been robust and have ensured the efficient and effective delivery of the operation.
- 10.10 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, risks, invoicing and contributions to CCTs, and ensured the Technical Manager has good oversight of each project. The same system is planned to be put in place for Cross Hands. The monitoring system for Bryn Cefni has been more informal and relied on communication between the contractors and the Technical Manager. This is reasonable given that the intervention is small in scale, low risk and being delivered within a three-month period.

10.11 The monthly monitoring reports should provide a sound basis for collecting data for the purpose of the final evaluation (e.g. demonstrating contributions to CCTs). However, a small number of recommendations on additional data collection are presented at paragraph 11.2.

### **Contribution to Cross-Cutting-Themes**

10.12 The operation's contribution to CCTs has been considered at all stages and the monitoring systems put in place are robust. The scope of CCT contributions are in line with what is expected for an operation of this nature. The delivery team have also sought advice from WEFO on how to maximise its contribution e.g. how to ensure the masterplans for the site help to meet sustainability objectives.

10.13 Many of the contributions to CCTs are embedded in Welsh Government processes, standards and requirements (e.g. adherence to Welsh Language standards, ensuring contractors have equal opportunities policies in place).

10.14 The principles of sustainable development have been considered in the designs for sites wherever possible, including how green infrastructure can be maintained or enhanced, how they link with public transport and how biodiversity can be promoted. A number of the contractors have been set specific targets linked to sustainable development which are monitored and reported in monthly progress reports.

10.15 Measures to tackle poverty have been implemented where it has been feasible to do so. Both Ty Du and Brocastle have required contractors to develop Community Benefits Plans which identify targets and a range of activities which could help to tackle poverty including targeted recruitment and training schemes. Progress against these targets is reported through the monthly monitoring reports.

### **Lessons learned from previous interventions**

10.16 The evaluation of SESIF made a large number of recommendations for future interventions. The SES operation has learned lessons from this intervention and incorporated a number of the recommendations, including:

- SES has been based on much stronger market evidence and provided a stronger justification for site interventions.

- Improved recording and storing of operation documentation. All documents have been available for us to review, although there were some delays accessing up to date financial data.
- Appointing a programme manager with responsibility for oversight of each of the sites. The SES operation did not act on the recommendation for the manager to have responsibility for financial management, but there were good reasons for this.
- A much stronger system for monitoring and recording the operation's contribution to CCTs.

10.17 There were also a number of recommendations which the SES operation has not acted upon, although there is rationale for not doing so. These include:

- The need for more robust internal appraisal of target outputs and results: the process of identifying target outputs was far simpler for SES as it did not include any sites where the land being developed was unclear (as was the case for SESIF).
- Developing an overarching and detailed implementation plan: this was deemed not necessary as SES was not a complex project and the Operation Manager can maintain oversight of the operation without the need for such a plan.
- Encouraging greater private sector engagement (encouraging private landowners to put sites forward): this was not considered to be feasible as it would have meant the development phase of the operation was much longer and would have raised a number of issues related to state aid.

### **Next Steps**

10.18 The final evaluation is scheduled to begin in summer 2021. Prior to this, the evaluation team will arrange a discussion with the Operation Manager to get an update on progress and to arrange an inception meeting. Following the inception meeting, a final evaluation plan will be produced which sets out the proposed method and research instruments and will provide conclusions on whether a counterfactual impact evaluation is likely to be feasible. If not, the plan will set out an alternative approach.

## 11. Recommendations

### Operation delivery

11.1 The operation is progressing well and there appears to be a low risk that it will not meet all of its output targets. A small number of recommendations related to delivery are suggested:

- **Cross Hands should follow the same approach to project management and monitoring as Ty Du and Brocastle:** Cross Hands is the only site where the infrastructure works have yet to commence. It is recommended that the delivery team adopt the same project management and monitoring processes which have worked well for 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 Operation Manager each month, raising issues which could prevent the project from meeting its output targets.
- **Targeted marketing of sites to occupiers and developers.** The Property Delivery Leads for each of the sites should start developing plans to market the sites to potential developers and/or occupiers. The evaluation has found that the masterplans for each site are in line with market demand. These masterplans 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.
- **Property Delivery Leads to explore potential for further development grant funding or partnership arrangements.** In the absence of interest from private sector developers, Property Delivery Leads should explore other options for bringing forward development on the sites. This could include local sources of funding (e.g. Carmarthenshire County Council's Property Development Fund) as well as any future funding opportunities from the successor to ERDF. The potential for sites to secure grant assistance

through the Property Infrastructure Fund has been explored, however this is not feasible due to the timescales of each operation. Welsh Government may also consider entering into a partnership with the private sector to develop the sites.

- **Identify how access to employment in deprived communities can be maximised.** In the remaining part of the delivery period, Welsh Government should develop plans 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 could be done as part of the process of developing Regional Economic Frameworks which is being led by Chief Regional Officers. Once development comes forward on the sites, Property 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**

11.2 There are two recommendations relating to data collection for the 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. This will provide valuable data for the final evaluation, irrespective of which approach is taken (counterfactual or survey based approach).
- **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 CCTs. The final reports should be saved for the final evaluation, along with any supporting evidence relating to community benefits targets.

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## **Annex A**

*Welsh European Funding Office (2018): Cross Cutting Themes Key Document European Regional Development Fund*

### *Equal Opportunities and Gender Mainstreaming*

The equal opportunities and gender mainstreaming cross cutting theme aims to reduce injustice and promote social cohesion., This will provide the opportunity for all eligible beneficiaries to participate and use their skills and abilities to raise the levels of GDP in Wales. This in turn will help to address the imbalance in earning for women and men and others with protected characteristics. Key equality objectives for the ERDF programme in Wales are to:

- Encourage entrepreneurship and business start-up initiatives to encourage more take up from young people, women, Black and minority ethnic people, disabled people and LGBT people;
- Support the creation of an environment which supports inclusive work places and promotes equality of opportunity for staff, including reconciliation of work and private life;
- Ensure access to technology is available and accessible to all, particularly for people in rural areas, older people, disabled and others affected by the 'digital divide';
- Support RD&I which seeks to address societal challenges, such as supporting active ageing, opening up employment and training opportunities for individuals and supporting independent living;
- Support access for disabled people and those from BME backgrounds to training and employment opportunities, including through sustainable transport solutions;
- Identify and support opportunities to promote and facilitate the use of the Welsh language;
- Supporting the competitiveness of the childcare sector where it meets the objectives of the related Priority Axis;

- Support the creation of an environment which supports inclusive work places, which promotes equality of opportunity for staff, including the reconciliation of work and private life;
- Encourage entrepreneurship and business start-up initiatives to encourage more take up from women.

### *Sustainable Development*

“Development which meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Brundtland Report “Our Common Future” 1987

Sustainable development is the central organising principle of the Welsh Government. The inclusion of sustainable development as a cross-cutting theme is a crucial element to ensure that programmes and operations meet social, economic and environmental objectives simultaneously. A high quality, attractive environment plays a key role in enticing and retaining people to live and work in Wales, as well as providing the quality of life for Welsh residents.

The key ERDF programme objectives to achieving sustainable development are:

- Promoting research and innovation in the Grand Challenge area of low carbon, energy and environment, building on the significant investments made in this area under the 2007-2013 programmes;
- Developing the low carbon, energy and environment sector through business advice and support and business finance under the SME Competitiveness Priority;
- Promoting resource efficiency, including energy efficiency, through interventions under the SME Competitiveness Priority;
- Increasing the potential to generate renewable energy through support for R&I, and enabling infrastructure investments in the marine energy industry in Wales;
- Increasing the number of small scale and community renewable energy operations;
- Improving the energy efficiency of Welsh Homes, in particular in areas of fuel poverty and deprivation (as measured by WIMD);

- Promoting low carbon energy schemes for urban and rural areas and;
- Supporting low carbon and sustainable transport solutions, including through linking unemployed and economically inactive individuals with work and training.

### *Tackling Poverty and Social Exclusion*

Tackling poverty and social exclusion is a European Commission and Welsh Government commitment which will focus on actions to create employment and progression opportunities and will help people to access those opportunities. The key tackling poverty objectives for the Welsh Programmes are:

- Focus on the creation of jobs and growth providing employment opportunities for those who are out of work. For example, through increasing the competitiveness of SMEs;
- Tackling barriers to employment. For example, addressing poor skills and lack of childcare through the ESF, complemented by addressing transport barriers to accessing employment through the ERDF and;
- Focusing on growth. For example, through support for key knowledge-based sectors through the ERDF, aligned with skills development interventions enabling those experiencing in-work poverty to access more highly-skilled, better paid jobs through the ESF.

## Annex B – List of Consultees

<b>Organisation</b>	<b>Number of interviewees</b>
Welsh Government	7
WEFO	3
Regional Engagement Team representatives	3
Representatives of commercial property agents	5