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# Evaluation of Strategic Employment Sites: Final Report

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# Evaluation of Strategic Employment Sites: Final 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
BCBC	Bridgend County Borough Council
BREEAM	Building Research Establishment Environmental Assessment Method: a rating system for assessing the environmental sustainability of buildings
CBP	Community Benefits Plan: a plan which outlines how community benefits will be delivered by contractors
CCC	Carmarthenshire County Council
CCR	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
CHE	Cross Hands East
DDA	Disability Discrimination Act
ERDF	European Regional Development Fund
ESIF	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.
EZ	Enterprise Zone: designated areas across England and Wales that provide tax breaks and Government support.
FDI	Foreign Direct Investment
GVA	Gross Value Added: a measures of the economic value of goods and services produced in an area or a specific sector
JV	Joint Venture
LDP	Local Development Plan
LPA	Local Planning Authority
OM	Operation Manager: Welsh Government officer responsible for overseeing the delivery of SES

PDL	Property Delivery Lead: Welsh Government officer responsible for all legal, strategic and commercial issues involved in the delivery of each site in SES
PDO	Operation Development Officer: the main contact in WEFO for the SES operation
SBCR	Swansea Bay City Region: Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea
SCP	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
SUDS	Sustainable Urban Drainage System
TM	Technical Manager: officer responsible for all technical and engineering issues involved in the delivery of the sites
TWA	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
UC	Universal Credit: social security payment that was designed to simplify the benefits system and to incentivise paid work.
WEFO	Welsh European Funding Office
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

# 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 was designed to provide primary infrastructure (on and off-site roads, drains and utility services) and undertake site preparation works for four strategic sites which included;
- 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 The operation aimed to 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 built upon the delivery of the Strategic Employment Sites Infrastructure Fund (SESIF)<sup>1</sup> under the 2007-13 Wales ERDF Convergence Programme. Welsh Government was responsible for managing the operation and was the beneficiary of the funding.
- 1.3 The operation was part funded by the European Regional Development Fund (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 had a total value of £20.78m, with £11.58m funded through ERDF and the remaining £9m provided by Welsh Government.
- 1.4 The evaluation has been delivered in two stages:
- An interim stage, the findings of which were presented in a report published in 2020<sup>3</sup>.
  - A final impact stage, the findings of which are presented in this report.

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

<sup>2</sup> Welsh Government (2014): [ERDF West Wales and the Valleys Operational Programme, Priority 4](#)

<sup>3</sup> Hatch (2020): [Evaluation of Strategic Employment Sites, Interim Report](#)



## Evaluation Research Questions

1.5 The research questions for the final evaluation are as follows:

- I. Has SES successfully met the specific aims and targets set out in the operation business plan?
- II. Has SES successfully delivered the contributions to CCTs set out in the business plan?
- III. How does the operation support the Welsh Government's aims and objectives for the Welsh language as set out in Cymraeg 2050? (E.g. are there any examples of a focus on Welsh language innovation in the delivery of the operation?)
- IV. Were the resources allocated to the operation suitable, in terms of scale and what they were intended to achieve?
- V. How efficient and effective were operation processes? (E.g. how well was the operation managed?)
- VI. Was the operation delivered on time and to budget?
- VII. Did the operation provide value for money?
- VIII. Were there any observable differences in the outcomes achieved between the four sites? If yes, what factors can be identified that explain this e.g. site location characteristics, or differences between sites in project management during and post development?
- IX. Did the operation generate any deadweight or displacement effects e.g. lower or raised business prices / rents for comparable local business premises?
- X. Were there alternative approaches to addressing the issues identified that could have been employed?
- XI. Are the longer-term benefits associated with the operation likely to be achieved?
- XII. What are the key lessons relevant to this and future operations which could help the Welsh Government to achieve its strategic aims?
- XIII. Is the wider roll-out of the operation feasible? What are the options and recommendations?

XIV. How has the operation contributed to the goals of the Well Being of Future Generations Act?

**Structure of the Report**

1.6 The report is structured as follows:

- Chapter 2 describes the methodology for the evaluation
- Chapter 3 revisits the rationale for the operation in light of changes to policy, labour market and property market conditions.
- Chapter 4 reviews the progress of the operation since the interim evaluation and assesses whether it has met its financial expenditure and output targets.
- Chapter 5 examines the project management and monitoring processes implemented for SES, and whether these have worked effectively.
- Chapter 6 assesses the operation's contributions to CCTs
- Chapter 7 assesses the current economic impacts of SES and presents a modelled estimate of economic impact in five years' time.
- Chapter 8 provides our conclusions in relation to the evaluation research questions.
- Chapter 9 identifies recommendations.

## 2. Methodology

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

- A review of changes to Welsh Government, regional and local policy and strategy documents
- Analysis of monitoring information, including financial expenditure data and monitoring reports produced for each of the sites in SES.
- Analysis of labour market conditions in the areas affected by SES. This has used publicly available datasets produced by Department for Work and Pensions (DWP) (Claimant Count<sup>4</sup>)
- Analysis of property market trends. This was based on local market assessments and supplemented with data from CoStar<sup>5</sup>.
- 11 semi-structured telephone consultations with Welsh Government staff and other stakeholders including WEFO and sub-regional economic partnerships. A list of consultees is provided in Annex A.
- 7 structured telephone consultations with commercial property agents in each of the areas with SES sites.
- Modelling of the future economic impacts of SES. This used assumptions informed by feedback from local commercial agents.

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<sup>4</sup> DWP (2021) Claimant Count via [Nomis](#)

<sup>5</sup>CoStar (2021) [Market Analytics](#)

### 3. Review of operation rationale and strategic fit

#### **Key Findings**

- None of the changes to Welsh Government and regional policy undermine the objectives of the SES operation and a number of these reinforce the need for intervention.
- A number of recent policies place a heavy emphasis on sustainability and the transition to net zero. It is therefore important that SES sites minimise their carbon impact and make positive contributions to environmental outcomes.
- Updated property market analysis shows there continues to be a strong need for SES, particularly addressing unmet demand for industrial space (demand for office space is weak in all areas). There is also clear evidence of widespread market failure in the property market which SES was designed to address.
- Prime rental values for industrial space are higher in Isle of Anglesey and Bridgend which means speculative development of industrial units is viable as long as sites are serviced and in an accessible location.
- The COVID-19 pandemic has led to a large increase in unemployment in all parts of Wales. There is therefore still a clear need for measures which create employment in Wales.

#### **Purpose of Chapter**

- 3.1 This chapter provides a brief review of changes to policy and economic and property market trends since the interim evaluation in February 2020. The purpose is to assess whether the operation's objectives and activities continue to be consistent with policy priorities and evidence of need. The findings in this chapter are based on a review of key policies, an analysis of labour market and property market data and interviews with local commercial agents.
- 3.2 A key aim of the interim evaluation was to assess the rationale for the operation and the strategic fit with Welsh Government, regional and local policies. The interim evaluation found that:

- The operation was strongly aligned with a wide range of policies, many of which identify the need for public intervention in sites and premises to create employment and address disadvantage in Wales.
- There was strong evidence of need for the project, both in terms of market failure in the property market and high levels of unemployment.

## Policy updates

### *Welsh Government policies*

#### *Programme for Government - 2021 to 2026<sup>6</sup>*

3.3 The Programme for Government sets out Welsh Government's priorities for 2021 to 2026. The following are relevant to the SES operation:

- **Build an economy based on the principles of fair work, sustainability and the industries of the future:** this includes the creation of 125,000 apprenticeships and delivering the Young Persons Guarantee which will give everyone under the age of 25 the offer of work, education, training or self-employment.
- **Building a stronger, greener economy as we make maximum progress towards decarbonisation:** this includes a plan to launch a new 10-year Wales Infrastructure Investment Plan for zero carbon economy. It also sets a target for 45% of journeys to be made using sustainable modes of travel by 2040.
- **Embed our response to the climate and nature emergency in everything we do:** this lists a wide range of measures to protect and improve the environment, and to ensure that the aim of reaching net zero is central to decision making in Wales.
- **Push forward towards a million Welsh speakers, and enable our tourism, sports and arts industries.** This reinforces and builds upon the objectives of Cymraeg 2050, the Welsh Language Strategy which originally set the target for one million Welsh speakers.

3.4 These priorities do not affect or undermine SES's rationale for intervention, but they reinforce the importance that the delivery of sites contributes to:

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<sup>6</sup> Welsh Government (2021a): [Programme for Government - Update, 2021 to 2026](#)

- Sustainable growth objectives. These include minimising resource consumption and energy usage, supporting biodiversity and green and blue infrastructure<sup>7</sup>, and developing sustainable transport initiatives. This will help to meet the goal of embedding the Welsh Government’s response to the climate and nature emergency in everything it does.
- Equal opportunities objectives, specifically ensuring that the operation adheres to Welsh Language Standards. This is consistent with the goal of pushing forwards toward a million Welsh speakers. SES could also contribute to Welsh Language objectives by creating employment opportunities in Welsh speaking areas (such as Anglesey and Carmarthenshire) which help to retain Welsh speakers in their communities.

*Our Economic Resilience & Reconstruction Mission, 2021*

- 3.5 The Programme for Government also includes a specific commitment to progress the Welsh Government’s Economic Resilience and Reconstruction Mission (ERRM) for Wales. This builds upon previous strategies and legislation including Prosperity for All: The Economic Action Plan and the Wellbeing of Future Generations Act to set out how the Welsh economy can recover and rebuild following the Covid pandemic.
- 3.6 This sets out a vision of a “well-being economy which drives prosperity, is environmentally sound, and helps everyone realise their potential”. This is underpinned by three desired outcomes; a prosperous economy, a green economy and an equal economy.
- 3.7 SES will help to deliver on these desired outcomes by creating new employment opportunities in Wales, which are accessible to people who have been affected by the Covid pandemic including young people and recently unemployed. It will also support the creation of new, high quality job opportunities in key sectors such as manufacturing, which the ERRM will support through the Manufacturing Action Plan (see below).

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<sup>7</sup> Green infrastructure can include green roofs and walls, gardens, parks, productive landscapes, green corridors, small scale urban wildflower meadows, green roofs and walls and bee/insect hotels to larger scale planned parkland, wildflower set-aside areas and community “grow your own” schemes. Blue infrastructure could include planned bio-swales, porous paving and rain gardens as well as sustainable urban drainage systems.

*A Manufacturing Future for Wales: A Framework for Action*<sup>8</sup>

- 3.8 This action plan is a key part of the ERRM. It sets out how Welsh Government will improve manufacturing across Wales and respond to some of the key issues facing the sector including COVID-19, climate change, technological change and automation.
- 3.9 It identifies ten action points, one of which is directly relevant to SES: “the provision of modern infrastructure to support changes to the way we work and how we access work opportunities”. This states that: “it is essential that we have the right type of buildings for our manufacturing community to expand diversify and start up... We also need the infrastructure to be accessible by public transport”. It identifies an action to “address the needs of manufacturing when planning the delivery of premises for businesses”.
- 3.10 This action plan is consistent with the objectives of SES which aims to encourage delivery of high-quality premises in areas with high concentrations of employment in manufacturing. It also reinforces the importance of ensuring sites are accessible using sustainable modes of transport.

***Regional policies***

*North Wales Growth Deal*<sup>9</sup>

- 3.11 The bid document for the North West Growth Deal was described in the interim evaluation but was formally approved in December 2020 (after the publication of the interim report). The Growth Deal aims to create 4,200 new jobs and £2.4bn in additional Gross Value Added (GVA) over the next fifteen years. It is made up of five programmes, one of which will address land and property challenges within the region by developing sites to provide residential and employment premises. The objectives are therefore clearly aligned with SES which includes one employment site in North Wales (Bryn Cefni in Anglesey).

*Cardiff Capital Region (CCR) Investment Prospectus, Prosperity for our Place, March 2021*<sup>10</sup>

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<sup>8</sup> Welsh Government (2021b): [Manufacturing future for Wales: framework](#)

<sup>9</sup> North Wales Economic Ambition Board (2021): [Ambition North Wales | Home](#)

<sup>10</sup> Cardiff Capital Region (2021): [Cardiff Capital Region Investment Prospectus](#)

- 3.12 The Cardiff Capital Region Investment Prospectus presents investment proposals to UK Government designed to augment the Cardiff Capital Region's regional programme, build on the City Deal and support the recovery from the COVID-19 pandemic. It identifies six core propositions and five enabling propositions, which are key to regional growth. One of the enabling propositions is "provision of accessible, affordable sites and premises" which states: "the region requires significant core investment into strategic sites and premises that can support foundational growth, local supply chains and sector specific developments". It identifies a requirement for £100m to scale up the CCR Premises Fund to facilitate property development. The objectives are clearly aligned with SES which includes two employment sites in CCR (Brocastle and Ty Du).

*Carmarthenshire Economic Recovery & Delivery Plan, 2021<sup>11</sup>*

- 3.13 This plan was drawn up in response to the COVID-19 pandemic. The recovery strategy focuses efforts on 11 key themes, with emphasis on maximising opportunities for local businesses and growing the economy.
- 3.14 It sets out the authority's aims to help businesses replace more than 3,000 jobs that have already been lost during the pandemic and safeguarding and replacing up to 10,000 jobs that were considered to be at high risk once furlough came to an end. These objectives are clearly aligned with SES which aims to create employment opportunities in Carmarthenshire.

### **Economic and property market trends**

*Commercial Property: Market Analysis and Potential Interventions, March 2020<sup>12</sup>*

- 3.15 The Commercial Property: Market Analysis and Potential Interventions Report (SQW, 2020) assessed the need for intervention in the property market and will be used to inform a new Property Delivery Plan, which will set out a range of tools that the Welsh Government will use to meet economic need and drive future growth. This updated an earlier report by Jones Lang Lasalle<sup>13</sup> which was referenced in the interim evaluation and provided the rationale for the SES operation. The SQW

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<sup>11</sup> Carmarthenshire County Council (2021): [Carmarthenshire Economic Recovery Plan](#)

<sup>12</sup> SQW (2020): [Market analysis and potential interventions \(gov.wales\)](#)

<sup>13</sup> Jones Lang Lasalle (2014): Gap Analysis, Achieving a balanced property portfolio for the delivery of economic objectives in Wales



report analyses the Welsh commercial property market, assesses current and future demand and the extent to which there is a gap in supply. The report finds:

- Widespread evidence that **industrial supply is very tight relative to demand**, and there has been very little recent development other than in a small number of areas (Newport/Cardiff and Flintshire/Wrexham).
- Limited capacity appears to be **constraining firms' ability to move to larger premises**, potentially impeding expansion potential and the Welsh Government's objective of enabling higher quality jobs.
- **Demand for office space in most areas is weak**. The exceptions to this are in Cardiff (where the market is performing well) and in Newport and Swansea where there is some evidence of unmet demand.
- **There continues to be evidence of widespread 'market failure'**, particularly in the industrial sector where there is little commercial development taking place despite evidence of strong demand.

3.16 It concludes by identifying a need for significant intervention and that “the Welsh Government and public sector partners may wish to plan to support the delivery of at least 900,000 sq ft of new floorspace over a three-year rolling period. This equates to a potential requirement for developable land of at least 35 acres over a rolling three-year period”.

3.17 This updated assessment of the Welsh commercial property market confirms that there continues to be strong evidence of need for the SES intervention and the challenges that it is seeking to address.

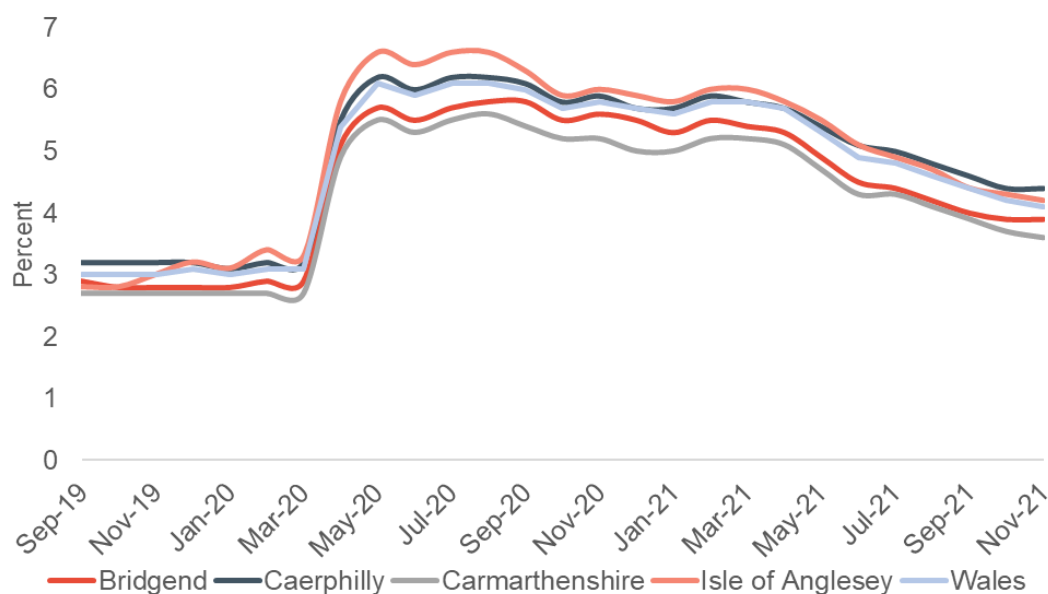
#### *COVID-19 pandemic*

3.18 The interim evaluation and the SQW report predated the COVID-19 pandemic which caused a major economic shock and had implications for both the labour and commercial property market.

3.19 Figure 3.1 shows the pandemic led to a sharp increase in unemployment from March 2020, as measured by the proportion of people claiming Universal Credit (UC) who are out of work. This applies to Wales as a whole and each of the local authority areas with SES sites. The claimant rate has been falling since March 2021 but remains between one and two percentage points above the pre-pandemic average in all areas.

3.20 It should be noted that the claimant rate is below the UK average (4.6%) in all areas. However, the proportion of working age people in Wales who are economically inactive is still well above the UK average (24.6% and 21.8% respectively as of June 2021). The inactivity rate in Wales has also increased by 1 percentage point since June 2019 meaning the pandemic may have led to an increase in people withdrawing from the labour market. This suggests there is still a clear need for measures which create employment in Wales, such as SES.

**Figure 3.1: Proportion of working age people claiming Universal Credit who are out of work**

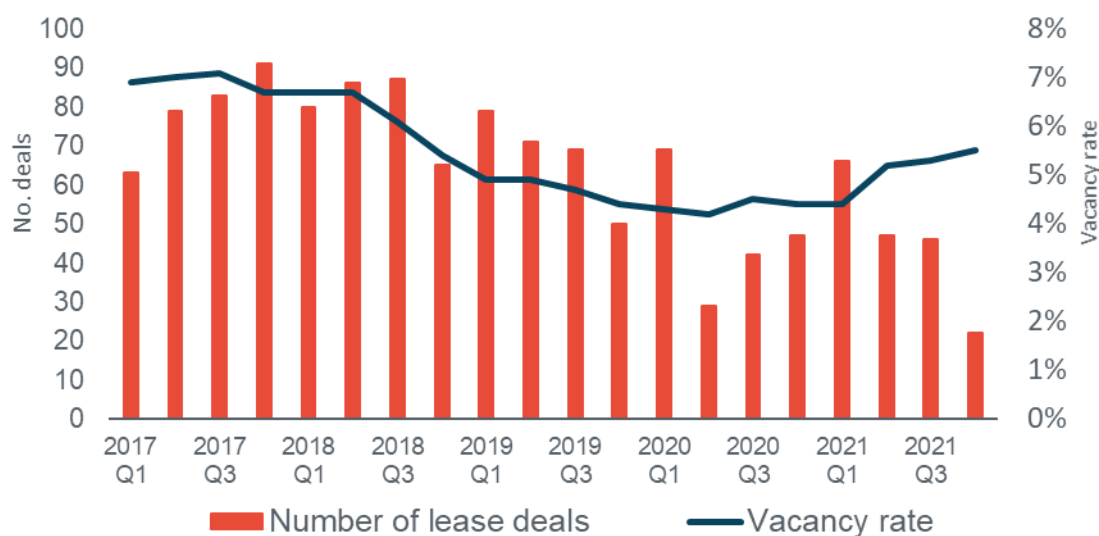


Source: DWP (2021): [Claimant Count via Nomis](#)

**The impacts of the pandemic on the commercial property market are still emerging and remain uncertain, particularly in the office market. The national lockdowns led to a large increase in homeworking, particularly in office-based sectors and a fall in demand for office space.**

- 3.21 Figure 3.2 shows a fall in the average number of deals for office space since financial quarter 2 of 2020 and that the total quantity of occupied office space has fallen by just under 200,000 sq ft. This has led to an increase in the office vacancy rate from 4.2% to 5.5% in financial quarter 4 of 2021.
- 3.22 The longer-term prospects for the office market are uncertain but there is a risk that demand remains below pre-pandemic levels if companies choose to rationalize their use of space as they adapt to post-pandemic working arrangements.

**Figure 3.2: Office lease deals and vacancy rate in Wales, 2017-2021**



Source: CoStar (2021): [Market Analytics](#)

- 3.23 In contrast, there is limited evidence that the COVID-19 pandemic has led to a fall in demand for industrial/warehouse space or an increase in vacancy. The UK Warehousing Association has reported it has had the opposite effect due to a combination of increased online shopping and concerns about supply chain resilience (driven by Brexit as well as the pandemic), which has led to record demand, particularly for warehouse space<sup>14</sup>.

Although the average number of deals in Wales has fallen since the start of the pandemic (see

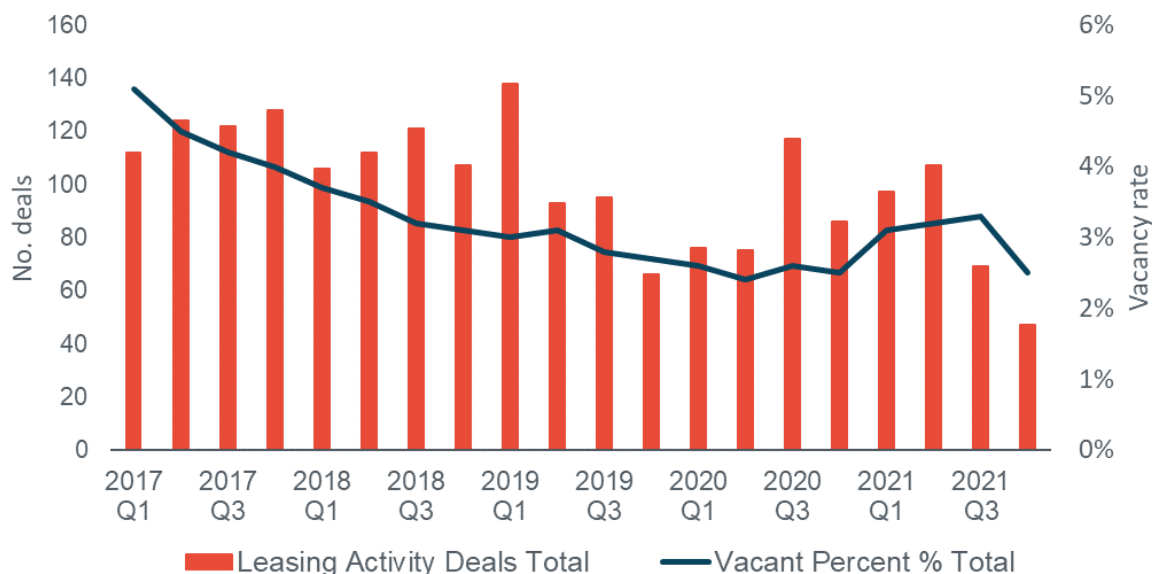
<sup>14</sup> Briggs, F. (2021): [Demand for warehouse space surges in the UK as businesses up inventory levels – Retail Times](#)

Figure 3.3), the total amount of occupied floorspace increased by just under 600,000 sq ft between Q2 2020 and Q4 2021. Meanwhile the supply of industrial/warehouse space continues to be constrained; the vacancy rate has been below 3.5% since early 2018 and, as of Q4 2021, was at 2.5% (see

3.24 Figure 3.3).

3.25 There therefore continues to be severe capacity constraints in Wales' industrial market which could act as a barrier to growth and inward investment.

**Figure 3.3 Industrial lease deals and vacancy rate in Wales, 2017-2021**

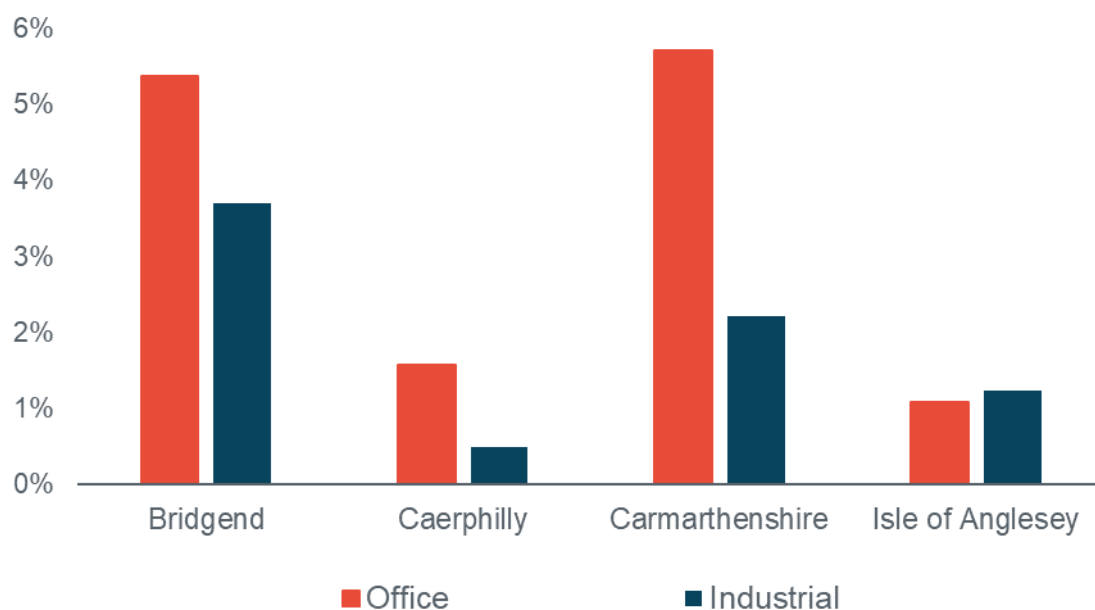


Source: CoStar (2021): [Market Analytics](#)

#### *Local Property Market Trends*

- 3.26 CoStar data shows vacancy rates for office and industrial space are low in each of the areas with SES sites, but particularly for industrial space where the vacancy rate is below 4% in all areas. Capacity is particularly constrained in Caerphilly and Isle of Anglesey with vacancy rates below 2% in both the office and industrial market (see Figure 3.4).

**Figure 3.4: Vacancy rates for local authorities with SES sites, Q4 2021**



Source: CoStar (2022): [Market Analytics](#)

3.27 Interviews with local commercial agents confirmed that each of the areas has an undersupply of industrial premises and that there was an urgent need for new capacity. Key points were as follows:

- All areas are experiencing very strong demand for small industrial units below 5,000 sq ft (due to most demand being from small businesses). There is a severe undersupply, with any new units which are brought to market being under offer very quickly. All agents agreed that increasing the supply of these small industrial units is the key market priority.
- Agents in Bridgend also reported very strong demand for larger units (over 100,000 sq ft) due to the M4 which runs through the borough and attracts both manufacturing and distribution occupiers. One agent described the need for sites to accommodate these requirements as 'desperate' due to the lack of options, which could act as a barrier to attracting major investors.
- Other areas reported much weaker demand for large industrial premises. There are some requirements for units up to 40,000 sq ft in Caerphilly which comes from existing businesses who are growing and want to remain in the area. Demand is much lower than for small units, but agents still struggle to satisfy these requirements.
- All agents reported that viability continues to be a major barrier to development of industrial sites throughout Wales. It is essential that sites are fully serviced and have good road access for development to be viable, but even then, viability may still be marginal in some areas (e.g. Carmarthenshire, Caerphilly). Prime rental values are higher in Isle of Anglesey and Bridgend which means speculative development of industrial units is viable as long as sites are serviced and in an accessible location.
- There is very weak demand for office space in all of the areas. None of the areas are established office markets so the only requirements are from small, local businesses and the public sector. Despite the low vacancy rates in some areas, no agents reported this as a key priority.

## **Conclusions**

3.28 The evidence collected suggest that there continues to be very strong evidence of need for the SES operation to address market failures in the commercial property



market and to create new job opportunities in areas with high levels of unemployment. Recent changes as a result of COVID-19 reinforce this, although the evidence suggests that the key priority for SES sites should be addressing capacity issues in the industrial market, particularly the need for small industrial units in all locations (and larger units in the M4 corridor).

- 3.29 None of the recent changes to policy in Wales undermine the rationale for intervention. Recent policies place a heavy emphasis on sustainability and the transition to net zero. This reinforces the importance that SES sites minimise their carbon impact and make positive contributions to environmental outcomes.

## 4. Progress of the Operation

### Key findings

- All of the sites are now completed, and all of the outputs have been achieved (59.6 Ha of land developed).
- It is estimated the final total costs for the operation will be in the region of £20.89m which is only slightly higher than the original estimate of £20.78 in the business plan. Therefore, overall, the operation has been delivered close to budget and the resources allocated were appropriate.
- Costs for Brocastle were £1.5m higher than the original cost estimates. This was due in part to INEOS's decision to withdraw from the site, but also due to key technical details not being finalised by the time the contract was awarded. Both of these factors also led to delays in the work programme.
- Works at Cross Hands East were also delivered much later than originally anticipated. This was due in part to COVID-19 but also to planning works over winter months when ground conditions meant this was impractical.
- There is strong market interest in three of the SES sites and development of premises has either already proceeded or is likely to proceed very soon (Brocastle, Bryn Cefni and Ty Du). The strength of market demand is more uncertain for Phase 2 of Cross Hands East.

4.1 This section provides an overview of progress of each of the sites since the interim evaluation, focusing on the following:

- Whether sites were delivered on time and to budget<sup>15</sup>
- Whether all outputs were successfully delivered
- Key challenges and successes
- Progress with development of commercial premises onsite and attraction of occupiers.

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<sup>15</sup> This has been based on the financial expenditure data provided for each site rather than the financial claims data which shows lower costs

- 4.2 The total eligible cost of the operation was £20,783,729 million with a contribution from ERDF funds of £11,584,592 supported by the West Wales and the Valleys EU Convergence Programme and the remainder, £9,011,102.00 million, was allocated via match-funding from Carmarthenshire County Council and Welsh Government.
- 4.3 The output targets and financial profile from the business plan were as follows:

**Table 4.1: Estimated costs and output targets for SES sites**

	Total costs (£)	ERDF (£)	Output target – Land developed (Ha)
Brocastle	10,448,087	6,268,853	46.0
Bryn Cefni	691,993	415,196	1.8
Cross Hands	5,535,287	2,435,526	8
Ty Du	4,108,362	2,465,017	3.8
Total	20,783,729	11,584,592	59.6

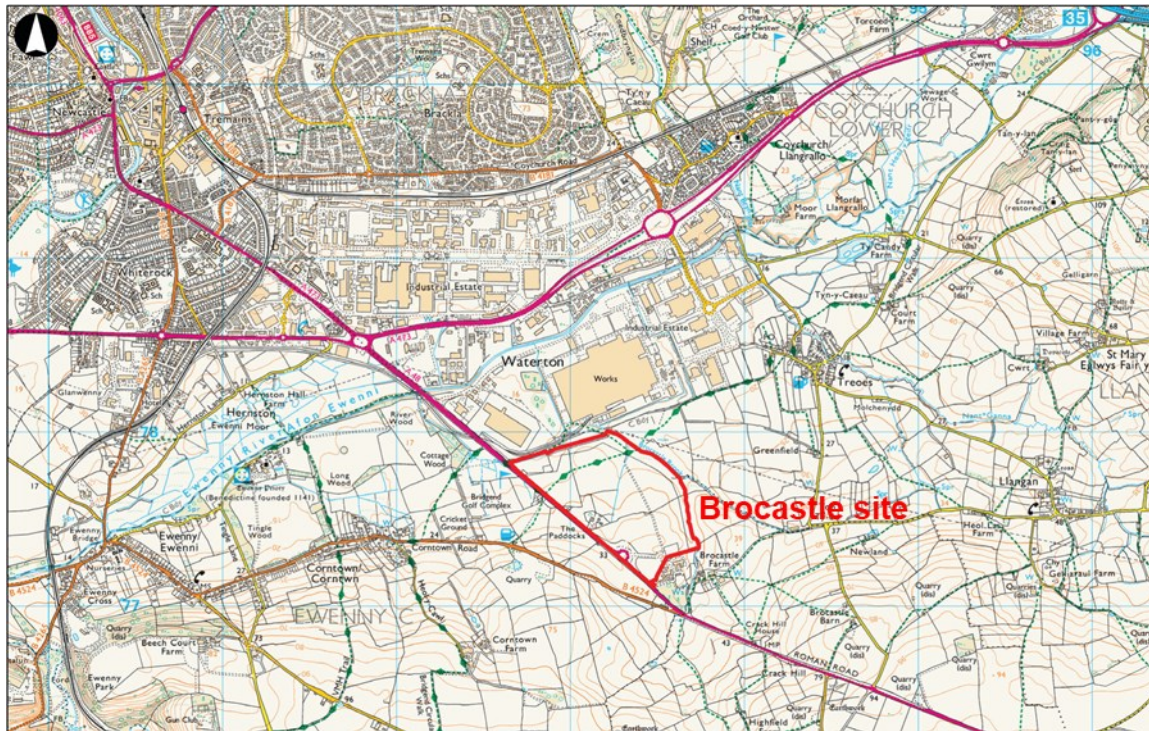
Source: Welsh Government (2016a) Strategic Employment Sites Business Plan, ERDF West Wales and the Valleys Priority 4

### **Brocastle**

#### *Description of site*

- 4.4 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 land developed, 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.

**Figure 4.1: Brocastle Site Location**



Source: Welsh Government (2016b): Land at Brocastle, Bridgend, Design and Access Statement.

Note: Brocastle site boundary shown in red.

- 4.5 A masterplan for the site was developed by Arup in 2016 as part of the outline planning application<sup>16</sup>. The proposed development comprises a business park development, including 593,000 sq ft of B2 and B8 industrial floor space and 175,000 sq ft of B1 office floor space.

#### *Progress since the interim evaluation*

- 4.6 The Brocastle site had already made good progress at the time of the interim evaluation. The contract had been awarded to Walters in March 2019, with onsite works commencing shortly afterwards. Walters had identified an anticipated completion date of July 2020. At that stage there was also an agreement in place with INEOS Automotive to construct a new 250,000 sq ft manufacturing and assembly plant at Brocastle for the production of their 4 x 4 Grenadier vehicle.
- 4.7 The COVID-19 pandemic caused some delays to the estimated timescales, but consultees reported that the construction works were substantially complete by December 2020 when Walters demobilised. However it was necessary for them to return to the site in July 2021 to complete outstanding works.

<sup>16</sup> Arup (2016): [Brocastle Illustrative Masterplan](#)

4.8 The need to return to the site was due to a range of factors. A number of these relate to the fact that not all of the technical details had been finalised by the time the original contract was awarded to Walters. This meant it was necessary to make a number of changes to the contract, resulting in delays and an increase in costs. Consultees reported that this was due to the need to meet WEFO funding timescales, which meant there was not time to resolve all of these issues before the contract was awarded. These included:

- **Demolition of properties due to the presence of bats:** by the time the bat licence was secured there was insufficient time to procure materials and construct the type and size of bat house required for bat mitigation measures before bats started summer roosting in the properties requiring demolition.
- **Changes to gas mains and other utilities provision:** the designs for gas mains had not been finalised by the time the contract had been awarded to Walters, which required a change to the works. There was also a delay associated with a railway crossing agreement between Network Rail and a utility.
- **Variations requested by the adopting Highway Authority:** it was necessary to commence the works before technical details had been approved with the Highway Authority. This has required a number of variations to meet the road adoption requirements.

4.9 The other major factor that caused a delay was the changes required for the two plots that INEOS planned to occupy. INEOS had targeted a start date for construction of its new manufacturing plant in July 2020. The finalised layout required a number of significant changes to the site infrastructure and access, which required additional civil engineering works to be undertaken on plots 1 and 2. To meet the demanding timescales, Walters had to divert resources away from the wider development site to focus on the INEOS plots. This led to further delays and inefficient work sequencing.

4.10 On 2<sup>nd</sup> July 2020, INEOS announced that they were to suspend any further investment in the Brocastle site whilst they investigate the opportunity of partnering with an established manufacturer to produce the vehicle elsewhere. It was subsequently announced that production would take place at a site in France.

Further works were then required as a result of the INEOS decision, including reinstatement of access roads and revised drainage and utility supplies. This caused further delays and increased costs. Although it should also be noted that some of the expenditure associated with INEOS has proved beneficial in terms of marketing the site (e.g. creating a wider plateau for development which has provided greater flexibility).

4.11 As of January 2022, there are still a small number of outstanding minor works at the Brocastle site. These include:

- Confirmation that groundwater drainage is not required to plots 7 and 8. Welsh Government is awaiting further reports from Walters's geotechnical specialist and CCTV surveys to confirm that groundwater is not an issue.
- Minor landscaping works that could only be carried out during the winter 2021. Welsh Government understands that Walters may need to procure a sub-contractor to complete these works.

4.12 The outstanding works are minor and will not hinder occupation of the site. As such the output target to deliver 45.96 ha of land has now been met to WEFO's satisfaction.

#### *Financial performance*

4.13 Based on the financial expenditure data provided to us (correct as of July 2021) it is estimated that the final capital cost of the works at Brocastle will be £11.99m (excluding the costs associated with the INEOS works) compared to an estimated cost of £10.45m in the original business plan. There has therefore been an overrun of £1.54m compared to the original forecast costs.

4.14 The main reason for the cost overrun is the changes to the contract with Walters, (described above). Some of these costs could have been avoided if the key issues had been identified before the contract went out to tender, for example by ensuring that the designs for the gas mains had been finalised and the proposals for roads had been fully approved by the Local Planning Authority (LPA). However, it is also recognised that there were time pressures to meet WEFO timescales, and it would not have been feasible to wait until all these technical details had been finalised before awarding the contract due to long delays with the planning authority.

- 4.15 Additional costs were incurred on the INEOS works, but these works should be treated as separate to the ERDF project and have been met through Welsh Government budgets.
- 4.16 The high-profile nature of the investment meant that Welsh Government was keen to show good will, and there was a fear that INEOS would pull out if the site did not meet their requirements. There was also increased pressure to secure the investment because of the closure of the Ford plant.

*Marketing of sites and market interest*

- 4.17 Welsh Government appointed JLL as marketing agents for the site, who have developed a marketing brochure and promoted the site via their mailing lists, website and on social media. Welsh Government also issued a press release for the site which led to a number of news articles.
- 4.18 Market interest in the site is reported to be very strong, from both owner-occupiers and developers. This includes one offer from a developer for the entire site. Welsh Government has a strong preference for owner-occupiers as this will mean they can exercise more control over the quality of premises which are built (e.g. ensuring they meet BREEAM<sup>17</sup> standards) and the quality of employment opportunities. It is understood there are currently three offers from owner occupiers being considered by Welsh Government, which would take most of the land available onsite if they proceeded. The details of these offers are currently confidential, however consultees reported that all are proposals for industrial developments (as opposed to offices), and one is from a large inward investor.
- 4.19 It was noted that the energy capacity of the site had proven to be a deterrent for a number of enquiries from manufacturers, including a large glass manufacturer. Data centres and battery manufacturing plants were also identified as uses with high energy requirements that could not be accommodated onsite. Consultees reported that they did not anticipate these large energy requirements during the design phase as they had originally assumed a higher share of office development.
- 4.20 Despite the limited power capacity of the site, agents reported very strong demand for Brocastle and anticipated that the site will be fully developed within the next three to five years, with the only constraint being availability of materials.

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<sup>17</sup> Building Research Establishment Environmental Assessment Method



## Bryn Cefni

### *Description of the site*

- 4.21 Bryn Cefni is an existing industrial estate near Llangefni on the Isle of Anglesey and is located just off the A55. The SES operation funded new road infrastructure and services to enable the development of three plots, with a total ERDF output target of 1.82 ha (4.49 acres) land developed making it the smallest of the four SES sites. The total project value is £691,993, of which, £415,196 is ERDF.

**Figure 4.2: Bryn Cefni Site Location**



Source: Eginol Environmental Ltd (2018): Bryn Cefni Industrial Park Access Road Preliminary Ecological Appraisal

### *Progress since the interim evaluation*

- 4.22 The works at Bryn Cefni had just started at the time of the interim evaluation, with North Wales contractor GH Jones appointed to deliver the works. It was anticipated that the majority of works would be complete by November 2019.
- 4.23 Consultees for the site confirmed that all work was completed in March 2020 and that the construction process had gone smoothly, with no major delays or challenges. The only minor issue was the discovery of some undocumented asbestos waste, which had been fly tipped on site and grown over. It was necessary to get a specialist to assess the waste and arrange for it to be bio



contained to an appropriate licensed tip. However, this was a minor delay of only a few days, and the contractor was able to work around it.

#### *Financial performance*

4.24 The financial monitoring data shows that total cost of the works at Bryn Cefni was £687,636, which is in line with the forecast costs of £691,993. The project has therefore been delivered within its original budget.

4.25 Consultees noted that the costs that went into the funding application were based on a broad estimate, and these are always subject to uncertainty until they go out to tender. In this case, the estimated costs had been broadly accurate, which was due to the project being relatively straight forward, and there being no major problems encountered during the construction works. This was also attributed to Welsh Government commissioning consultants to carry out site investigations before the construction works which minimised risk of unforeseen costs during construction.

#### *Marketing of sites and market interest*

4.26 The site at Bryn Cefni was marketed locally by Welsh Government, and the whole site was sold to a developer in September 2021. The developer is in the process of applying for planning permission to build 22 small industrial units on the site, which will provide 30,000 sq ft of space. They hope to start construction in spring and complete in autumn 2022. The developer plans to develop the industrial units speculatively but is highly confident there will be strong demand because of the limited availability of these units in Anglesey and the strong track record of demand for similar units in Llangefni.

4.27 Market feedback therefore suggests it is likely that the development will be fully occupied by 2024 at the latest. Given the nature of the industrial units it is highly likely that most demand will be from small local businesses.

4.28 The masterplan indicates there is capacity for an additional 46,000 sq ft of industrial space. The developer's intentions for the rest of the site are not known at this stage.

## Cross Hands East (Phase 2)

### *Description of the site*

- 4.29 Cross Hands East is located just off the A48, around 10 miles north of Llanelli and 15 miles west of Swansea. Phase 1 of the site was completed in 2015 and received ERDF funding during the 2007-13 programme. Phase 2 is delivering infrastructure works on the remaining 8 ha of the site (the land developed ERDF output target), including a new road, services, ground works and landscaping and is being delivered through a Joint Venture (JV) with Carmarthenshire County Council (CCC). The masterplan for the site proposes a mix of B1 (office) and B8 (warehouse) premises. The site works have a total project value of £5,535,287, of which £2,435,526 is funded through ERDF.

**Figure 4.3 Cross Hands East Phase 2 Location**



Source: Google Maps

### *Progress since the interim evaluation*

- 4.30 Cross Hands East was the least advanced of the three sites at the time of the interim evaluation. This was due to the discovery of previous mining activity on the site, which needed to be addressed before the main works could take place and led to delays in the programme schedule. At that stage it was estimated that works would commence in September 2019 and be complete by June 2020.

- 4.31 There were, however, a number of delays to the project, resulting in a delay in completion until October 2021. Consultees reported that this was due mainly to the COVID-19 pandemic, which had a direct effect on the programme as works had to cease for a two-month period, but then had knock-on effects due to the weather when they returned to the site, which made it impractical to carry out the earthworks because of the nature of the ground. This meant they needed to go off site again during winter 2020 and return to the site in spring 2021 to complete the works.
- 4.32 Clearly the COVID-19 pandemic could not have been anticipated, but consultees recognised that the weather should have been planned for and built into the construction programme, which they recognised was ambitious given that works were unlikely to start until September.

#### *Financial performance*

- 4.33 Despite the long delays to the project, total costs were much lower than the original estimates which informed the funding application. Data on final costs was not available at the time of the consultation with JV officers but it was forecast to be £4.8m which is £0.8m lower than the original estimated cost of £5.5m. The main reason for this is that the tender prices for the civil engineering works were substantially lower than the original estimates which fed into the application.
- 4.34 It appears the original cost estimates were based on the best information available at the time. These were informed by consultant advice, but there was still a great deal of uncertainty about ground conditions and previous mining activity at the site, which meant project officers adopted a cautious approach and allowed for significant contingencies which in practice was not required.

#### *Marketing of sites and market interest*

- 4.35 Marketing of Phase 1 and Phase 2 at Cross Hands East is underway. To date this has included:
- a marketing brochure which is available online on CCC's website.
  - marketing signs at the site
  - articles in Swansea Bay magazine and Property Commercial Monthly
  - A developer's open day

- A page on CCC's website which includes a 3D Fly-through of the development opportunities<sup>18</sup>
- 4.36 The JV team has a marketing sub-group which is planning an official launch of Phase 2 in early 2022, once the remaining fencing works are complete. There is also a plan to strengthen online marketing for the site by creating a more professional looking website.
- 4.37 The JV partnership has a number of target sectors for the site, and will therefore give preference to uses which fall within the following:
- Advanced manufacturing
  - Creative industries
  - Energy
  - Food and food agri-technology
  - Financial and professional services
- 4.38 JV consultees reported that there is market interest in Cross Hands East; they had received around 100 enquiries since 2015 when Phase 1 was completed, and three companies had expressed an interest in taking plots at Phase 2 (all as owner occupiers). Two of these fall within a target sector (a forensics company and a motorsport manufacturer) and one which does not (a tyre fitter). We understand an agreement is already in place for the last of these, but negotiations are ongoing with the other two.
- 4.39 Consultees acknowledged that, due to property market conditions in Carmarthenshire, the cost of construction is likely to exceed the market value of commercial premises built at Cross Hands East, and this was likely to be a barrier to development and occupation of the site unless grant funding is made available. It was suggested that the deals with the two companies that have expressed an interest in plots in Phase 2 may require a grant to proceed.
- 4.40 For this reason, commercial agents were more pessimistic about the timescales for development and occupation than other SES sites. They also pointed to the fact that the Phase 1 site is still mostly undeveloped<sup>19</sup> despite the infrastructure and

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<sup>18</sup> [Employment Zone \(gov.wales\)](https://gov.wales/employment-zone)

<sup>19</sup> The interim evaluation had reported that the Phase 1 site was nearly fully developed and occupied. However this is incorrect. It appears only one plot has been developed to date (0.4 ha)



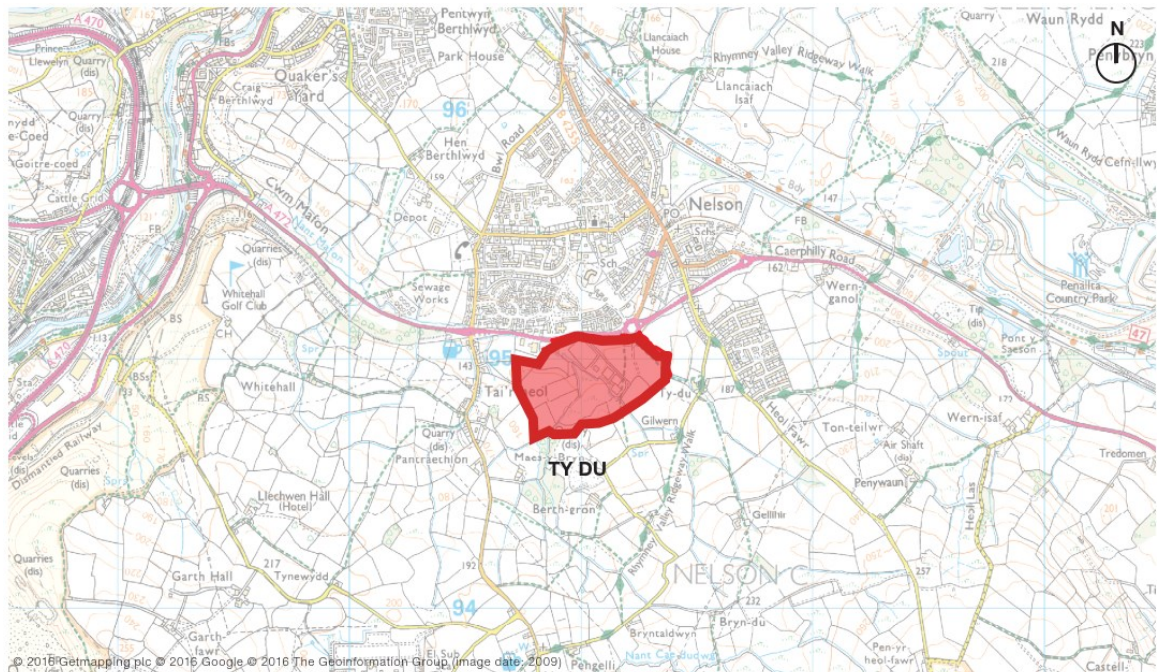
servicing being completed in 2015. One agent suggested it could take ten years or more for the site to be fully built out and occupied. However this could be accelerated if development grant funding was made available.

## Ty Du

### *Description of the site*

- 4.41 Ty Du is located in Nelson 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 of land developed). 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.

**Figure 44: Ty Du Site Location**



Source: Arup (2016): Land at Ty Du, Nelson, Design and Access Statement

### *Progress since the interim evaluation*

- 4.42 Works at Ty Du were nearing completion at the time of the interim evaluation and the contractors Walters were due to demobilise in October 2019. Once complete, work was due to start on development of business units on part of the site in early 2020. These were being delivered through a JV between Welsh Government and Caerphilly County Borough Council (CCBC) and also part funded through ERDF.

- 4.43 Consultees confirmed that practical completion of the Ty Du site (and the output of 3.8 ha of land developed) was achieved in December 2019. The construction of the business units was delayed due to COVID-19, but development commenced in September 2020 and was completed in May 2021. 11 units have been built in total, offering 14,000 sq ft of space.
- 4.44 The project team attributed the timely delivery of Ty Du to the following:
- A straightforward construction project, with few unexpected challenges or delays.
  - Strong monitoring systems and processes put in place with the contractor Walters, including the use of external consultants (WSP) to monitor progress.
  - A strong working relationship and good communications between Welsh Government and CCBC through the JV. This ensured there was no major hiatus between the completion of the site and the start of development of business units (other than that imposed by COVID-19).

#### *Financial Performance*

- 4.45 The financial data provided for Ty Du relates to the whole site, including the part which is allocated for residential development. These costs do not provide a breakdown which allows us to estimate the costs for the employment site itself, other than by using a crude assumed percentage split between residential and employment costs.
- 4.46 The original cost estimate for the Ty Du site as a whole was £9.93m. Of this:
- £3.66m related to residential infrastructure/highways works
  - £1.7m related to the employment infrastructure and highways works
  - £4.33m related to common infrastructure shared by both the residential and employment parts of the site. These costs were allocated on a 50/50 basis between the residential and employment areas.
  - £250,000 of costs already incurred.
- 4.47 The costs for the employment site works were estimated to be £4.1m which includes 100% of costs for employment infrastructure and costs incurred (£1.95m),

and 50% of costs for the common infrastructure (£2.165m). This means roughly 41% of total costs were related to the employment site.

- 4.48 The final forecast for Ty Du show total costs of £8.31m which is £1.62m below the original cost estimates which informed the funding application. These were based on a cost plan drawn up by external consultants but proved to be a significant overestimate.

*Marketing of sites and market interest*

- 4.49 All 11 business units built on site are under offer and should be fully occupied in 2022. Knight Frank, the marketing agents, reported that demand had been very strong and that there was a waiting list of other companies if any prospective tenants pull out. Demand has been from small, local businesses and includes a range of sectors including manufacturers, building contractors and engineering firms.
- 4.50 There are 2 hectares of land on 3 plots remaining at Ty Du, which is being marketed by Knight Frank to both owner occupiers and developers. Consultees reported there were also plans for an official launch of the remaining part of the site, including press releases and a ministerial visit, although there is no record of this as of January 2022.
- 4.51 Knight Frank reported that there has been market interest in the remaining plots, with a number of enquiries from owner occupiers, although none of these were well advanced at the time of interview. They were also confident that developers would be interested in the site based on the strength of demand for units at Ty Du and recent speculative builds in South Wales which have shown that this is commercially viable. They reported that the rents quoted for the business units proved to be fairly cautious and they were confident that demand would still have been strong at higher rental values.
- 4.52 However they did note that viability of development is marginal, and further increases in the cost of steel and labour would mean it is not viable. Assuming there are no concerns about viability, agents were confident that the site will be fully developed and occupied within the next five years.

## Summary and Conclusions

- 4.53 All of the sites have now successfully achieved their output targets for land developed (see Table 4.1). In some cases these have only been recently achieved due to works taking a much longer time to complete than was originally forecast.
- 4.54 Table 4.2 shows the total costs incurred are very close to those in the original business plan, although there are some discrepancies for individual sites; costs were £1.5m higher for Brocastle and £0.7m lower for Cross Hands East and Ty Du. This mainly reflects the fact that the business plan was based on cost estimates which pre-date planning consents being granted and before the exact parameters of each project had been defined. Therefore there was always likely to be some variation with the original estimates. Overall, the operation has been delivered very close to the original assumptions and therefore the resources allocated were appropriate.

**Table 4.2: Total costs compared to business plan assumptions**

	Business case costs	Actual costs	Over/underspend
Brocastle	10.45	11.99	-1.54
Bryn Cefni	0.69	0.69	0
Cross Hands East*	5.5	4.8	+0.7
Ty Du**	4.11	3.41	+0.7
Total	20.75	20.89	-0.14

\* forecast

\*\*based on 41% of total costs for Ty Du (which includes costs for part of the site for residential development)

- 4.55 There are, however, a number of lessons in relation to costs and timely delivery of projects:
- Cost overruns and delays at Brocastle were due in part to technical details not being finalised by the time the original contract was awarded in order to meet WEFO timescales. Clearly there are benefits in having as many of these final details in place before going out to tender. However this suggests funding programmes need to offer greater flexibility so that projects can finalise details, rather than imposing deadlines which later result in higher costs.
  - Costs also increased as a result of INEOS's decision to pull out of the site. Whilst Welsh Government could have considered an abortive costs arrangement, it is recognised that in the context of the often fast moving and complex negotiations involved in trying to secure major investment projects,



such arrangements may not always be possible and that some level of at-risk expenditure may be required to maintain momentum'

- Delays at Cross Hands East were due in part to it being impractical to carry out works during the winter. This could have been predicted and should have been factored into the work programme and tender specification.

4.56 The evidence suggests there is strong market interest in the SES sites and development of premises has either already proceeded or is likely to proceed very soon at three of the sites (Brocastle, Bryn Cefni and Ty Du). The strength of market demand is more uncertain for Cross Hands East, and the fact that Phase 1 is still largely undeveloped despite being serviced in 2015 raises questions over why this site was selected over others.

## 5. Process Review

### Key findings

- The structures and processes for management of the operation and individual projects have not changed since the interim evaluation. These have continued to work effectively and have supported the efficient delivery of the operation.
- The Operation Manager has managed the operation well, providing good oversight of the projects and offering advice to Property Delivery Leads and Technical Managers when required. Key success factors include a strong working relationship with the Finance Manager, and the fact the Operation Manager has been in place from start to finish of the operation, which has provided continuity.
- Individual sites have employed a tried and tested approach to project management. Experienced contractors have been appointed to deliver the works, and independent consultants<sup>20</sup> overseeing progress provide an additional safeguard to ensure effective and efficient delivery.
- 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. This has relied on informal and ad-hoc discussions between the Property Delivery Lead for the site and the contractor.

- 5.1 This section reviews the project management, governance and monitoring processes implemented for SES, and how effectively these worked. These were reviewed in detail in the interim evaluation which found that:

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<sup>20</sup> Or council officers in the case of Cross Hands East

- project management systems at both operation and project/site level were robust and supporting the effective delivery of the operation.
- monitoring systems are robust and proportionate. Monthly progress reports and meetings ensured that Technical Managers had an excellent understanding of the progress of tasks, project expenditure and key risks.

5.2 The focus of the final evaluation is on whether this continued to be the case in the later stages of the operation and identifying what has and has not worked well<sup>21</sup>.

### **Operation management**

5.3 Management of the SES operation is split into 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.

5.4 A Finance Lead and Strategic Employment Sites 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. Delivery of each site is managed by two Welsh Government officers; a Property Delivery Lead and Technical Manager who report to the Operation Manager. The Operation Manager is also the Property Delivery Lead for two of the sites (Brocastle and Ty Du).

5.5 Overall, this structure has continued to work well in the later stages of the evaluation. Key observations were as follows:

- All consultees reported that the structure worked well, and that the Operation Manager is well qualified for the role and has maintained good oversight of the operation. The fact the Operation Manager is also the Property Delivery Lead for two of the sites means they have maintained excellent oversight of progress of these sites. Property Delivery Leads for

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<sup>21</sup> This should be read in conjunction with the interim evaluation which included a full description of governance, management and monitoring systems.

the other sites reported they have a good working relationship with the Operation Manager, and can call upon her advice when needed.

- Consultees from WEFO were also positive about the Operation Manager who was reported to have good oversight of progress of each of the sites and a good working relationship with the Project Development Officer. WEFO were also very satisfied the amount of progress made with SES overall and particularly Ty Du which in their view was due to strong project management.
- In the case of Bryn Cefni, contact between the Operation Manager and Property Delivery Lead appears to have been infrequent. As a result, the Operation Manager had less knowledge of this project when reporting to WEFO. However this was not considered to be a major issue and was due to the Bryn Cefni project being small and straight forward, and the fact that the Property Delivery Lead was an experienced project manager who required little support.
- The Operation Manager found it more challenging to maintain oversight of Cross Hands East due to the fact this was being delivered through a JV with CCC. While communication with the Property Delivery Lead has been good, the Operation Manager and Finance Lead found it difficult to collect financial information from CCC. This was mainly because CCC officers could not understand why the information was required. However this was not considered to be a major issue.

#### 5.6 Key success factors were as follows:

- Strong working relationships between the Operation Manager and Finance Lead. The two officers had worked together on the forerunner to SES (Strategic Employment Sites Infrastructure Fund (SESIF)) which provided them with a mutual understanding of each other's roles and the systems needed to successfully manage the operation.
- Continuity. The Operation Manager and Finance Leads have been in place from inception of the operation through to the final stages, aside from a short period when the Operation Manager was on a sabbatical. Having the same staff in senior roles throughout has meant that momentum has been sustained and all officers have had the same point of contact.

- Manageable workload. Having only four sites was reported to be a manageable number to oversee, and the fact they are all in the ownership of Welsh Government has meant they are all deliverable.
- Information sharing. iShare, the electronic file storage system, has been in use throughout the operation and gives everyone access to operation documents. This has made it much easier to maintain oversight of progress than previous interventions.

### **Project management and monitoring**

- 5.7 The exact arrangements put in place for the management and monitoring of progress vary from site to site. At the time of the interim evaluation:
- Ty Du and Brocastle had appointed independent consultants to oversee progress and verify financial claims by the contractor. Both the contractor and the independent consultants provided progress reports and attended regular progress meetings with the Technical Manager. The evaluation found this had provided an additional safeguard to ensure efficient and effective delivery.
  - Bryn Cefni had a more informal approach whereby the Property Delivery Lead would liaise directly with the contractor, reflecting the much smaller scale of this project. The interim evaluation found this was proportionate and had been successful.
- 5.8 Consultees for each of these sites reported that the project management and monitoring arrangements had continued to work effectively in the later stages of the project and no changes had been required.
- 5.9 Cross Hands East was not in delivery at the time of the interim evaluation. A slightly different approach has been adopted for this site, reflecting the fact it was delivered through a JV with CCC. While the mining works were overseen by an external consultant, reflecting the specialist nature of this contract, financial claims for the main contract have been assessed internally by a design management team within CCC. The contractor has provided monthly progress reports through an online monitoring system which documents progress. Consultees reported that systems had all worked effectively and helped the PDL to maintain oversight of progress.

## 6. Cross Cutting Themes

### Key findings

- SES has made a wide range of contributions to CCTs and has provided good evidence to support these.
- A clear framework was agreed with WEFO to assess SES's contributions to CCTs. Overall this has worked well, particularly at Ty Du and Brocastle where WEFO has agreed almost all of the CCT indicators can be claimed.
- Consultees for Cross Hands reported they have also delivered against a range of CCT indicators, but evidence has not been shared with WEFO, meaning the exact contributions are not as clear as for Ty Du and Brocastle.
- Three of the sites have delivered a range of community benefits and skill building activities (there was limited scope to do this at Bryn Cefni). The greatest contributions have been at Brocastle due to its scale and the involvement of a contractor with the capacity and commitment to deliver a wide range of community benefits.
- Delivery of community benefits at Cross Hands were hampered by the COVID-19 pandemic which limited face-to-face activities and the use of small, local subcontractors who had less capacity to deliver training and recruitment activities.

6.1 This section assesses the SES operation's contribution to CCTs. These are the general principles which require action in multiple fields across programmes and operations. The three CCTs are:

- sustainable development
- equal opportunities and gender mainstreaming (which includes the Welsh language) and
- tackling poverty and social exclusion.

6.2 Three of the four SES sites have delivered CCT activity that goes beyond compliance with Welsh Government standards. It was agreed with WEFO that

because of its size and scope there was limited opportunity for Bryn Cefni to contribute beyond the statutory requirements. Therefore this site is excluded from the assessment.

### Scope of contributions to CCTs

6.3 Table 6.1 sets out the indicators that were agreed with WEFO for monitoring and measuring the operation's contribution to CCTs, as set out in the monitoring and evaluation plan.

**Table 6.1: CCT indicators for SES**

CCT	CCT indicator	Evidence
Equal Opportunities and Gender Mainstreaming	Welsh Language	Adherence to the Welsh Language standards and active promotion of the Welsh Language through ensuring all publicity is available through the medium of Welsh.
	Equality of opportunity	Contractors undertaking the works will be required to evidence that they have policies on equal opportunities that are in line with Welsh Government requirements.
Sustainable Development	Integration of green infrastructure	Number of sites maintaining or developing green infrastructure.
	Integration of blue infrastructure	Number of sites maintaining or developing blue infrastructure (e.g. ponds as landscape features).
	Support for biodiversity activity on a site	Number of sites undertaking activity to support biodiversity e.g. enhanced woodland planting.
	Site environmental management plans	Number of site environmental management plans submitted
	Use of Sustainable Urban Drainage Systems (SUDs) where applicable	Number of SUDs developed
	Development of sustainable transport initiatives	Number of sites developing sustainable transport initiatives e.g. cycle routes, sites developed within close proximity to existing transport links
Tackling Poverty and Social Exclusion	Community skill building activity	Number of contractors undertaking community skill building activity, e.g.: <ul style="list-style-type: none"> <li>• Recruitment and Training initiatives</li> <li>• Supply chain initiatives</li> <li>• Contributing to the local community in terms of education</li> <li>• Community initiatives</li> <li>• Making a positive impact on the environment</li> </ul>

General	Developing/engaging CCT Champions	Evidence that the Operation Managers and Technical Project Managers for each site have implemented and monitored (on a quarterly basis) the CCT's.
	Integration of social clauses	Evidence of contractors providing wider community benefits

### **Performance against CCT indicators**

- 6.4 CCT officers at WEFO were positive about the approach to CCTs on SES. The Operation Manager was reported to be committed to maximising contributions, and was receptive to advice from the CCT officer on how contributions to sustainable development could be strengthened (e.g. pushing for greater contributions to green and blue infrastructure, which was then incorporated into designs for the sites).
- 6.5 CCT Officers also reported that the operation had done everything that it could to contribute to CCTs, given the scale and nature of the programme. For two of the sites (Ty Du and Brocastle), the delivery teams had provided WEFO with clear documentary evidence that the CCT indicators had been met, and these could therefore be 'claimed'. At the time of interviews, the only CCT indicator where there was not an agreement to claim was CEEQUAL<sup>22</sup> where the final scores were being awaited. However it has since been confirmed that the Brocastle site achieved a score of Excellent.

<sup>22</sup> CEEQUAL is the assessment and awards scheme for improving sustainability in civil engineering and public realm projects.



**Table 6.2: CCT indicators where there is agreement to claim**

Project indicator	Brocastle	Ty Du
Welsh language	✓	✓
Equality of opportunity	✓	✓
Integration of green infrastructure	✓	✓
Integration of blue infrastructure	✓	✓
Site environmental management plans	✓	✓
SUDs	✓	✓
Sustainable transport initiatives	✓	✓
CEEQUAL	Ongoing	Ongoing
Support for biodiversity	✓	
Integration of social clauses	✓	✓
CCT Champion		✓
Community skill building activity	✓	✓

Source: Welsh Government

6.6 The same evidence has not been provided for Cross Hands East. The evaluators requested information on which CCT indicators were met, but these were not provided by the consultees for the site. However consultees did report the following contributions to CCTs:

- **Equal opportunities and gender mainstreaming:** the contractors used were appointed through frameworks which require them to demonstrate that they meet all the statutory requirements under the 2010 Equality Act and the Welsh Language Act.
- **Sustainable development:** the site incorporates a SUD<sup>23</sup> as well as a number of areas for habitat creation for a number of species found on the site. These habitats are actively managed and the designs for the site have ensured there is connectivity between those habitat areas. The site is accessible by public transport and a number of new pedestrian and cycling routes through the site have been created.

<sup>23</sup> These offer a natural approach to managing drainage

- **Tackling poverty and social exclusion:** a range of community benefits were delivered, although these were curtailed as a result of COVID-19 (see below).

6.7 This does raise an issue about the inconsistent approaches to monitoring and evidencing contributions to CCTs across the sites. All of the sites have monitored community and training benefits through regular progress reports from contractors. However, only Brocastle and Ty Du have used the framework above to claim other CCT contributions with WEFO. This may be because the types of measures for meeting equal opportunities and sustainability requirements are embedded in Welsh Government processes. However, the use of the monitoring framework provides greater transparency about each site's contributions to CCTs and should be the default in future interventions.

### **Sustainable Construction Initiatives**

6.8 A number of the sites also agreed targets with the contractors for minimising adverse environmental impacts during the construction phase, in line with Welsh Government targets. Consultees for Ty Du and Brocastle confirmed that these targets had mostly been met, with documentary evidence provided for Brocastle.

**Table 6.3: Progress against sustainable construction targets for Brocastle**

Target	Progress
99% of waste diverted from landfill through re-use or recycling on or off site	<ul style="list-style-type: none"> <li>• All material generated during earthworks has remained onsite.</li> <li>• 90% of waste taken from site diverted from landfill</li> </ul>
50% reduction in carbon impact of scheme	<ul style="list-style-type: none"> <li>• The carbon footprint of the works was estimated by the contractors at the start of the project. This identified measures to reduce the carbon footprint of the scheme, although no evidence has been provided on whether the 50% reduction was achieved.</li> <li>• Novel heat and energy management system installed which has saved in excess of 40,000 kg of CO2 during life of the project.</li> </ul>
Minimise single use plastics in consumables and building materials	<ul style="list-style-type: none"> <li>• Worked with suppliers to reduce single use plastics (e.g. asking that certain materials are not wrapped in plastic).</li> <li>•</li> </ul>

Source: Walters (2021): Brocastle Project Added Value Report

### **Community Benefits**

- 6.9 Each of the three sites have implemented a number of measures and initiatives to secure wider community benefits during the construction period, which are relevant to the Tackling Poverty and Social Exclusion CCT. The types and scale of contributions vary from site to site, although most have focused on recruitment and training or wider community initiatives.
- 6.10 Factors which influenced the scale of community benefits include:
- The size of the project: this is the main reason why Brocastle appears to have secured the greatest scale and range of community benefits.
  - The choice of contractor: Walters in particular was reported to have a genuine commitment to socially responsible construction and have a professional approach to securing and monitoring these benefits. This may

also reflect their greater size and capacity. One of the factors which had constrained the ability to deliver community benefits at Cross Hands East was that a large proportion of the works were delivered through smaller subcontractors who had less capacity to deliver these benefits.

- Timing: most of the works at Cross Hands East took place when COVID-19 restrictions were in place which limited the extent of activities that could be undertaken and the scale of benefits which could be delivered.

**Table 6.4: Community benefits**

Type	Achievements
<b>Brocastle</b>	
Recruitment and training	<ul style="list-style-type: none"> <li>• Ensured at least 26 weeks of new entrant trainee employment per £1m</li> <li>• 30% of staff participated in accredited training programmes</li> <li>• 100% of staff participated in non-accredited training programmes</li> <li>• 100% staff retention through the contract</li> <li>• 4 long term unemployed people employed during construction</li> <li>• 3 apprentices employed (two engineers and one QS)</li> </ul>
Community based initiatives	<ul style="list-style-type: none"> <li>• Provided £30,000 towards community schemes from staff time, in-kind labour and plant donations, company and community fundraising activities and surplus material donated to local good causes.</li> <li>• Delivered a 'Dementia Friendly' construction scheme that considers impacts on a nearby care home. This included improvements to the care home access roads and parking areas.</li> <li>• Achieved Considerate Constructors Scheme certificate of excellence for ensuring "performance beyond compliance"</li> <li>• Undertook workforce and community volunteer litter picks on the A48 and local beaches targeting plastics.</li> </ul>

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***Ty Du***

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- |                          |   |
|--------------------------|---|
| Recruitment and training | <ul style="list-style-type: none"><li>• Work placements arranged with contractors for people who are out of work (number not specified)</li><li>• Mock interviews with people who are out of work to support Communities for Work Scheme (number not specified)</li><li>• One unskilled labourer recruited and given training</li><li>• Meeting between contractors and local FE college undertaken to discuss how both parties can work together on development opportunities.</li></ul> |
|--------------------------|---|
- 

- |                             |  |
|-----------------------------|--|
| Community based initiatives | <ul style="list-style-type: none"><li>• Financial contributions/sponsorship to community initiatives and facilities including local church, rugby/football teams, community centres, parks, brownies group,</li><li>• School site visits and 'welly walks' arranged with local schools</li></ul> |
|-----------------------------|--|
- 

***Cross Hands East***

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- |                          |  |
|--------------------------|--|
| Recruitment and Training | <ul style="list-style-type: none"><li>• 2 x work experience placements</li><li>• 1 x apprenticeship</li><li>• 3 x trainee civil engineering operatives recruited</li></ul> |
|--------------------------|--|
- 

- |                             |  |
|-----------------------------|--|
| Community based initiatives | <ul style="list-style-type: none"><li>• Site visit for 16 Year 6 children from local primary school</li><li>• Attendance by contractor at primary school assemblies</li><li>• Provided course materials for a GCSE construction course at local secondary school, and a trophy/prize for best performing student.</li><li>• Financial or in-kind contributions to U7s rugby team, community council, local hospital and charity.</li></ul> |
|-----------------------------|--|
-

## 7. Assessment of future impacts

### Key findings

- As of January 2022, none of the SES sites are occupied. As such the operation has not delivered any economic outcomes or impacts so far.
- It is estimated that, by 2027, the SES sites will accommodate just under 2,200 FTEs supporting gross GVA of £102m per annum.
- After adjusting for deadweight, displacement and multiplier effects it is estimated that the SES sites will support just over 1,200 net additional jobs and annual GVA of £58m by 2027.
- 85% of net additional impacts are expected to be at Brocastle.
- Future job creation will improve access to employment. However the only area in which SES is likely to have a meaningful impact on the local unemployment rate is in Bridgend.

7.1 There were no occupiers at any of the SES sites at the time the evaluation was undertaken (October 2021 to January 2022). Therefore there have been no economic outcomes or impacts so far (apart from those delivered during the construction period). Nevertheless, there is clear evidence that a number of the sites are likely to be occupied in the near future, which will result in jobs and economic activity.

7.2 This section presents an assessment of potential future impacts over the next five years using modelled estimates and assumptions about development rates at each of the sites. This has been informed by feedback from local commercial agents.

### Modelling assumptions

7.3 Scale and mix of development

7.4 Table 7.1 shows the assumptions about the total floorspace capacity of each site and the potential split between different uses. This has been informed by planning applications, masterplans and feedback from commercial agents about the most appropriate uses for each of the sites, and the strength of market demand. For three of the sites (Bryn Cefni, Cross Hands East and Ty Du), the greatest market need is for small industrial units. Therefore it is assumed that most development is

light industrial. For Brocastle agents reported strong demand for larger industrial and warehouse units. A greater proportion of industrial uses has been assumed because consultees noted that Welsh Government is in a strong position to choose which uses, they would like to see at the site, and industrial uses are likely to deliver more and better-quality jobs than warehouses.

7.5 It has been assumed there will be no office development at any of the sites (other than the ancillary office space within industrial developments). This is based on feedback from commercial agents who reported weak demand for office space in all locations, and the fact that any office developments would require substantial grant funding to overcome viability gaps.

7.6 It should be noted, however, that the business units developed at Ty Du are designed to be flexible so it can be used for light industrial, or office uses. Agents described these as hybrid business units which offer high eaves and a mezzanine floor to accommodate office requirements. These types of units were reported to be in strong demand.

**Table 7.1: Assumed development profile at SES sites**

	Total sq ft (GEA)	Hybrid business units	Light industrial/ workshops	B2 Industrial & Manufacturing	B8 Warehouse
Brocastle	770,000			577,500	192,500
Bryn Cefni	75,200		75,200		
Cross Hands East	151,000		113,200		37,700
Ty Du	97,400	97,400			

Source: Hatch (informed by planning applications and masterplans)

GEA = Gross External Area

### *Employment densities*

7.7 The total number of full time equivalent (FTEs) employees at each site has been estimated by applying employment densities (FTEs per sq ft) to the floorspace figures above. This has used the following assumptions, which are informed by the 2015 HCA Employment Density Guide<sup>24</sup>:

- Hybrid business units at Ty Du: 269 sq ft per FTE (this is based on the average for office and light industrial space on the basis that modern units

<sup>24</sup> Homes and Communities Agency (2015): [Employment Density Guide 3rd Edition \(kirklees.gov.uk\)](https://www.kirklees.gov.uk/employment-density-guide-3rd-edition).

Note: Where the HCA gives employment densities for the net internal area (NIA) or gross internal area (GIA) these have been converted into the gross external area by applying a factor of 1.1

are a hybrid of workshop and office space, as described above in paragraph 7.6)

- Light industrial: 560 sq ft per FTE
- Industrial & Manufacturing: 430 sq ft per FTE
- Warehouse: 753 sq ft per FTE

#### *GVA per FTE*

- 7.8 We assume that each FTE job generates gross GVA of £47,600 which was the average for Wales in 2019 (in 2019 prices). In practice the value of GVA will depend on the types of activities and sectors which are attracted to each site. However not enough is known about these at this stage to justify a lower or higher assumption.

#### *Development rates*

- 7.9 The timescales for development for each of the sites will depend on numerous factors including:
- The strength of market demand from occupiers and investors, and level of market need for new development
  - Availability and relative attractiveness of competing sites
  - Current and future viability of development (which in turn is influenced by costs of inputs including materials and labour)
- 7.10 There is therefore significant uncertainty about future development rates at each of the sites and the estimates should be treated with caution. The key assumptions are as follows:
- **Brocastle:** agents reported strong market interest from occupiers and developers. There are currently three offers from owner occupiers being considered by Welsh Government, which would take most of the land available onsite if they proceeded. Agents anticipate that the site will be **fully developed within the next three to five years**, with the only constraint being availability of materials.
  - **Bryn Cefni:** the whole site was sold to a developer in September 2021. The developer has applied for planning permission to speculatively build 22 small industrial units on the site, which will provide 30,000 sq ft of space and



should be available for occupation in 2022. Agents anticipate strong demand based on recent similar developments in the same location. The masterplan indicates there is capacity for an additional 46,200 sq ft of industrial space. The developer's intentions for the rest of the site are not known. However, assuming the first phase is successful, it is reasonable to assume that this could be brought forward and **fully occupied within the next five years**.

- **Cross Hands East:** although there has been interest in Cross Hands East, agents and public sector consultees agreed that future development of the site would be conditional on additional grant funding being available to address viability gaps. Furthermore, it is noted that Phase 1 of Cross Hands East still remains largely undeveloped despite the infrastructure and site enabling works being completed in 2015. We have therefore assumed that only **25% of the site is developed and occupied within the next five years**, although we recognise that development could occur faster than this if additional grant funding was made available.
- **Ty Du:** 14,000 sq ft of space is already complete and under offer. The rest of the site is being marketed to developers and owner occupiers. Agents reported there is still latent demand for small business units and believe that speculative development is currently viable, although this could change if construction costs continue to rise. With this caveat in mind, agents were confident that the site will be **fully developed and occupied within the next five years**.

#### *Additionality*

7.11 To convert gross direct impacts in to net additional impacts, we have made the following assumptions:

- **Deadweight:** this is an estimate of what level of target outputs/outcomes (e.g. jobs) would have been produced if the SES intervention did not go ahead. In this case we believe it is reasonable to assume that deadweight would be low because: a) it is highly unlikely that the new floorspace could be delivered without the intervention due to market failure and; b) there is a severe undersupply of industrial premises in each of the areas with SES sites, meaning there are few alternatives for potential occupiers, be they growing businesses or inward investors. We therefore assume deadweight

of 10%, which is lower than most benchmarks in the HCA Additionality Guide (between 25 and 40% for development schemes and investments in physical infrastructure).

- **Displacement:** this is the proportion of outputs accounted for by reduced outputs elsewhere in the target area (in this case Wales). For SES, this is most likely to occur as a result of occupiers relocating within Wales and therefore relocating jobs from one area to another. Previous sections have shown that the vast majority of demand for premises on SES sites is expected to be from local businesses relocating from other parts of Wales (the exception to this is Brocastle, where there has also been interest from inward investors). Nevertheless, given that business expansion is likely to be a key motivation for a large number of businesses moving to SES sites, these moves are still likely to result in additional jobs. We have therefore assumed a high level of displacement (75%) for Bryn Cefni, Cross Hands and Ty Du and a medium rate of displacement (50%) for Brocastle.
- **Leakage:** this refers to outputs that benefit those outside the target area. In this case we expect leakage to be zero.
- **Multiplier effects:** these refer to additional economic activity as a result of supply chain (indirect effects) or salary expenditure (induced effects) in the target area. We have assumed a composite multiplier of 1.44 based on the HCA Additionality Guide (Table 4.12).

## Estimated future impacts

### *Gross impacts*

- 7.12 Using the assumptions above, we estimate that, by 2027, the SES sites will accommodate just under 2,200 FTEs supporting £102m in GVA per annum. 74% of these gross impacts are at Brocastle.

**Table 7.2: Estimated gross impacts by 2027**

	Total occupied floorspace (sq ft)	FTEs	GVA (£m)
Brocastle	770,000	1,598	76.1
Bryn Cefni	75,200	135	6.4
Cross Hands East	37,700	63	3.0
Ty Du	97,400	362	17.3
Total	980,300	2,159	102.8

Source: Hatch estimates

### *Net additional impacts*

- 7.13 Table 7.3 shows the net additional impacts after adjusting for deadweight, displacement and multiplier effects. It is estimated the SES sites will support just over 1,200 net additional jobs and annual GVA of £58m by 2027; 85% of net additional impacts are expected to be at Brocastle.
- 7.14 As stated above, these estimates make a number of assumptions and should be treated as indicative. The net additional impact will ultimately depend on the types of occupiers attracted to each of the sites, the availability of alternative sites or premises, and the extent to which occupiers expand their operations at the SES sites.

**Table 7.3: Net additional impacts by 2027**

	Brocastle	Bryn Cefni	Cross Hands East	Ty Du	Total
Gross FTEs	1,598	135	63	362	2,159
<i>Minus deadweight</i>	-160	-14	-6	-36	-216
<i>Minus displacement</i>	-719	-91	-43	-245	-1,098
<i>Plus multiplier effects</i>	+316	+13	+6	+36	+372
<b>Net additional FTEs</b>	<b>1,036</b>	<b>44</b>	<b>21</b>	<b>117</b>	<b>1,218</b>
Gross GVA (£m)	76.1	6.4	3.0	17.3	102.8
<i>Minus deadweight</i>	-7.6	-0.6	-0.3	-1.7	-10.3
<i>Minus displacement</i>	-34.2	-4.3	-2.0	-11.6	-52.3
<i>Plus multiplier effects</i>	+15.1	+0.6	+0.3	+1.7	+17.7
<b>Net additional GVA (£m)</b>	<b>49.3</b>	<b>2.1</b>	<b>1.0</b>	<b>5.6</b>	<b>58.0</b>

Source: Hatch estimates

### *Access to employment*

- 7.15 The ERDF Result Indicator for SO4.4 (to which SES contributes) is for a reduction in the claimant count rate in Travel to Work Areas (TWAs) by an average of 8%.
- 7.16 As noted in the interim evaluation, there are a number of reasons why this is not an appropriate or sufficient result indicator for SES:
1. 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.
  2. It was highly unlikely that a contribution to the results indicator will be realised during the life of the programme, which has proven to be the case.

3. It would be difficult to attribute a reduction in the claimant count to SES because of the large number of other factors which affect it (including changes in macro-economic conditions, labour market interventions etc).

- 7.17 It is difficult to assess impacts on access to employment at this stage, as this will depend on the types of jobs that are created, the approach to recruitment by occupiers and the skills and motivations of jobseekers. The table below shows the potential reduction in the number of claimants in local authorities, using different assumptions about the percentage of jobs accessed by claimants. This is indicative and uses the current number of claimants as the base, as it is not possible to forecast future claimants with any degree of accuracy.
- 7.18 It shows that that the reductions in the claimant count are likely to be modest in most areas. The one exception to this is Brocastle in Bridgend. If 30% of new jobs were accessed by claimants, this would lead to a 9% fall in the local claimant rate. In practice, the percentage of jobs accessed by claimants is likely to be lower than this.

**Table 7.4: Estimated reduction in claimant rate in different scenarios**

	Bridgend	Caerphilly	Carmarthenshire	Isle of Anglesey	All areas
Base claimants (Dec 21)	3,380	4,735	3,870	1,660	13,645
% jobs accessed by claimants					
10%	3.1%	0.2%	0.1%	0.3%	0.9%
20%	6.1%	0.5%	0.1%	0.5%	1.8%
30%	9.2%	0.7%	0.2%	0.8%	2.7%
40%	12.3%	1.0%	0.2%	1.1%	3.6%
50%	15.3%	1.2%	0.3%	1.3%	4.5%

Source: Hatch using DWP (2021): Claimant Count.

#### *Value for money*

- 7.19 It is too early to assess the value for money of the SES operation at this stage as the operation has yet to deliver any economic impacts. If the estimates above proved to be accurate this would be equivalent to a cost per FTE job of over £17,150.
- 7.20 There are very few benchmarks to compare this against from recent evaluations of similar schemes, and none (that the evaluators are aware of) where sufficient time has elapsed for the impacts of the intervention to emerge. Earlier evaluations of Enterprise Zones (EZs) found that approximately 58,000 net additional jobs had

been created at a cost of around £17,000 per job or £26,000 in current prices (ODPM, 1995<sup>25</sup>). This suggests that a cost per job of £17,150 for SES would be reasonable if it was achieved, although it should be noted there are major differences between SES and the early EZ programmes which offered large incentives for occupiers.

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<sup>25</sup> [\[ARCHIVED CONTENT\] Final evaluation of Enterprise Zones - Cities and regions - Communities and Local Government \(nationalarchives.gov.uk\)](#)

## 8. Conclusions

8.1 This section provides the conclusions in relation to the evaluation objectives.

### ***Has SES successfully met the specific aims set out in the operation business plan?***

8.1 According to the business plan, the main aims of SES all related to improving access to employment, including:

- reducing the number of workless households
- increasing the number of individuals who voluntarily choose to enter the labour market
- increasing awareness of opportunities in the local labour market and the associated skills required.

8.2 As noted in the interim evaluation, these are not considered to be the most relevant aims for an intervention of this nature because they 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). Nevertheless, it is concluded that SES has not met any of these aims to date. Once the sites are developed and occupied, some net additional job creation would be expected, which would improve access to employment in local areas. This is likely to be greatest for Brocastle, and it is recommended that Welsh Government and Bridgend Borough Council work closely with future occupiers to maximise local recruitment opportunities.

8.3 However the specific aims above are only likely to be achieved if accompanied with labour market interventions to address barriers to work.

### ***Has SES successfully met the targets set out in the business plan?***

8.4 Yes, all of the output targets have now been successfully achieved. SES has successfully increased the number of serviced sites capable of being developed upon, and significantly increased the chances that these sites will be developed in the near future.

**Table 8.1 SES outputs**

	Output target (Ha)	Achieved (Ha)
Brocastle	46.0	46.0
Bryn Cefni	1.8	1.8
Cross Hands	8	8
Ty Du	3.8	3.8
Total	59.6	59.6

Source: Welsh Government

***Has SES successfully delivered the contributions to CCTs set out in the business plan?***

- 8.5 Yes, the operation's contributions to CCTs are in line with what was described in the business plan and with what was expected by WEFO for an operation of this nature.
- 8.6 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).
- 8.7 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.
- 8.8 Measures to tackle poverty have been implemented where it has been feasible to do so. At Brocastle, Cross Hands East and Ty Du, contractors have been required 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. This approach has been most successful at Brocastle where a number of targets were successfully met. It has been less successful at Cross Hands East, where interventions were hampered by the COVID-19 pandemic.

***How does the operation support the Welsh Government's aims and objectives for the Welsh language as set out in Cymraeg 2050? (e.g. are there any examples of a focus on Welsh language innovation in the delivery of the operation?).***

- 8.9 Given the nature of the operation there were limited opportunities to support the objectives for the Welsh language, however the operation has adhered to all Welsh language standards e.g. all publicity activity has been bilingual in line with Welsh Government requirements. Once the sites are developed and occupied the creation of new employment opportunities may also help to retain Welsh language speakers in local communities, particularly in locations with a high concentration of Welsh speakers (e.g. Isle of Anglesey).
- 8.10 The evaluation has not identified any examples of Welsh language innovation in the delivery of the operation.

***Assess the suitability of the resources allocated to the operation, in terms of scale and what they were intended to achieve.***

- 8.11 We estimate the final total costs for the operation will be in the region of £20.89m which is only slightly higher than the original estimate of £20.78 in the business plan. Therefore, overall, the resources allocated were suitable.
- 8.12 There were discrepancies for individual sites; costs were £1.5m higher for Brocastle and £0.7m lower for Cross Hands East and Ty Du. This mainly reflects the fact that the business plan was based on cost estimates which pre-date planning consents being granted and before the exact parameters of each project had been defined. Therefore, there was always likely to be some variation with the original estimates.

***Assess operation processes and their efficiency e.g. how well the operation was managed.***

- 8.13 The structures and processes for management of the operation and individual projects have worked effectively and have supported the efficient delivery of the operation.
- 8.14 The OM has managed the operation effectively and efficiently and has developed strong collaborative relationships with Property Delivery Leads, Technical Managers and WEFO. Key success factors include a strong working relationship



with the Finance Manager, and the fact the OM has been in place from start to finish of the operation which has provided continuity throughout.

- 8.15 Individual sites have employed a tried and tested approach to project management. Experienced contractors have been appointed to deliver the works, and independent consultants overseeing progress provide an additional safeguard to ensure effective and efficient delivery.

***Was the operation delivered on time and to budget?***

- 8.16 As noted above, the operation was delivered very close to the original budget, however a number of the sites were subject to long delays compared to the original construction programme. This was due to a number of factors, some of which could not have been foreseen (e.g. the COVID-19 pandemic and INEOS initial interest and subsequent withdrawal from the site). However other delays arguably could have been avoided:

- Delays at Brocastle were due in part to technical details not being fully finalised by the time the original contract was awarded in order to meet WEFO timescales. This resulted in a number of contract changes which meant the contractor needed to return to the site in 2021.
- Delays at Cross Hands East were due in part to it being impractical to carry out works during the winter. This could have been predicted and should have been factored into the work programme and tender specification.

***Did the operation provide value for money?***

- 8.17 It is too early to assess the value for money of the SES operation at this stage as the operation has yet to deliver any economic impacts. If the estimates above proved to be accurate this would be equivalent to a cost per FTE job of over £17,150. There are very few benchmarks to compare this against, but earlier evaluations of Enterprise Zone programmes would suggest this offers good value for money if it was achieved.

***Were there any observable differences in the outcomes achieved between the four sites? If yes, what factors can be identified that explain this e.g. site location characteristics, or differences between sites in project management during and post development?***

8.18 As of January 2022 the only outcomes at any of the SES sites have been the development of a number of business units at Ty Du. The factors that explain this are as follows:

- Ty Du was the first site to be completed (late 2019). This was due to the site facing few delivery challenges and securing planning consent earlier than Cross Hands and Brocastle.
- CCBC was proactive in identifying an opportunity to develop business units on the site and applied for ERDF funding through a separate but complementary project. This has been delivered through a JV with Welsh Government.

8.19 Although there has not been any development to date, the Bryn Cefni site has been sold to a developer who has submitted a planning application for development of business units which is likely to occur later in 2022.

***Did the operation generate any deadweight or displacement effects e.g. lower or raised business prices / rents for comparable local business premises?***

8.20 It is too early to assess whether there has been any deadweight or displacement effects. The evidence available for the new business units at Ty Du shows all of the prospective tenants are relocations within Wales and therefore a high proportion of jobs outcomes will have been displaced. Nevertheless, each of the businesses is believed to be expanding and creating some additional jobs, and in many cases, the relocation will free up property market capacity in the premises they vacate.

8.21 Displacement is likely to be lower at Brocastle than the other SES sites because of the site's scale and proximity to the motorway. Agents report there has been very strong market interest in the site, including from inward investors which could create a large number of new jobs.

8.22 At this stage it is too early to assess any wider deadweight or displacement effects in the property market (e.g. raised rents for comparable local premises).

***Were there alternative approaches to addressing the issues identified that could have been employed?***

- 8.23 Given the extent of market failure that exists throughout Wales, it is difficult to see how alternative approaches could have been employed which would have addressed the issue. The recent report by SQW on Wales' commercial property market concluded: "there are widespread challenges in bringing forward commercial property. Many of these are common throughout the UK, although are particularly acute in most of Wales, outside parts of the South East and North East. This demonstrates the need for public sector intervention".
- 8.24 Investing in site infrastructure and servicing is, in many cases, the minimum public intervention required to encourage development, but is only likely to be sufficient to close a low-level financial gap. In many areas, this will need to be accompanied with either development grant funding or risk reduction measures such as public sector head leases.

***Are the longer -term benefits associated with the operation will likely to be achieved?***

- 8.25 The business plan identified a number of longer-term benefits. The table below provides the evaluation conclusions as to whether these have been achieved or will be achieved in future:

Longer term benefit	Assessment
Reduce the number of undeveloped strategic sites	<ul style="list-style-type: none"><li>• Achieved, although it is questionable whether this is a longer-term benefit</li></ul>
Increase the number of serviced sites capable of being developed upon	<ul style="list-style-type: none"><li>• Achieved, although it is questionable whether this is a longer-term benefit</li></ul>
Increase the provision of suitable business premises	<ul style="list-style-type: none"><li>• This is partially achieved at Ty Du.</li><li>• There is a high probability that suitable business premises will be developed in the near future at Bryn Cefni and Brocastle.</li><li>• It is likely that all three of these sites will be fully developed within the next five years, although this</li></ul>

	<p>is dependent on speculative development continuing to be viable.</p> <ul style="list-style-type: none"> <li>• The prospects and timescales for development at Cross Hands East are more uncertain and dependent to a large extent on the availability of grant funding.</li> </ul>
Provide greater employment and training opportunities for the local population	<ul style="list-style-type: none"> <li>• Modelled estimates suggest the SES operation could support in the region of 2,200 gross jobs and 1,200 net additional jobs in the next five years, with the majority of these being at Brocastle.</li> <li>• At this stage very little is known about the types of jobs or training opportunities that will be created, and how accessible jobs will be for the local population, particularly jobseekers.</li> <li>• The fact that most occupiers at Bryn Cefni, Cross Hands East and Ty Du are likely to be local businesses that have relocated means a high proportion of jobs at the sites will be existing jobs. Therefore the number of new jobs available to local residents may be quite small.</li> </ul>
Increase targeted employment and training opportunities aimed at those displaced or furthest from the labour market.	<ul style="list-style-type: none"> <li>• As described above, it is very difficult to assess whether SES will lead to employment opportunities that allow people to re-enter the labour market. This could only be achieved if it is accompanied by labour market interventions which address barriers to work.</li> </ul>

***What are the key lessons relevant to this and future operations which could help to achieve the Welsh Government to achieve its's strategic aims?***

8.26 Key lessons are described in the final section.

***Is the wider roll-out of the operation feasible? What are the options and recommendations?***

- 8.27 The wider roll-out of this operation would not be possible given that the spending deadline has now passed. This would be a time-consuming process, potentially involving the identification and appraisal of candidate sites, site investigations and feasibility studies, master-planning, a planning application, procurement and delivery of the contract. The whole process has taken several years for each of the four sites and is therefore not easily scaled.

## 9. Recommendations

- Future interventions should **closely scrutinise the strength of market demand and need when selecting sites**, particularly when there are existing serviced sites nearby which are still largely undeveloped. This was the case at Cross Hands East where the prospects of development and occupation are much weaker than other SES sites.
- In areas with a greater viability gap, future interventions **should identify opportunities for other public intervention early in the process**. The JV partnership put in place for Ty Du offers one model which has worked effectively and delivered new units to market quickly. Depending on the specific characteristics of the site, other options may be for the public sector to take a head lease on floorspace or agree a grant for a developer to overcome the viability gap. As shown by Ty Du, this intervention can help to prove the strength of demand to the point where future speculative development on the rest of the site becomes viable.
- Where project delays are due to third parties, **future funding programmes should offer some flexibility over timescales** to avoid tendering the contract too early, resulting in higher costs and delays.
- **Future interventions for large sites should carry out research and market testing into the main energy requirements of potential end occupiers**, and this should be considered during the design phase. This has proven to be a barrier for a number of potential investors at Brocastle.
- There is a clear economic case for additional investment in sites to meet the bespoke needs of a major investor. In providing this support however there is risk should investors subsequently withdraw their interest.
- **The framework approach for monitoring and evidencing contributions to CCTs and agreeing claims with WEFO has worked well** for two of the sites. This is a significant improvement on the approach used in the forerunner to SES (SESIF) where there was no systematic recording of the operation's contributions to CCTs and should be the default on future interventions. It should be agreed which sites will contribute to which indicators at the start of

the process, accepting that smaller sites will have less scope to contribute to CCTs.

- Welsh Government policy has a major focus on environmental sustainability and the transition to net zero. The SES operation has delivered against all of the environmental indicators agreed with WEFO, but future environmental impacts will be shaped by the type of development and activities on each site. In marginal areas **it may be difficult to achieve very high environmental standards in buildings because the increased costs affect viability**. Therefore, the Welsh Government may wish to consider making other grants or financial incentives available where this is the case.
- **The systems and processes put in place for management of the operation have worked well and should be replicated on future interventions.** Key success factors have included having a manageable number of sites, an experienced surveyor as OM who has direct involvement in the larger and more complex sites, and strong working relationships between the OM and FM.
- **Future interventions should set more appropriate and realistic objectives and outcome targets.** Two of the aims in the business plan related to improving access to employment for workless households or groups who had withdrawn from the labour market. SES was never likely to achieve these aims which require supply-side labour market interventions to address barriers to work.
- **Welsh Government will need to work with tenants and partners to maximise local employment benefits.** The scale of local employment and training benefits is still unclear. But there may be significant scope for Welsh Government to influence this at Brocastle, where the scale of benefits is greatest and where there is very strong market interest. Welsh Government and BCBC should use this position of power to maximise local employment benefits, and make linkages between employers and local labour market programmes which help to reduce other barriers to accessing employment

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## Annex A – List of Consultees

Organisation	Number of interviewees
Welsh Government	7
WEFO	3
Regional Economic Partnerships	3
Representatives of commercial property agents	7