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Strategic Employment Sites Infrastructure Fund (SESIF) Evaluation

Final Report

Strategic Employment Sites Infrastructure Fund (SESIF) Evaluation

Regeneris Consulting

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

For further information please contact:

Joanne Coates

Social Research and Information Division

Welsh Government

Cathays Park

Cardiff

CF10 3NQ

Tel: 0300 025 5540

Email: Joanne.Coates@gov.wales



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Glossary of Acronyms

APS	Annual Population Survey
BG	Blaenau Gwent
BP	British Petroleum
BREEAM	Building Research Establishment Environmental Assessment Methodology
CCT	Cross cutting themes'
CPO	Compulsory Purchase Order
DCA	Dependency and Catchment Areas
DE&T	Department of Economy & Transport
ECA	Enhanced Capital Allowance
ERDF	European Regional Development Fund
ERP	Economic Renewal: A New Direction
ESA	Employment and Support Allowance
ESF	European Social Fund
EU	European Union
FTE	Full Time Equivalent
GVA	Gross Value Added
HCA	Homes and Communities Agency
ICT	Information Communication Technologies
JESSICA	Joint European Support for Sustainable Investment in City Areas
JLDP	Joint Local Development Plan
JSA	Jobseeker's Allowance
LDP	Local Development Plan
NPTCBC	Neath Port Talbot County Borough Council
ONS	Office for National Statistics
PDO	Project Development Officer
PIF	Project Idea Form
PIV	Project Inspection and Verification
RME	Research, Monitoring, Evaluation
RSPB	Royal Society for the Protection of Birds
RYB	Rhyd y Blew
SESIF	Strategic Employment Sites Infrastructure Fund
SINC	Site of Nature Conservation Interest
SME	Small and Medium Enterprises
UDP	Unitary Development Plan
UKCES	The UK Commission for Employment and Skills
UKTI	UK Trade and Investment
WDA	Welsh Development Agency
WEFO	Welsh European Funding Office
WG	Welsh Government

Executive Summary

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

5. Given the scale of available resources, SESIF project investment was focused upon three sites in the Convergence Area. These were at:
- Rhyd y Blew in Ebbw Vale (South East Wales Spatial Plan area)
 - Amazon Way Stage 2 in Neath Port Talbot/Swansea City Region (Swansea Bay Spatial Plan area)
 - Parc Bryn Cegin in Bangor (North West and North East Spatial Plan area).
6. The SESIF project was formally completed at the end of June 2015 in line with ERDF Programme guidelines. Given the scale of the ERDF investment, there is a mandatory requirement placed on the Welsh Government and the Welsh European Funding Office (WEFO) to commission an independent evaluation to assess project outcomes and the mechanisms of delivery.
7. The aims and objectives of the final project evaluation were:
- To conduct a comprehensive evaluation of project outcomes against the key performance indicators as outlined in the project business plan
 - To assess the effectiveness and efficiency of project delivery in achieving the project aims and objectives outlined in the business plan
 - To understand the added value of the project for its potential beneficiaries with regard to the packages of support offered
 - To identify and determine the nature of any unintended outcomes not covered by the WEFO key performance indicators
 - To assess the project's delivery and achievement against the cross cutting themes' (CCT) aims, objectives and CCT-related indicators outlined in their business plan.

8. The evaluation also addresses a variety of additional questions:
- To what extent has the support genuinely enabled developers to provide land and property and better meet the property requirements of the local economy, including indigenous SMEs, inward investors and emerging sectors needs?
 - To what extent and in what manner has the investment helped (or has the potential to) enhance the areas as an investment location?
 - To what extent could the interventions have been delivered in a more effective and efficient way, including the use of different funding mechanisms or different types of interventions?
 - What are the best predictions of the overall lifetime economic impact of the project?
 - What lessons can be learnt for the next programme period and similar initiatives funded in other ways?
9. The SESIF evaluation is a comprehensive and detailed report based upon a methodology which was structured in two phases. The first phase focused on a number of important inception and initial research tasks to better understand the SESIF project and the three individual investment sites (or sub-projects). The approach included stakeholder consultations, reviews of national and local policies and economic context, as well as reviewing Welsh Government project monitoring data. The second phase of work included fieldwork at each of the three sites, undertaking site visits and consultations. This was followed by extensive strategic consultations to develop reasoned judgements on the potential economic impact of the site investments.
10. Given the scope and scale of the evaluation and its findings, in particular for the three individual site evaluations, the evaluators have not sought to summarise all of the evaluation's conclusions. However, the following

section provides an overview of the headline evaluation conclusions, as well as the recommendations for Welsh Government.

Headline Conclusions

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

14. The SESIF project was contracted with delivering one main output measure - 26.94 hectares of 'Land Developed'. This target was based upon two out of the three sites:

- Rhyd y Blew: 12.94 hectares
- Amazon Way Stage 2: 14 hectares split between 12 hectares at Coed Darcy, owned by developer St Modwen, and 2 hectares of Welsh Government owned land off Amazon Way.
- The land associated with the Parc Bryn Cegin site at Bangor was not included in the overall target as this was claimed as part of the 2000-06 ERDF Programme investment.

15. We conclude that only 2 hectares (7%) of 'Land Developed' can be claimed for the SESIF project, and hence the ERDF Programme. This judgement is based upon the following reasons:

- Rhyd y Blew: The infrastructure works were not completed ahead of the end of June deadline, with substantial works required to complete the foul water sewer. As a result, Welsh Government is not claiming any output for this site, which we judge to be the correct approach.
- Amazon Way Stage 2: It is judged that the employment land at Coed Darcy (12 hectares) should not have been included as contributing to the project output as its development is not contingent on the development of Amazon Way Stage 2. The land is several kilometres north of this road spur (requiring the completion of the 'Southern Access Road'), while it can currently be easily accessed from junction 43 of the M4 or local roads.

16. However, it is also judged that there may well have been opportunities, particularly with the Amazon Way Stage 2 project, for Welsh Government officers to have considered some alternative or additional sites and outputs as part of the SESIF project. These included sites within the immediate vicinity of the road at Amazon Way, as well as outputs linked to its creation

(e.g. kilometres of access route created or reconstructed or kilometres of footpath or cycleway created or reconstructed).

17. While the evaluation concludes that the headline output performance is disappointing from an overall SESIF project perspective, it is understood that the ERDF Programme will not under-perform against its overarching lifetime output target as a result of the SESIF project not contributing its total 26.94 hectare output of land developed. Nonetheless, the evaluation has pointed towards some shortcomings in the project development and appraisal processes which should have highlighted these issues at a much earlier stage.
18. As the SESIF sites do not have occupiers, the results outlined within the SESIF Business Plan have not yet occurred. However, given the nature of the investments, it was always anticipated that the majority of results would arise beyond the lifetime of the Programme. Given judgements on the Amazon Way Stage 2 investment and the Coed Darcy site, the SESIF project will not be able to claim any of the results associated with this site that were outlined in the project Business Plan. However, there may well be scope to review whether Welsh Government officers can claim results associated with the project being extended to include providing new access to the Elba Works site.
19. Nevertheless, we conclude that the SESIF project is in a reasonably strong position in terms of the future achievement of some of the other economic results and associated impacts in the coming years (both in the short, medium and longer term), and for some sites can be considered a qualified success given the range of positive indirect and wider benefits that have already occurred or that may occur in the future. The key messages underlying this conclusion are as follows:
 - Rhyd y Blew:
 - While the project did not complete on time, a significant proportion of the required works were undertaken as

intended, including the ecological mitigation measures. The commitment of further Welsh Government resource will ensure that all works are completed in the near future. The Rhyd y Blew site is now very well placed to attract future occupiers. We would conclude therefore that the overall project and ERDF investment has played an extremely important enabling role in leveraging interest and potentially a future occupier (large inward investor) to the site.

- Given the investment we judge that there is now a good prospect of securing a major inward investment for the site. If the current company negotiating with the Welsh Government locates their manufacturing facility at the site, around 400 jobs could be supported in the next two years, rising to 500-550 jobs supported if the facility grows in short to medium term (3-5 years).
 - The potential net additional employment impact would be 320-440 direct jobs, rising to 900-1,360 jobs once indirect and induced employment is included. This would be a positive outcome for the SESIF project and for the use of ERDF and Welsh Government resources to contribute to the securing of a major foreign direct investment for Ebbw Vale, as well as potentially stimulating and embedding supply chain activity in the economy.
- Parc Bryn Cegin:
 - The site has remained vacant for the eight years that have followed the completion of the bulk of infrastructure requirements undertaken as part of the previous ERDF Programme. With a concerted recovery from recession proving elusive for North West Wales, the supply of a significant amount of alternative sites and land available and moderate demand levels, opportunities for development at this site have been rare and, we expect, will continue to be so. While challenging to predict, we

anticipate the development of the site to be over the longer term.

- Nonetheless, as a result of the investment project, the scope to develop the site has been secured, providing a flexible masterplan to meet a mix of requirements. As a result of the investment, Bangor now has a major developer ready employment site within its site portfolio. If the masterplan were to proceed over the longer-term around 1,585 FTE gross jobs would be supported or around 975 net additional FTE jobs could be supported.
- Amazon Way Stage 2:
 - The project did not deliver the envisaged scale of 'land developed' output for the overall SESIF project, nor will it contribute towards the significant future results identified in the Business Plan. While the 2 hectare Welsh Government owned site can be claimed as an output, it is our judgement that the 12 hectares of employment land at Coed Darcy (and its associated future results) should not have been included in the project. We do not agree that the development of the 12 hectares of land at Coed Darcy is contingent on the development of Amazon Way Stage 2.
 - However, while in headline output and results terms this site investment has not met original expectations, we judge that the project has been a qualified success supporting a number of positive wider benefits now and potentially in the future. This judgement is based upon:
 - The development of the 1.5km Amazon Way Stage 2 road being an important next step in the delivery of the Welsh Government and partners' economic development and regeneration objectives for the Fabian Way Corridor/Jersey Marine area.
 - The project being delivered under budget and ahead of schedule, making an important contribution to the opening

up of immediate and adjacent development sites which were formerly land-locked or which had constrained access.

- The project being extended based upon the recognition that further expenditure on the provision of an additional access to Elba Works would support Welsh Government's wider objectives for regeneration and the sustainable growth of the Creative Sector in Wales, via the development of the Bay Studios site.
- The delivery of the project also supported the wider objectives of relieving congestion and access issues from Fabian Way associated with existing businesses operating in this area, as well as providing new access arrangements to support any future developments as they come forward. Without the new access road it is unlikely that future development schemes would be approved by the planning authority.

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

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

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

Recommendations

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

Project Design and Approval

- **1. Shorter and focused project development activity and timelines:** Evidence from the SESIF investments has demonstrated that the delivery of some quite challenging site infrastructure requirements was severely constrained by protracted project development and business planning periods. For future SESIF projects it is recommended that a 12 month period is adhered to for project concept/development activities, while a 6-12 month period is used to further develop individual site proposals. This approach would provide greater focus, instil momentum into the process, ensure that necessary stakeholder engagement has been undertaken, and enable contingency time to be built in.
- **2. Stronger articulation of the market evidence/justification for site interventions:** The SESIF Business Plan relied upon the 2007 DTZ report and analysis of the property market within the wider spatial plan areas to justify SESIF investment decisions.

While the evidence was referred to in the Business Plan, there was insufficient articulation of the market evidence to underpin the eventual investment decisions to proceed with specific sites. Future SESIF project development (and its subsequent evaluation) would benefit from the use of more timely (i.e. the prevailing economic and market conditions altered significantly from 2007) and, importantly, localised/sub-regional property market analysis to justify investment decisions. As well as commissioned property market reports from consultants, a greater integration and use of Welsh Government and local authority held property market data would strengthen the evidence base and investment cases for individual sites.

- **3. Improved recording and storing of project documentation:**

The evaluators sought to review several important documents to better understand:

- the timeline of project design/development activity (e.g. minutes of meetings which underpinned the decision making behind the site selection process)
- the initial site development appraisals (which considered viability)
- project appraisals that were undertaken to assess value for money and project outputs and results delivered for the ERDF Programme (e.g. assumptions underpinning the targets).

As a result of staff changes and internal departmental reorganisation these documents were not available to us and could not be located. For example, the project appraisals of potential outputs and results for Amazon Way stage 2 would have been extremely useful to see, in light of the outcome for this project, to understand the appropriateness of what was proposed. For future projects Welsh Government officers should develop processes that improve the recording and storing of such documents from the project outset to enable effective review and

evaluation. If the design of new SESIF investments is already progressing, there is an immediate requirement to begin applying these principles. This is important given the clarity required in understanding original project timescales, how the investment was envisaged to genuinely enable development, and the scale of economic benefits expected to arise.

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

Project Delivery

- **5. Develop an overarching and detailed SESIF implementation plan:** Each of the three SESIF investment projects was managed by an individual Welsh Government technical manager. However, given the breadth and complexity of the site investments, the next SESIF project would benefit from the development of a detailed and overarching Project Implementation Plan. This plan would set out, for all investment sites, the key deliverable activities, milestones, overall timescales

and risks. It should be used as a 'live' project management tool, helping Welsh Government officers monitor progress and manage risks (e.g. delays with utility providers) within the context of the overall ERDF Programme, as well as for individual investment sites.

- **6. Regular and comprehensive engagement between Welsh Government and utility companies:** While Welsh Government officers did engage with utility providers regarding their requirements arising from the SESIF investment, future SESIF projects would benefit from being able to bring on board utility providers at the earliest possible opportunity. This could be in a consultative role even during project design stage, where necessary, through to direct consultation and engagement during the technical planning and option development stages. This approach would tie in effectively with an Implementation Plan approach, and help Welsh Government to better understand capacity constraints within the wider utilities networks. It should also contribute towards reducing lead in times for utility requirements.
- **7. A programme manager with responsibility for both financial and performance management:** Projects of this nature would benefit from the integration of both the financial project management function and the performance management functions for all of the individual investment sites. The evaluation highlighted the importance of ERDF project completion deadlines and the requirement to adhere to regulations to ensure that ERDF investments deliver their intended maximum benefit. Consequently, a project manager that combines these skills, alongside a clear overview of the progress and performance of each investment site, would ensure that an individual has responsibility for all aspects of project and can effectively drive it forward and address issues, alongside technical managers, as they arise.

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

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

1. Introduction

Background

- 1.1 Regeneris Consulting was commissioned by the Welsh Government in April 2015 to undertake an evaluation of the Strategic Employment Sites Infrastructure Fund (SESIF) project. Regeneris's team was supported by Old Bell 3, Robert Chapman and Acer Ecology.
- 1.2 The SESIF project was formally completed at the end of June 2015 in line with ERDF Programme guidelines. Given the scale of the ERDF investment, there is a mandatory requirement placed on the Welsh Government and the Welsh European Funding Office (WEFO) to commission an independent evaluation to assess project outcomes and the mechanisms of delivery.
- 1.3 Section Two of this evaluation report provides a comprehensive overview of the scale and purpose of the SESIF project. However, in brief:
 - The project was a £7.2m capital investment project supported via £2.6m of funding from the 2007-13 Wales ERDF Convergence Programme, £3.5m of Welsh Government and £1.1m of private sector match funding.
 - The project established an infrastructure fund to facilitate the development of strategic employment sites across Wales's four Spatial Plan areas (the North West and North East, Central, South East Wales and Swansea Bay) within the ERDF Convergence Area (West Wales and the Valleys) through investment in advanced infrastructure works.
 - The market failure rationale for the ERDF investment was that insufficient employment sites were coming forward for development by the private sector given the large upfront costs involved in their site servicing, infrastructure and preparation. The costs of developing commercial property in some parts of the

Convergence Area are often much greater than the value of the completed development.

- The Welsh Government saw an opportunity to use ERDF resources, alongside match funding, to play a key role in supporting the provision of the necessary physical infrastructure required at strategic employment sites.
- By undertaking these works and removing prohibitive site constraints, the Welsh Government could contribute towards ensuring that the Convergence Area had an adequate supply of high quality strategic employment sites to meet the needs of both local businesses and inward investors. The fund would therefore play a key role in helping to improve the economic trajectory and competitiveness of the Convergence Area economy, as well as the wider Welsh economy.
- While SESIF project investment was targeting all four spatial plan areas, in deploying the fund Welsh Government focused upon three sites (or sub-projects) in the Convergence Area. These were at:
 - Rhyd y Blew in Ebbw Vale (South East Wales Spatial Plan area)
 - Amazon Way Stage 2 in Neath Port Talbot/Swansea City Region (Swansea Bay Spatial Plan area)
 - Parc Bryn Cegin in Bangor (North West and North East Spatial Plan area).

Purpose of the Evaluation

1.4 The aims and objectives of the final project evaluation were:

- To conduct a comprehensive evaluation of project outcomes against the key performance indicators as outlined in the project business plan
- To assess the effectiveness and efficiency of project delivery in achieving the project aims and objectives outlined in the business plan

- To understand the added value of the project for its potential beneficiaries with regard to the packages of support offered
- To identify and determine the nature of any unintended outcomes not covered by the WEFO key performance indicators
- To assess the project's delivery and achievement against the cross cutting themes' (CCT) aims, objectives and CCT-related indicators outlined in their business plan.

1.5 The evaluation needs to also address a variety of additional questions:

- To what extent has the support genuinely enabled developers to provide land and property and better meet the property requirements of the local economy, including indigenous SMEs, inward investors and emerging sectors need?
- To what extent and in what manner has the investment helped (or has the potential to) enhance the areas as an investment location?
- To what extent could the interventions have been delivered in a more effective and efficient way, including the use of different funding mechanisms or different types of interventions?
- What are the best predictions of the overall lifetime economic impact of the project?
- What lessons can be learnt for the next programme period and similar initiatives funded in other ways?

Methodological Approach

1.6 The following provides a brief summary of the approaches and tasks undertaken as part of the evaluation's methodology to illustrate how the evaluation was approached and how evidence and data was gathered.

1.7 A two phased approach was used. Phase 1 focused upon tasks during the inception and initial research stage, while Phase 2 focused upon fieldwork and impact assessment tasks.

Phase 1 – Inception & Initial Research

- **Project Inception and stakeholder consultations:** This was a first opportunity to meet with Welsh Government officers to better understand the SESIF project and what documentation and information was available for review from the project planning and design stages of the project, through to the current position. The stakeholder consultations with delivery bodies and partners provided the opportunity to explore the design, delivery and management of SESIF and each of the employment sites in much more detail. They enabled many of the more complex considerations for the evaluation to be drawn out at an early stage.
- **Review of project documentation:** The review of Welsh Government documentation (e.g. project pro-formas, business plans, delivery structures etc), enabled a good understanding of the project objectives, activities and outputs, project costs and ERDF eligible expenditure, funding mix, unit costs and timescales (as well as any agreed changes with WEFO) against which actual project performance could be assessed. This approach also helped to identify any gaps in the project information which needed to be explored with project officers.
- **Review of policy and economic context:** This review provided an understanding of the policy and economic context for the project, and the manner in which it was intended to respond to the opportunities and challenges given the framework provided by the ERDF programme. It assessed the extent of the fit of the project with the aims and objectives of national and regional policies, as well as the ERDF Operational Programme as a whole, the priority under which it is funded and the output and impact framework.

- **Review of project monitoring information:** The data provided by the SESIF project manager was important in helping to better understand the progress of the project as a whole and the individual sub-projects against the profiled financial and output targets.
- **Analysis of Local Economic and Property Market**
Conditions: The purpose of the task was to explore the local economic conditions and property markets in which each of the three employment site projects are being implemented. This was undertaken using a range of sources including published reports and datasets, as well as insights from the initial round of stakeholder interviews.

Phase 2 – Fieldwork and Impact Assessment

- **Site Visits and Consultations:** Each of the three investment sites was visited and in two out of three cases guided site visits were provided by Welsh Government technical managers. The site visits and consultations with officers (as well as other stakeholders in the locality) enabled the evaluators to see at first-hand what site infrastructure works had been undertaken, and appreciate what the key evaluation issues were at each of the sites.
- **Strategic consultations & Impact Assessment:** In the absence of being able to undertake any specific surveys of end occupiers (see Chapter 8 for further detail), undertaking strategic consultations enabled the evaluators to draw on a wide range of views in order to develop reasoned judgements on the potential short, medium and longer term economic impacts of the SESIF investments in the sites. The consultations spanned a wide range of individuals, providing varied perspectives on the local and national market or economic context, and on the specific sites themselves (where the consultees had insights).

Report Structure

1.8 In light of the methodological approach outlined, and in order to meet the aims and objectives of the commission, the following report structure has been used:

- Chapter 2 – Understanding SESIF
- Chapter 3 – National socio-economic and property market context for SESIF
- Chapter 4 – Rhyd y Blew Site Evaluation
- Chapter 5 – Amazon Way Phase 2 Site Evaluation
- Chapter 6 – Parc Bryn Cegin Site Evaluation
- Chapter 7 – The Delivery & Management of SESIF
- Chapter 8 – SESIF Impact Assessment
- Chapter 9 – Conclusions

2. Understanding the SESIF Project

2.1 This chapter provides an overview of our understanding of the SESIF project. It focuses on:

- The purpose of SESIF and the site investments
- The fit and alignment of the project with national economic development and planning policy and strategies
- The agreed SESIF funding package
- The project's target outputs and results
- The project's cross cutting themes.

Purpose of SESIF

2.2 The Strategic Employment Sites Infrastructure Fund (SESIF) is a Welsh Government project which uses ERDF funding alongside Welsh Government resources to provide grant assistance to facilitate ('pump-prime') the development of strategic employment sites in the four Spatial Plan areas of Wales (the North West and North East, Central, South East Wales and Swansea Bay). As SESIF was funded through the Sustainable Regeneration Framework of the 2007-13 ERDF Wales Convergence Programme, it had a project completion date of the end of June 2015, whilst the overall ERDF Convergence Programme closure date is at the end of 2015.

2.3 The Welsh Government sought to utilise the fund to improve the competitiveness and growth of the Welsh economy through:

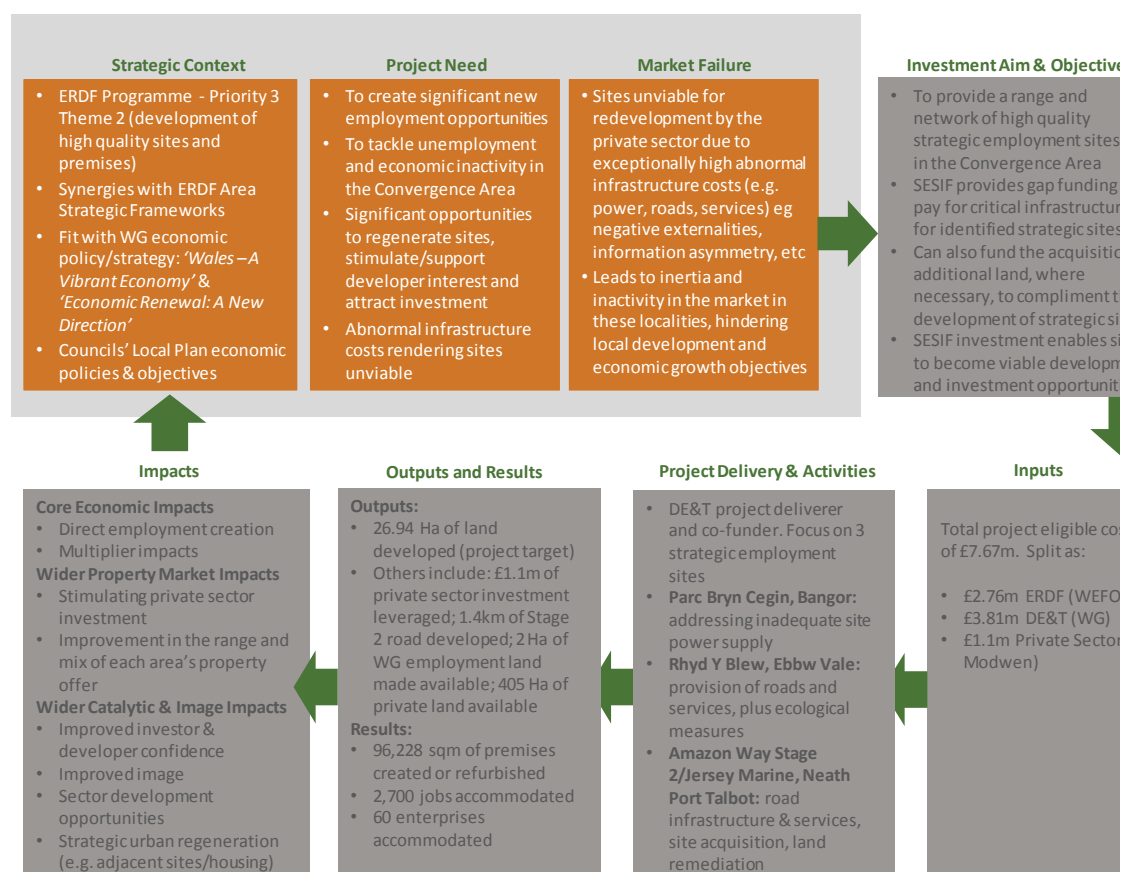
- (i) Delivering site infrastructure works to enable employment sites to come to market for new and expanding businesses
- (ii) Investing in regions where there was a clear need for economic development support.

- 2.4 The SESIF project aimed to *‘provide a range and network of high quality strategic employment sites and business premises in the future to meet the needs of indigenous business and inward investors’*¹. The project would provide the necessary funding for the services and infrastructure required in the chosen strategic sites so that, when the economy recovered, the sites would be attractive for development and be well placed to take advantage of private sector investment.
- 2.5 Apart from this main purpose and aim, the Business Plan also stated that the SESIF project should be *‘sufficiently flexible’* to offer property development grants in response to future market demand, if so required. It also set out a wider objective for the fund to be used to *‘acquire additional land’* where necessary to compliment the *‘further development of Welsh Government priority strategic employment sites’*. However, as we note later, these wider SESIF aims did not arise and the project focused exclusively on the funding of site infrastructure works at the selected sites.
- 2.6 Underlying the project’s aims and objectives was a market failure argument which, as articulated by Welsh Government, was preventing the private sector from bringing forward employment sites and premises of sufficient quality and specification that these regional economies require in order to meet their needs (see Figure 2.1). These market failures are due to a variety of factors, including high abnormal development costs (e.g. often due to an industrial legacy, lack of connections to utility infrastructure or poor connectivity to the transport network) which cannot be justified by the value created through the development (in part due to low property values and rental levels, which are also symptoms of weak economies).
- 2.7 Working through a coordinated approach between the public and private sectors (although this is less relevant in some instances), the project sought to tackle these market failures and to subsequently make a major difference in the supply of land and property and

¹ Welsh Government SESIF Business Plan Outline document (Version 5).

accommodation for employment uses. The recession, having dampened economic activity and the confidence of developers and occupiers, has arguably made the strategic case for the project stronger in the investment locations.

Figure 2.1 The Logic Chain for the SESIF Project at Inception



Source: Regeneris Consulting

2.8 The final project Business Plan² put forward to WEFO by Welsh Government for the SESIF project focused on investment in three strategic employment sites at:

- **Rhyd y Blew**, a strategic employment site in Ebbw Vale, in the Blaenau Gwent local authority area
- **Amazon Way Stage 2**, a follow on investment to an earlier Welsh Government and ERDF 2000-2006 Programme investment in road infrastructure linked to the major Amazon

² Version 5, November 2011.

distribution centre at Fabian Way, in the Neath Port Talbot local authority area (and in close proximity to Swansea local authority area)

- **The Parc Bryn Cegin** strategic employment site near to the A55 on the edge of Bangor in the Gwynedd local authority area.

- 2.9 Earlier SESIF Business Plans included a much larger number of strategic sites for consideration (c. 8-12 sites). Interestingly, these earlier versions of the Business Plan did not include the Amazon Way Stage 2 site. This site came forward later in the site selection process as the Business Plan was further developed.
- 2.10 Our consultations with Welsh Government suggest that the funding cuts at the time facing the devolved administration led to a much shorter list of sites being taken forward. While only based on anecdotal evidence, it is our understanding that the selection of the final three sites was made on the basis of their deliverability, the provision of good value for money, a spread across the ERDF Convergence Programme area, and proximity to areas of economic disadvantage and need (and hence the scope to address other objectives of the ERDF programme).

National Policy & Strategy Context

- 2.11 The following section provides a review of the relevance and fit of the SESIF project within the national economic development and planning policy context. Relevant national policies and strategies have been individually reviewed, while a summary table provides an overview on the relevance and fit of the project to supporting these policy/strategic frameworks.

People, Places, Future: The Wales Spatial Plan – 2008

- 2.12 Welsh Government's Spatial Plan that provides '*context and direction of travel for local development plans and the work of local service*

boards³. The Wales Spatial Plan was originally adopted in 2004, but was updated in 2008 to reflect policy changes and work that had been undertaken around the plan. The underlying vision of the strategy is that *'We [the Welsh Government] will sustain our communities by tackling the challenges presented by population and economic change. We will grow in ways which will increase Wales' competitiveness while assisting less well-off areas to catch up on general prosperity levels and reducing negative environmental impacts. We will enhance the natural and built environment and we will sustain our distinctive identity'*⁴.

- 2.13 The plan is built around several themes, including 'Promoting a Sustainable Economy'. With regards to new employment sites, several recommendations are made, including locating development near to public transport and housing and infrastructure developments, and prioritising brownfield over greenfield sites where possible⁵.
- 2.14 The document then considers each of the spatial plan areas in turn. In terms of areas relevant to SESIF, firstly it considers the North West Wales spatial plan area (relevant to Parc Bryn Cegin site in Bangor), and acknowledges work already done to assess sites in the spatial plan area. The Plan acknowledges *'the quantity and quality of premises provision within existing sites will require enhancement and provision of adequate utility infrastructure to overcome current constraints'*⁶.
- 2.15 Turning to the South East Wales – Capital Region spatial plan area (relevant to the Rhyd y Blew site in Ebbw Vale), the Spatial Plan acknowledges that most private sector development will take place around the cities of Cardiff and Newport, and 'public sector strategic interventions' will be required in the mid-and upper valley areas as a counter-balance to growth in the cities. It is also stated that *'strategic interventions, focused on regeneration and investment in the most*

³ People, Places, Futures – The Wales Spatial Plan 2008 Update. Welsh Assembly Government. 2008. Page 1.

⁴ Ibid., Page 20.

⁵ Ibid., Page 26.

⁶ Ibid., Page 74.

*deprived areas of the Capital Region, should be along sustainable transport corridors and support the key settlements*⁷ (of which Ebbw Vale itself is one).

- 2.16 With regards to the Swansea Bay – Waterfront and Western Valleys spatial plan area (relevant to the Amazon Way Stage 2 site), the waterfront area is identified as *‘a collaborative priority*⁸ *by the Area Group (local authorities, private and third sector stakeholders)*. While regeneration and development activity is mentioned, the emphasis is on facilitating the growth of the knowledge economy, which is consistent with the wider emphasis for the whole Swansea Bay spatial plan area.

One Wales, One Planet – Sustainable Development Framework – 2009

- 2.17 After extensive consultation, the Sustainable Development Framework for Wales – One Wales, One Planet - was introduced in 2009. It sets out the Welsh Government’s commitment to sustainable development and made it a ‘central organising principle’.
- 2.18 Part of the framework’s vision is *‘a resilient and sustainable economy for Wales that is able to develop whilst stabilising, then reducing its use of natural resources and reducing its contribution to climate change*⁹.
- 2.19 The approach to achieving this vision is set around seven key themes. One of these themes is the EU Structural Funds, and the framework states that all Structural Funds projects *‘must consider their particular impacts and opportunities with respect to equal opportunities and environmental sustainability’* and seek specialist advice at an early stage in their project *‘to maximise the opportunities to promote the themes and contribute to sustainable development*¹⁰.

⁷ Ibid., Page 104.

⁸ Ibid., Page 118.

⁹ One Wales; One Planet – The Sustainable Development Scheme of the Welsh Assembly Government. Welsh Assembly Government. May 2009. Page 52.

¹⁰ Ibid., Page 56.

2.20 Another of these themes is sympathetic infrastructure, regeneration and master planning. In this context, One Wales One Planet sets out the need to consider sustainable development principles at the earliest opportunity within the project lifecycle. Other issues that need to be considered when undertaking such works are identified – namely accessibility, re-use of brownfield sites and existing buildings, biodiversity, and green space provision and infrastructure. The framework sets out that this should contribute to *‘a holistic approach, embracing social, economic and environmental considerations in all our [Welsh Government] work to regenerate places’*¹¹.

Economic Renewal: A New Direction – 2010

2.21 In July 2010, the previous Welsh Government¹² published Economic Renewal: A New Direction (ERP). This policy is now somewhat outdated and has been superseded by more recent announcements. However, it does contain some significant policy announcements that have affected the provision of infrastructure in Wales during the 2007-2013 round of European Structural Funding.

2.22 In terms of quality employment sites and infrastructure, the ERP made a number of general commitments, including to *‘invest in high quality and sustainable infrastructure’*¹³ and *‘take a more strategic approach to land management and premises for businesses’*¹⁴.

2.23 In terms of employment sites, the ERP stated that the Welsh Government would *‘develop our approach to premises for business to work with the market across Wales. In areas of high market demand we will seek to provide information rather than finance and be involved in joint ventures where necessary. In areas with low market offering we*

¹¹ Ibid., Page 56.

¹² A coalition between the Labour and Plaid Cymru groups at the National Assembly for Wales.

¹³ Economic Renewal; A New Direction. Welsh Assembly Government. July 2010. Page 3.

¹⁴ Ibid., Page 9.

will provide a combination of gap funding (to the developer) and direct provision¹⁵.

- 2.24 The ERP also identified the (then) JESSICA Regeneration Investment Fund for Wales as one means of helping to finance the development of strategic employment and infrastructure sites.

The 2007-2013 EU Structural Funds Programmes in Wales - 2010

- 2.25 For the purpose of this review, we consider the ERDF West Wales and the Valleys Convergence Operational Programme for the period 2007-2013¹⁶, and the strategies it set out for development in, and regeneration of, the West Wales and the Valleys area. It should be noted that the Programme was updated in 2010 to reflect changes in the Welsh Government's approach to economic development which included 'a reduction in direct support to business in favour of a targeted sector-based strategic approach' and increased investment in 'high quality sustainable infrastructure'¹⁷.

- 2.26 The overall aim of the 2007-2013 ERDF Convergence Operational Programme was *'to make West Wales and the Valleys a vibrant, entrepreneurial region at the cutting edge of sustainable development'*¹⁸. This was accompanied by several ERDF-specific objectives, namely:

- To promote a high value-added economy by improving knowledge and innovation for growth and increasing the utilisation of ICT
- To strengthen the economy by increasing the size and widening the range of the business stock and tackling market failures in relation to business advice, information and finance

¹⁵ Ibid., Page 12.

¹⁶ West Wales and the Valleys Convergence Operational Programme European Regional Development Fund 2007-2013. WEFO. September 2010.

¹⁷ Ibid

¹⁸ Ibid., Page 38

- To equip the region with the physical infrastructure necessary for the development of a modern and competitive economy and to overcome 'agglomeration' deficits
- To create an attractive business environment
- To build sustainable communities and promote sustainable integrated urban regeneration
- To ensure the effective and efficient management of the Programme¹⁹.

2.27 The ERDF Programme went on to detail a framework of five priorities around which the programme is built. These were:

- ERDF Priority 1 - Building the Knowledge Based Economy
- ERDF Priority 2 – Improving Business Competitiveness
- ERDF Priority 3 – Developing the strategic infrastructure for a modern economy
- ERDF Priority 4 – Creating an Attractive Business Environment
- ERDF Priority 5 – Building Sustainable Communities.

2.28 ERDF Priority 3 aimed to *'equip the region with the physical infrastructure necessary for the development of a modern and competitive economy'*²⁰, including sites and premises. Much emphasis was placed on transport infrastructure as *'the backbone needed to strengthen the region's economic infrastructure'*²¹, but the provision of high quality sites and premises was also identified as crucial *'in creating a sustainable, thriving business community'*²².

2.29 Priority 3 of the ERDF Operational Programme was then split into two themes –Theme 1: Sustainable Transport and Theme 2: Strategic Infrastructure. The latter aimed to 'equip the region with infrastructure

¹⁹ Ibid., Pages 38-39.

²⁰ Ibid., Page 54.

²¹ Ibid., Page 108.

²² Ibid., Page 109.

necessary for the development of a modern competitive economy by ensuring that the region has locations, sites and premises of the highest quality'²³.

- 2.30 This was to be achieved by several activities, including *'supporting the implementation of site infrastructure for the development of high quality business accommodation'*²⁴. Indicative activities were listed in the Operational Programme, including *'provision of infrastructure for development sites'* and *'the demolition of derelict/functionally obsolete buildings, essential site decontamination and land reclamation to facilitate the provision of infrastructure for the development of sites'*²⁵. The SESIF project was developed to meet Theme 2 under Priority 3.

Welsh Government – Programme for Government - 2011

- 2.31 In any policy review relating to the Welsh context, it makes sense to turn to the over-arching 'Programme for Government' as a logical starting point. This Welsh Government document sets out its priorities since 2011, and therefore the overall policy context in which both the EU Structural Funds and the SESIF project have operated.
- 2.32 The Programme for Government document is a high level strategic document and as such does not make any specific commitments in terms of requirements for employment infrastructure. However, under the strategic aim of *'strengthen[ing] the conditions that will enable businesses to create jobs and sustainable economic growth'*²⁶, a number of key commitments relating to providing infrastructure for employment generally are made, including:
- To *'work with European Commission funding programmes to stimulate sustainable growth and jobs through investing in skills, infrastructure and job creation'*, and

²³ Ibid., Page 117.

²⁴ Ibid., Page 117.

²⁵ Ibid., Pages 118-119.

²⁶ Welsh Government – Programme for Government. 2011. Page 2.

- To ‘develop a 10 year, Wales-wide, National Infrastructure Plan to identify and prioritise capital schemes which are of national significance’²⁷,

Wales Infrastructure and Investment Plan for Growth and Jobs - 2012

2.33 This document sets out the strategic investment priorities for £15 billion of funding by the Welsh Government over a ten year period to 2022. It provides a detailed account of sectoral investment plans through to 2014-15 and outlines the key elements of a new approach to infrastructure investment. It identifies seven investment priorities, which are:

- Improving transport links, particularly East-West transport links in both North and South Wales
- Improving telecommunications networks and assuring all parts of Wales have access to adequate broadband facilities for their economic needs
- Supporting the development of the energy industry in Wales
- Investing in housing – supporting the housing market through initiatives such as the proposed mortgage guarantee scheme, increasing the supply of housing and improving the existing stock
- Delivering more efficient and economical public services – particularly supporting delivery of the vision for the NHS in Wales set out in Together for Health
- Improving the quality of the educational estate, particularly schools
- Developing the Enterprise Zones.

2.34 The overall vision is to boost jobs and growth in Wales and infrastructure is seen as crucial to achieving this. The strategy takes a sectoral-based approach and identifies various Enterprise Zones with

²⁷ Ibid., Page 4.

different focuses to complement this, including Ebbw Vale with a proposed focus on the advanced manufacturing sector²⁸. Several Regeneration Areas are also identified, including the Môn a Menai area (of relevance to the Parc Bryn Cegin site) and the Heads of the Valley area (of relevance to Rhyd y Blew site)²⁹.

- 2.35 The strategic regeneration of Swansea's waterfront using EU Convergence Funding is noted as a regeneration priority (of relevance to the Amazon Way Stage 2 site). It states *'this investment will enhance areas of Swansea Waterfront and has encouraged other private sector projects to be developed'*³⁰.

²⁸ Wales Infrastructure Investment Plan. Welsh Government. 2012. Page 25.

²⁹ Ibid., Page 72.

³⁰ Ibid., Page 138.

Policy & Strategy Context Summary

Table 2.1 Summary of the National Policy Context – Relevance and Fit

Policy	Relevance of SESIF to Policy	Project Fit with Specific Policy
People, Places, Future: The Wales Spatial Plan	High - This is a key policy document for all development activity in Wales, and from which all LDPs/UDP's and local spatial strategies are based. It sets out development and regeneration priorities for each of Wales' spatial plan areas. It is therefore very relevant for the purpose of this study, and SESIF can be said to contribute towards the achievement of the objectives of this plan.	High – However, the fit between project and policy does vary according to the spatial plan area under consideration. The Parc Bryn Cegin site fits particularly well with identified activity for the North West Wales Spatial Plan area, where the need of enhancement and provision of utility infrastructure to existing sites is recognised. This is less so for the Amazon Way development, where the general area in which it sits is identified for regeneration and development activity, but the emphasis is on facilitating the growth of the knowledge economy rather than investment in infrastructure to unlock employment land per se.
One Wales, One Planet – Sustainable Development Framework	Moderate - In this instance it is difficult to assess the extent to which SESIF is relevant to the policy in question. Rather, the document sets out various issues that are a major influence during the planning and delivery of major projects such as SESIF, such as equal opportunities, environmental sustainability, sustainable development principles, re-use of brownfield sites and biodiversity.	Moderate - The framework does not relate directly to core activity delivered by the project, but rather sets out guidelines that should influence all aspects of it. It is therefore difficult to comment on the extent to which SESIF as a whole has contributed to the overall aims of the framework.
Economic Renewal – A New Direction	Moderate - When announced in July 2010, this was a key economic policy document. However, this policy is now somewhat outdated and has been superseded by more recent announcements. However, it did contain some significant policy announcements that have affected the provision of infrastructure in Wales during the 2007-2013 round of European Structural Funding.	Moderate - In the policy, the Welsh Government commits to 'develop[ing] our approach to premises for business to work with the market across Wales'. ³¹ This statement is quite generic, and no further detail is given on employment sites but SESIF fits with the broader focus on enabling a growth environment.
The 2007-2013 ERDF Convergence Operational Programme	High - This document sets out the priorities for the 2007-2013 ERDF Structural Funds Programme in West Wales and the Valleys. The area-specific regeneration frameworks that applied to the three sites that	High - The SESIF project contributes to one of the Programme's headline objectives of developing physical infrastructure for a modern economy and is aligned

³¹ Economic Renewal; A New Direction. Welsh Assembly Government. July 2010. Page 12.

	form the SESIF project all fall under this document, and align closely with its headline aims and objectives.	with the indicative activities identified for Priority 3, Theme 2.
Programme for Government – Welsh Government	High - The Programme for Government document is a high level strategic document and as such does not make any specific commitments in terms of employment infrastructure. However, it does commit to 'work with European Commission funding programmes to stimulate sustainable growth and jobs through investing in skills, infrastructure and job creation' ³² and develop a National Infrastructure Plan for Wales.	High - while its content is high level and non-specific, SESIF's focus on investing in infrastructure for economic growth is well aligned.
Wales Infrastructure and Investment Plan (WIIP) for Growth and Jobs	Moderate - SESIF project activity should be making a notable contribution towards the WIIP, as the project is concerned with providing the necessary infrastructure to employment sites to make them attractive to investors, and the policy is wholly concerned with the provision of infrastructure. However, within the policy there is no mention of investment in specific employment sites and premises infrastructure – the emphasis very much being on investment in transport and energy infrastructure.	Moderate - the remit of the project is obviously physical infrastructure, but given there is no specific mention of infrastructure for employment sites the project does not fit with this specific policy as closely as it does others.

Source: Old Bell 3

SESIF Costs and Funding Package

- 2.36 The total funding package for SESIF was originally based on the estimated costs of undertaking the required infrastructure works at each of the three sites outlined in the Business Plan and agreed as part of the WEFO grant offer letter. On this basis, SESIF was originally a **£7.67m** project, with an ERDF contribution of **£2.76m** (at an intervention rate of 36 per cent). Other project funding came from Welsh Government (£3.81m) and from private sector contributions (£1.1m, via St Modwen as part of the Amazon Way Stage 2 project).
- 2.37 However, the project's funding package was re-profiled in June 2014. We understand that this re-profiling is as a result of some savings on infrastructure works at Amazon Way Stage 2, savings on professional

³² Welsh Government – Programme for Government, 2011. Page 4.

fees and audit fees, as well as the extension of funding to the Amazon Way Stage 2 project to provide an additional access spur³³. There has also been a modest increase in some ineligible professional fees and infrastructure costs (c.£55k).

- 2.38 The total SESIF project cost is now **£7.28m** (a 5 per cent decrease compared to the original approved project costs), while total ERDF eligible project costs are now £7.23m (-6 per cent). Based on an intervention rate of 36 per cent of eligible project costs, the ERDF contribution towards the project is now **£2.60m**.

Table 2.2 SESIF Costs Funding Package – Original Offer and Re-profiled				
	Original (£m)	Re-profiled (£m)	Change (£m)	% Change
Total Project Cost	£7.67	£7.28	-£0.39	-5.1
Total Eligible Project Costs	£7.67	£7.23	-£0.45	-5.8
Private Sector Match	£1.10	£1.10	£0.00	0.0
Welsh Government Match Funding	£3.81	£3.52	-£0.29	-7.5
Sub-total	£4.91	£4.62	-£0.29	-5.8
ERDF @36 per cent of Eligible Project Costs	£2.76	£2.60	-£0.16	-5.8

Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015

- 2.39 The following table breaks down the SESIF funding by each of the three investment sites. Under the June 2014 re-profiling of the Rhyd y Blew sub-project accounts for £0.73m or 28 per cent of all SESIF ERDF funding; the Parc Bryn Cegin project accounts for £0.43m or 16 per cent of ERDF funding; and Amazon Way Stage 2 site accounts for £1.45m or 56 per cent of ERDF funding.

³³ This spur was to provide access to the former Elba Works site which was purchased by the Welsh Government in recent years to support the development of creative sector associated with The Bay Studios at the former Visteon site.

Table 2.3 SESIF Funding Package per Site – Original and Re-profiled Funding

	Rhyd y Blew		Parc Bryn Cegin		Amazon Way Stage 2	
	Original	Re-profiled	Original	Re-profiled	Original	Re-profiled
Total Site (Sub-Project) Cost (£m)	£2.00	£2.02	£1.17	£1.19	£4.50	£4.08
Total Eligible Sub-Project Costs (£m)	£2.00	£2.02	£1.17	£1.19	£4.50	£4.02
Private Sector Match (£m)	£0.00	£0.00	£0.00	£0.00	£1.10	£1.10
WG Match Funding (£m)	£1.28	£1.29	£0.75	£0.76	£1.78	£1.47
Sub-total (£m)	£1.28	£1.29	£0.75	£0.76	£2.88	£2.57
ERDF @36 per cent of Eligible Project Costs (£m)	£0.72	£0.73	£0.42	£0.43	£1.62	£1.45
% of Total SESIF Funding	26%	28%	15%	16%	59%	56%

Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015

SESIF Target Outputs & Results

2.40 We have reviewed the final Business Plan prepared by Welsh Government, as well as the WEFO ERDF offer letters that were issued to Welsh Government on 30th November 2011 and also re-issued 9th February 2012. The project output and the lifetime results for SESIF were stated as follows:

- **Outputs:** The SESIF project only had one defined output which was 26.94 hectares of land developed. The definition of the output is:
 - *'making land fit for use by removing physical constraints to open it up for development or including provision of services to open it up for development'³⁴.*
- **Results:** The project has three results targets:
 - 96,228 sq m (1.04 million sq ft) of premises created or refurbished

³⁴ WEFO ERDF Indicators Definitions, January 2013

- 60 enterprises accommodated
- 2,700 jobs accommodated.

2.41 The ERDF offer letter states: *'It is anticipated that it will be **beyond the life of this Programme before the following projected results will be achieved in their entirety**'*³⁵. However, by using the term 'entirety' there is an implied expectation that some of the project's results could potentially arise ahead of Programme closure administrative closure at the end of 2015, albeit with recognition that the majority may well arise in the future (beyond the lifetime of the Programme given the nature of this type of investment).

2.42 The following table outlines the stated project outputs and results in total and by the three sites. Some key points to note include:

- Only the Rhyd y Blew and Amazon Way Stage 2 sites account for the project output target of 26.94 hectares of land developed (48 per cent and 52 per cent respectively). As the Amazon Way Stage 2 investment is a road infrastructure project, the employment land output target refers to a Welsh Government owned site (2ha) adjacent to the road, as well as 12Ha of St Modwen's owned employment land at Coed Darcy.
- The Parc Bryn Cegin site does not contribute to the SESIF output target as site preparation works were primarily funded as part of the 2000-06 Objective 1 ERDF Programme.
- Rhyd y Blew and Amazon Way Stage 2 are expected to deliver the majority of the jobs, enterprises and new employment floorspace for the project. Parc Bryn Cegin's contribution is more modest.
- Given the scale of the Parc Bryn Cegin site and the number of development plots proposed, the results target is modest (e.g. 53,820 sq ft and 200 jobs) in light of the original site masterplan which set out almost 760,000 sq ft of premises - fourteen times

³⁵ WEFO SESIF grant offer letter, February 2012

this amount of floorspace. The rationale for the inclusion of a modest result target representing only part of the potential build is a different approach taken compared to other sites given the expectation that results may well arise beyond the life of the Programme. It is assumed that for this site, estimates have been conservative.

Table 2.4 SESIF Output & Lifetime Result Targets

Output/Result Targets	Rhyd y Blew	Parc Bryn Cegin	Amazon Way Stage 2	SESIF Total
Hectares of Land Developed (O)	12.94	0	14	26.94
Jobs Accommodated (R)	1500	200	1000	2700
Enterprises Accommodated (R)	30	10	20	60
Sq ft of Premises Created or Refurbished (R)	540,000	53,820	442,000	1,035,820
Share of Outputs/results				
Hectares of Land Developed (O)	48%	0%	52%	100%
Jobs Accommodated (R)	56%	7%	37%	100%
Enterprises Accommodated (R)	50%	17%	33%	100%
Sq ft of Premises Created or Refurbished (R)	52%	5%	43%	100%

Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015 and the SESIF Project Business Plan

Cross Cutting Themes

- 2.43 In accordance with Articles 16 and 17 of regulation (EC) No 1083/2006 and Article 6 of regulation (EC) No 1081/2006, the cross-cutting themes of 'Equal Opportunities' and 'Environmental Sustainability' have been built into the 2007-13 ERDF Convergence programme. As such, all projects that are funded via the Programme, including SESIF, must contribute, where practicable, towards the achievement of the Programme's cross-cutting themes.
- 2.44 The SESIF project Business Plan recognises this and sets out how the Welsh Government and its private and public sector partners are *'committed to ensuring that the Project delivers in accordance with the Convergence Programmes Cross Cutting Themes of Equal*

*Opportunities, including Welsh Language issues, and Environmental Sustainability*³⁶.

- 2.45 The Business Plan states that the SESIF project will integrate the principles of the ERDF cross cutting themes into the policies which govern the Fund, while the themes will also form an important part of the appraisal process for the sites that are funded via SESIF. The Business Plan also states how sustainable development is a central organising principle for the development and implementation of the fund, in line with the Welsh Government's One Wales:One Planet sustainable development framework.
- 2.46 The Business Plan provides extensive detail on the range of existing policies, frameworks and approaches which Welsh Government currently have in place and adhere to, which will influence the delivery of the equal opportunities and environmental sustainability cross cutting themes. For example:
- In regard to the equal opportunities theme, reference is made to the importance of SESIF project/technical managers being fully conversed in WEFO's equal opportunities guidance, as well as Welsh Government's Single Equality Scheme.
 - In regard to environmental sustainability, references are made to the importance of the project adhering to Welsh Government's principles of sustainable development, sustainable building guidance, site masterplanning guidance, energy efficiency and BREEAM standards, and waste.
- 2.47 The evaluation of each of the investment sites will present an overview of the extent to which the SESIF project has contributed towards the achievement of cross-cutting themes more generally. It will also refer to specific contributions to cross cutting themes that have arisen as a result of some of the specific on-site activities.

³⁶ SESIF Business Plan, Version 5, Page 14

3. National Socio-Economic & Property Market Context

- 3.1 This chapter provides an overview of Wales's economic performance, profiling the Welsh economy against a broad set of labour market indicators. This analysis includes a comparison with the rest of the UK as a whole, to identify fundamental socio-economic issues that the SESIF project aims to address. In identifying relative weaknesses in the Welsh economy, this chapter therefore provides a socio-economic justification for investment in regionally significant employment sites, particularly where this could stimulate employment growth and improve productivity.
- 3.2 The chapter also analyses the Welsh commercial property market more generally, particularly focusing on key drivers of demand within the industrial/logistics sector. In doing so, the chapter considers recent levels of commercial stock availability and assesses likely demand for future floorspace by looking at recent trends. The findings provide a useful background to the requirement for public sector intervention to ensure sufficient land and commercial property is available to meet the requirements of businesses in Wales.

National Socio-Economic Context

- 3.3 This section provides a summary of Wales's recent economic performance, with a particular focus upon labour market trends with respect to employment, unemployment and average earnings. This analysis compares the findings for the Welsh economy with equivalent data for the UK.

Key Points

Against a broad set of comparators, the Welsh economy consistently underperforms in comparison to the whole of the UK:

- The Welsh economy has been adversely affected by the recession. Although the economy is demonstrating signs of recovery, Wales remains weaker than the UK as a whole.
- The economic activity rates and employment rates for Wales for December 2014 were 74.7 per cent and 69.5 per cent respectively. This was below the equivalent rates for the UK of 77.2 per cent and 72.2 per cent.
- Conversely, the unemployment rate (6.9 per cent) and the economic inactivity rate (26.7 per cent) exceeded the rate for the UK (6.4 per cent and 23.1 per cent respectively).
- Between 2009 and 2013 employment growth across Wales was modest, rising by 1 per cent compared to 2 per cent for the UK. There was significant disparity in the performance across sectors. Although jobs within the education sector increased by 14,200 (8 per cent) and the property industry rose by 30 per cent, employment within the construction sector contracted by 9,500 jobs (16 per cent).
- Productivity across Wales continues to lag behind the UK, and this differential continues to increase. GVA per head in Wales in 2013 was £16,890 compared to £23,390 in the UK. This difference of £6,500 per head represented an increase of 15 per cent relative to 2007, when the difference was £5,700 per head.
- This productivity difference, and the fact that Welsh residents are less skilled than the UK average, contributes to significantly lower earnings for the former. The average weekly earnings of full-time workers residing in Wales and the UK were £479 and £518 respectively in 2014.

A recovering economy, but comparatively weaker than the UK

3.4 The Welsh economy was adversely affected by the recession.

Following a five year period during which the labour market performed poorly, a pattern of recovery is emerging and key economic indicators such as employment and economic activity are beginning to reach pre-recession levels.

3.5 Despite this, the labour market in Wales consistently underperforms the UK as a whole. According to latest Annual Population Survey (APS) data for December 2014, the employment rate in Wales was 69.5 per cent, compared to the equivalent rate for the UK of 72.2 per cent.

Similarly, the APS reveals that the economic activity rate for Wales (74.7 per cent) lags behind the overall rate for the UK (77.2 per cent)

- 3.6 The unemployment and economic inactivity data for Wales also compares poorly with the UK. As of December 2014, the unemployment rate for Wales and the UK was 6.9 per cent and 6.4 per cent respectively, according to the APS. The contrast in the economic inactivity rate is more pronounced, reported as 26.7 per cent for Wales and 23.1 per cent for the UK.

Table 3.1 Summary of Labour Market Indicators for Wales and the UK, December 2014

	Wales	UK
Economic Activity Rate	74.7%	77.2%
Employment Rate	69.5%	72.2%
Economic Inactivity Rate	26.7%	23.1%
Unemployment Rate	6.9%	6.4%

Source: Annual Population Survey

- 3.7 Figure 3.1 illustrates recent historical trends in the four labour market indicators between 2004 and 2013, and provides evidence of a recovering economy, both in Wales and across the UK. The four graphs show that the behaviour of these indicators for Wales is closely related to the performance of the UK economy.
- 3.8 Although there are signs of an improving economy, the recovery is not fully completed. Whilst economic activity and inactivity rates reached pre-recession levels in 2012, the unemployment rates for Wales and the UK still exceed the 2007 rate. The employment rate for Wales recovered in 2014 to exceed the corresponding value in 2007, but the employment rate for the UK continues to lag behind the levels before the onset of the economic downturn.
- 3.9 Wales's underperformance relative to the UK as a whole suggests that policy intervention is required to improve employment and economic activity across the country. Public sector intervention that increases availability of commercial floorspace and encourages inward investment would support substantial levels of employment nationally.

Figure 3.1 Comparison of Economic Activity Rates, Employment Rates, Unemployment Rates and Economic Inactivity Rates for Wales and the UK, 2004-14



Source: Annual Population Survey. Pre-recession levels are considered to be the value in 2007 for each labour market indicator.

Modest employment growth in recent years

3.10 According to the latest ONS Business Register and Employment Survey (BRES) data, there were 1,186,900 employees within Wales in 2013. This represented an increase of approximately 15,700 workers, or 1 per cent, relative to 2009. This is proportionally lower than the employment growth of 2 per cent across Great Britain over the same time period.

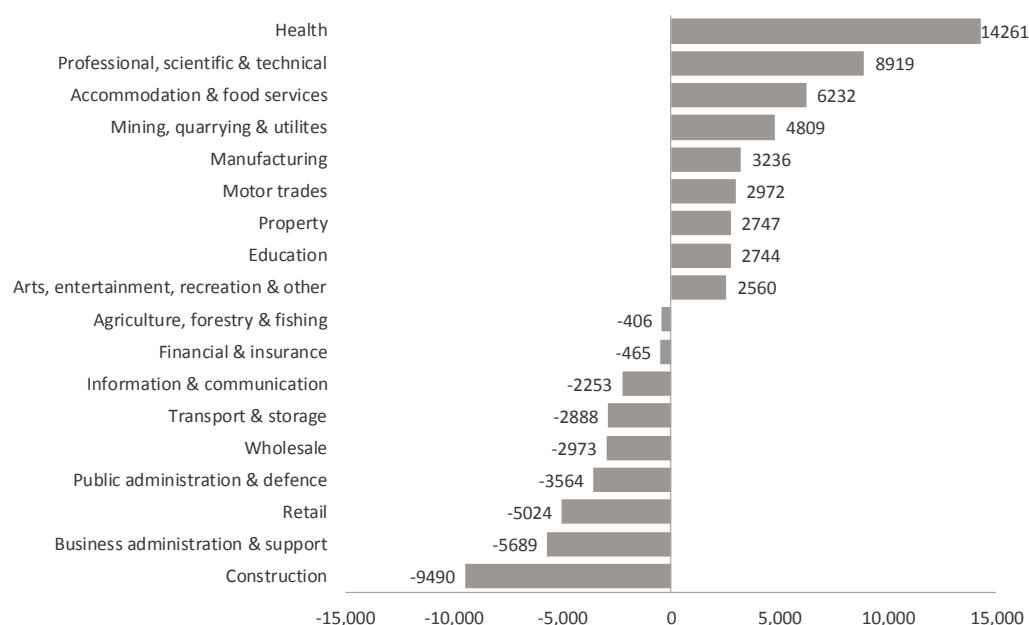
3.11 Although overall employment has risen, the changes to broad industrial groups have been varied. In summary:

- The **construction sector** suffered the largest fall in employment (16 per cent)
- The number of employees fell less sharply within the **information and communication industry** (10 per cent), the

wholesale sector (8 per cent) and the **business administration and support** industry (8 per cent)

- Employment increases were largest within the **mining, quarrying and utilities sector** (30 per cent), whilst the number of jobs also grew considerably within the **property sector** (24 per cent), the **professional, scientific and technical industry** (18 per cent) and the **motor trades sector** (16 per cent).

Figure 3.2 Employment Change by Broad Industrial Group, 2009-2013



Source: Business Register and Employment Survey

Large falls in the number of claimants

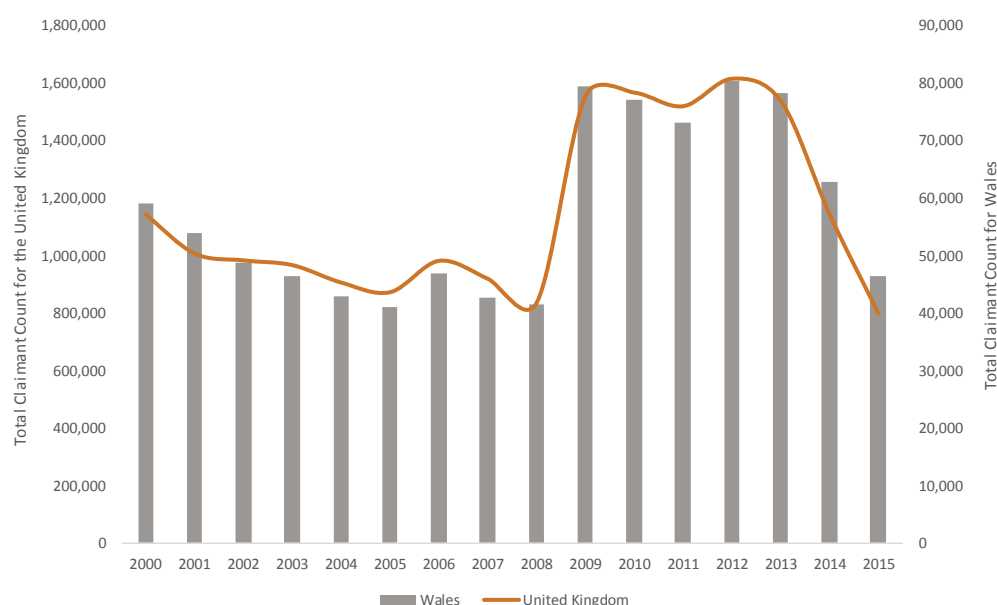
3.12 The latest Jobseeker's Allowance (JSA) claimant count data³⁷ for Wales provides further evidence of an economy in the midst of a recovery. Following steady declines in the claimant count between 2000 and 2008, the claimant count increased dramatically, and peaked at 80,400 claimants in 2012. In 2015, the number of claimants has fallen to 46,400, but still exceeds the pre-recession level of 42,000.

3.13 The behaviour of the claimant count in Wales mirrors the trajectory of the claimant count for the UK. Increasing sharply in 2008 following a

³⁷ Data provided by ONS Claimant Count.

period of sustained falls in the number of claimants, 1.6 million were in receipt of Jobseeker's Allowance in 2012. The number of claimants across the UK has now fallen substantially below the pre-recession level of 918,500, and has declined to 795,900 claimants – the lowest level since the data was recorded.

Figure 3.3 Total Claimant Count in Wales and the UK, 2000-2015



Source: ONS, Claimant Count

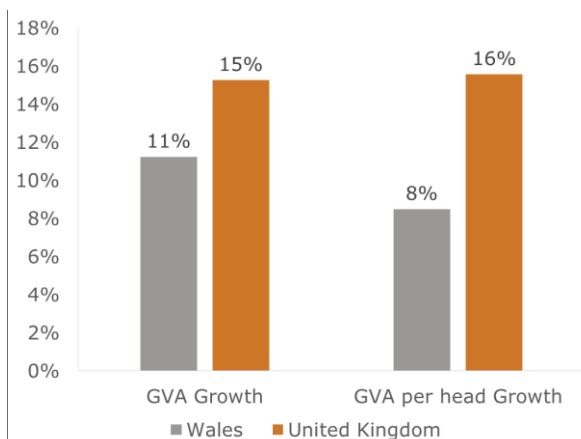
Widening productivity differential between Wales and the UK

3.14 Total GVA in Wales was £52bn in 2013³⁸. Compared to 2007 levels of £46.8bn, this represented an increase of 11 per cent. Wales's GVA constitutes 3 per cent of the UK's total GVA, which amounted to £1.5 trillion. Growth in the UK's GVA between 2007 and 2013 outstripped the growth rate observed in Wales, and total GVA increased by 15 per cent.

3.15 Figure 3.4 illustrates the upward trend in GVA in both Wales and the UK during the time period observed.

³⁸ Data provided by StatsWales.

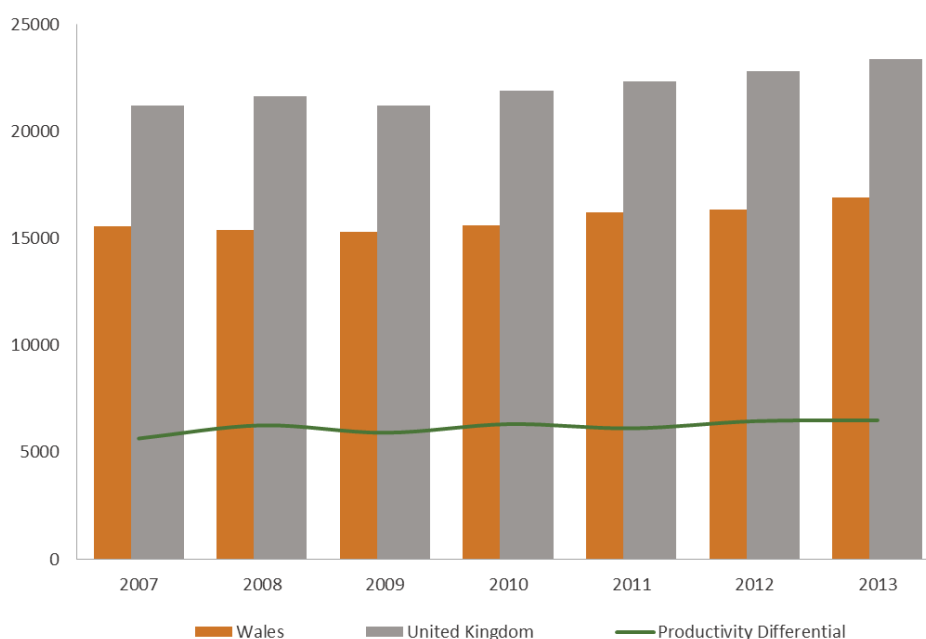
Figure 3.4 Growth in Total GVA and GVA per head in Wales, 2007-13



Source: StatsWales

- 3.16 GVA data also indicates that the productivity gap (the difference in GVA per head) between Wales and the UK is steadily widening. Between 2007 and 2013, GVA per head in Wales increased from £9,784 to £15,572, growing by 73 per cent. Concurrently, GVA per head in the UK rose by 76 per cent, reaching £23,394 in 2013 from £21,220 in 1997.
- 3.17 Over this time period, the productivity differential has increased considerably. In 2007, GVA per head in the UK exceeded the Welsh rate by £5,648, and this gap has widened in all but two years until 2013. The current productivity gap of £6,501 (2013) reveals that the differential has increased by 15 per cent over the 16 year period.

Figure 3.5 GVA per head in Wales and the UK, 2007-2013



Source: StatsWales

3.18 Public sector intervention could have a significantly positive effect upon productivity, particularly if investment in strategic investment sites encourages large, innovative enterprises to locate in Wales. If these businesses can introduce more productive methods, this will have a catalytic impact upon productivity.

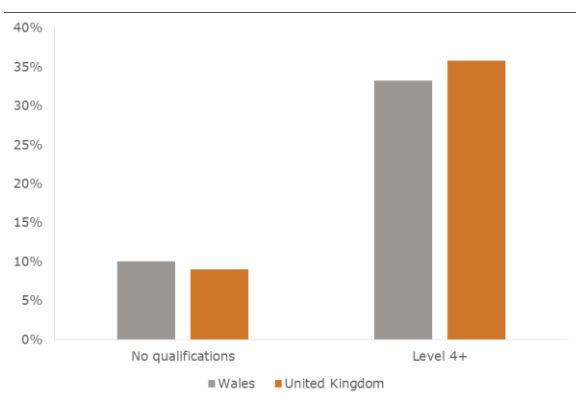
3.19 However, this emerging productivity differential can also be partly explained by the qualifications gap between the two countries and the respective proportion of skilled residents living within the two countries.

3.20 According to the Annual Population Survey, the proportion of residents employed within higher level occupations³⁹ is comparatively lower in Wales than across the UK. Skilled residents are generally more productive and therefore benefit businesses more acutely, and offer greater levels of expenditure for the local economy as their higher earnings translate into larger amounts of household spending.

³⁹ Higher level occupations are here defined as those employed as managers, directors, or senior officials; professional occupations; and associate professional occupations.

3.21 The Annual Population Survey data for 2014 reveals that 39 per cent of Welsh residents were in higher level occupations, compared to 44 per cent across the UK⁴⁰. This offers a partial explanation of the relative productivity differences between the two countries.

Figure 3.6 Highest Level of Qualifications of Residents in Wales and the United Kingdom 2014



Source: Annual Population Survey

3.22 In addition to the comparatively lower skilled resident base in Wales relative to the UK, the Welsh population is also less qualified.

3.23 The proportion of Welsh residents holding a Level 4 qualification or above is 33 per cent (i.e. a degree or postgraduate qualification), according to the 2014 Annual Population Survey. By comparison, 36 per cent of the UK population has attained at least a Level 4 qualification. Furthermore, the percentage of Welsh residents without qualifications (10 per cent) marginally exceeds the UK equivalent (9 per cent).

3.24 This has a direct impact upon the productivity of Wales's workforce, particularly if a notable proportion of the labour supply is underqualified to occupy more productive job positions, and a substantial proportion of the population are employed within lower skilled occupations because they do not hold any qualifications.

⁴⁰ Data only available at a national level for England and Wales.

Lower earnings in Wales compared to the UK

- 3.25 The relative difference in productivity, the inferior qualifications profile of Welsh residents, and the lower proportion of skilled residents are all reflected in the earnings gap between Wales and the UK.
- 3.26 The latest Annual Survey of Hours and Earnings data reveals that gross median weekly earnings for full-time workers in Wales are approximately £40 lower than the UK equivalent. Based on current wage levels, the median weekly pay for full-time workers is £473 for those working in Wales, and £479 for Welsh residents. This is approximately 92 per cent of the weekly earnings for the UK (£518).
- 3.27 Since 2002, median weekly earnings in Wales have grown at a proportionally greater rate than the UK as a whole. Between 2002 and 2014, median weekly wages for full-time employees in Wales increased by £124, representing a 35 per cent increase. This compares to a £127 rise for workers across the UK, translating into a growth rate of 33 per cent. Likewise, weekly earnings for Welsh residents have grown by £126, or 36 per cent.

Table 3.2 Summary of Median Weekly Earnings of Full-Time Workers in Wales and the UK, 2014

	Residents' Pay	Growth, 2002-14	Workplace Pay	Growth, 2002-14
Wales	£479	£126 (36%)	£473	£124 (35%)
UK	£518	£127 (33%)	£518	£127 (33%)

Source: Annual Survey of Hours and Earnings 2014

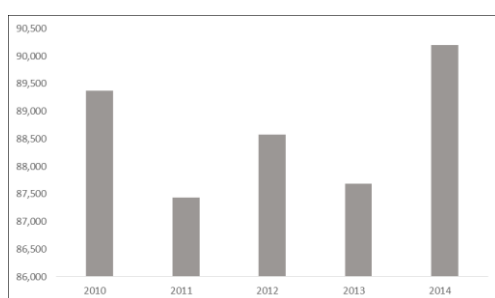
Poor growth rate in the number of businesses in Wales

- 3.28 According to the ONS Business Count Data for 2014, there are approximately 90,200 businesses⁴¹ in Wales. This constitutes just 4 per cent of the total number of businesses within the UK. The number of businesses in Wales has increased by just 1 per cent between 2010 and 2014. This compares to a rise of 8 per cent across the UK as a whole over the same time period.

⁴¹ Businesses are here considered as enterprises rather than local units.

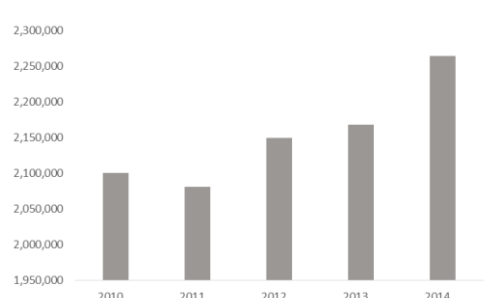
3.29 Figure 3.8 shows that the number of businesses in Wales has fluctuated considerably throughout the time period observed. Consistent with the UK overall, the number of businesses declined between 2010 and 2011. In contrast, however, the number of Welsh businesses also declined between 2012 and 2013, whereas steady growth has been observed across the UK since 2012.

Figure 3.7 Number of businesses in Wales, 2010-2014



Source: ONS Business Count

Figure 3.8 Number of businesses in the UK, 2010-2014



Source: ONS Business Count

3.30 The latest ONS Business Demography Data provides further evidence that business growth in Wales compares poorly with the UK as a whole.

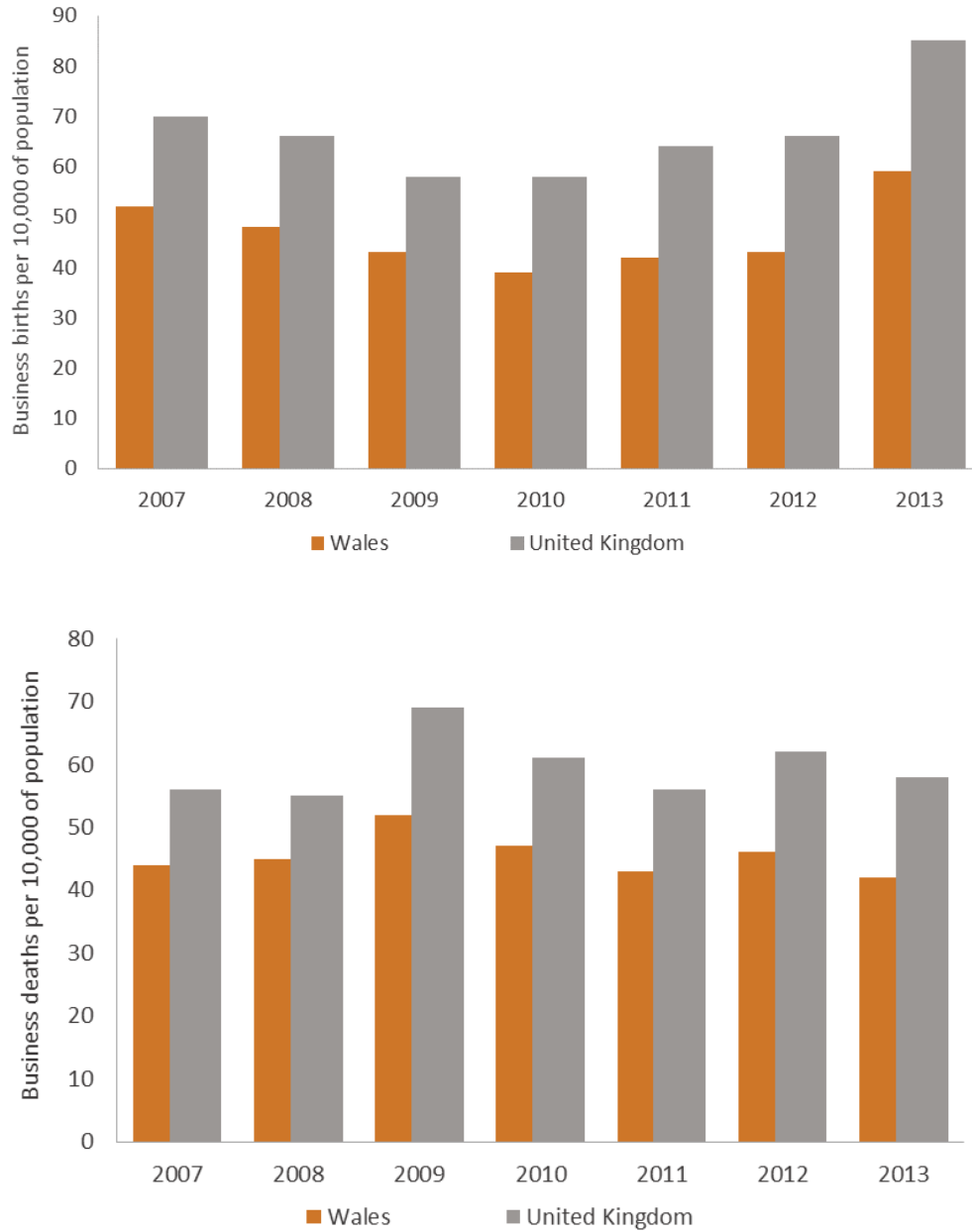
3.31 Business birth rates data for Wales reveals lower business growth compared to the UK. The trend in Welsh business birth rates has mirrored the behaviour of the business birth rates for the UK, decreasing following the onset of the recession from 2008 onwards but increasing from 2011, demonstrating further signs of economic recovery.

3.32 In 2013, 59 businesses started in Wales per 10,000 of the population, considerably lower than the 85 businesses created per 10,000 of the population in the UK overall. Between, 2007 and 2013, average business birth rates in Wales and England were 47 and 67 per 10,000 of the population respectively.

3.33 Business death rates in the UK, however, considerably exceed the Welsh comparator. This partly reflects the lower number of businesses and the smaller business birth rates in Wales compared to the UK as a whole. In 2013, the business death rate per 10,000 of the population for Wales was 42; the equivalent rate for the UK was 58. Between 2007

and 2013, the average business death rate for the UK was 60 per 10,000 of the population compared to 46 per 10,000 of the population in Wales.

Figure 3.9 Business Births and Deaths per 10,000 of population, 2007-2013



Source: ONS Business Demography

National Property Market Context

3.34 This section draws together analysis prepared by Robert Chapman and Company, a property market and regeneration consultant based in Cardiff, as well as insights from Regeneris Consulting. The section summarises the commercial property market for Wales and the UK. The analysis carried out by Robert Chapman and Company is based upon a review of various existing commercial property market reports published by agencies such as DTZ, JLL and Knight Frank, as well as a review of other property market databases, information sources and market insights.

Key Drivers of UK Property Market Demand

3.35 Robert Chapman and Company's analysis of the property market context has revealed a number of key drivers that have and will continue to increase demand for commercial floorspace. These are relevant to both Wales and the UK as a whole and include:

- The prominence of the internet and innovation within the retail sector has significantly influenced demand for industrial and logistics floorspace. It is expected that e-tailing will account for 15 per cent of all retail sales in 2020. Retailers have reacted to changing market conditions by seeking prime industrial property to house their logistics operations.
- Some industrial occupiers are actively seeking freeholds to secure control of sites without the constraints of a landlord. This approach provides occupiers with greater control of their future and their long-term growth prospects. In tandem with this, occupiers are investing in industrial assets in the UK (and across Europe), given the security and financial returns that this can deliver in contrast to other savings or investment routes. This trend was clear in Q2 2015, where £5.8bn of industrial property was transacted compared to £2.5bn in the previous year.
- Globalisation and supply chains: some leading UK-based manufacturing companies are beginning to undertake the

reshoring of activities that left the UK several decades ago. This is as a result of multitude of factors including increased labour costs in developing economies, increased freight costs and rising commodity prices, as well as a requirement for greater quality control and management of supply chain risks. Between 2011 and 2014, 1 in 6 companies reshored production back to the UK compared to 1 in 7 in 2009.⁴² The UK Commission for Employment and Skills (UKCES) has reported that near-shoring and decentralised production could increase employment in the manufacturing sector alone by up to 200,000 workers by 2030.⁴³

- The prominence and technology of a digital economy will fundamentally change manufacturing and production techniques and methods. This will have an important implication for the type, quality and quantum of floorspace that is required by UK manufacturers in the future.

UK Market Overview

3.36 Across the UK, the influence of the internet and innovation within the retail sector has been particularly prominent. According to research conducted by Savills, the retail sector will require 50m sq ft of new industrial space between 2013 and 2018⁴⁴. This rise in demand for sizeable industrial properties (by retailers) has restricted the already limited supply of grade A industrial space. This issue is exacerbated by historically low levels of speculative development nationally, which have intensified pressures upon the existing industrial stock. According to JLL, just 5.5m sq ft of new space in large units was available at the end of Q1 2015, and 1.5m sq ft of this was located in London. Less than

⁴² Backing Britain – a manufacturing base for the future, EEF and Squire Sanders, September 2014.

⁴³ The future of work: jobs and skills in 2030, UK Commission for Employment and Skills (UKCES), February 2014.

⁴⁴ E-tailing and the impact of distribution warehouses, Savills Research, June 2013, page 1.

500,000 sq ft was located in the West Midlands, traditionally considered a heartland for logistics.

- 3.37 Recent research conducted by DTZ⁴⁵ has reported a welcome increase in developer activity in 2015 to meet rising demand for the prime industrial market, particularly as supply of quality industrial property has been limited. This market distortion has contributed to increased rental rates, which are expected to rise by an average of 2.2 per cent annually between 2015 and 2020. A rise in speculative development will allow prospective tenants access to prime industrial stock rather than resort to occupying grade B stock, which meets their requirements less effectively.

Wales Market Property Context

- 3.38 An analysis of the commercial property market within Wales provides a useful background for the justification for the SESIF fund both now and prior to its development. A 2007 DTZ report⁴⁶ analysing regional demand and supply within Wales highlighted a number of weaknesses that could be addressed by strategic investment. The analysis within this document formed part of the evidence base submitted to WEFO as part of the original SESIF Business Plan. In summary, the report found that:

- Despite favourable economic conditions, market demand in Wales is relatively modest, and the lower land and property values have deterred potential development. Financial assistance is therefore required by Welsh Government to improve the viability of development to meet future demand.
- The quality of available commercial property across the Welsh regions is generally poor, and unable to sufficiently meet the

⁴⁵ Speculative development increasing across the country, DTZ, May 2015. Accessed at: <http://www.dtz.com/UK/Speculative+industrial+development+spreading+across+the+country>. Accessed: September 2015.

⁴⁶ Employment Property Demand Study Core Report, DTZ, September 2007.

requirements of potential investors. This issue is particularly acute in major economic areas such as Swansea Bay, where demand consistently exceeds supply but low quality stock has suppressed rents which, in turn, has discouraged speculative development.

- Market demand is primarily fuelled by replacement churn in local markets, particularly in North East and North West Wales, rather than significant inward investment.

3.39 The DTZ report identified areas of significant market failure, particularly where the private sector considers development unviable and costly. This evidence was utilised by the Welsh Government in justifying the need to invest in strategic infrastructure at key employment sites in order to help overcome market failures, de-risk sites and present a much more attractive development proposition to the private sector.

Rising demand for commercial property...

3.40 The economic recession undoubtedly reduced demand for commercial property which, in turn, discouraged investment and hampered potential development opportunities. Recent reports suggest that demand is recovering, and take-up rates are improving.

3.41 Table 3.3 provides supply and demand information for industrial property across Wales between 2012 and 2014. Take-up has increased substantially over the time period observed, rising from 660,000 sq ft annually in 2012 to 3,413,000 sq ft in 2014 (an increase of 417 per cent). As a proportion of available stock, average take-up has increased from 6 per cent to 32.1 per cent over this time period.

Despite the rise in take-up rates, the Welsh industrial market remains comparatively small relative to the other regions within Great Britain. In Q1 2015, industrial take-up within Wales was 442,000 sq ft, 37 per cent of the equivalent take-up rate for the South East of England, and just 22

per cent and 18 per cent of the corresponding rate for the West Midlands and the North West of England respectively.⁴⁷

Table 3.3 Supply and Demand of Industrial Property in Wales, 2012-14 (sq ft)

	2012		2013		2014	
	Take-up	Availability	Take-up	Availability	Take-up	Availability
Q1	397,000	11.0m	447,000	10.6m	1.6m	10.8m
Q2	0	11.0m	375,500	11.5m	778,500	10.6m
Q3	263,300	10.5m	430,200	11.6m	454,200	10.5m
Q4	0	11.1m	355,200	11.7m	625,400	10.7m
Quarterly Average	165,100	10.9	402,000	11.4m	853,300	10.6m
Annual	660,400		1.6m		3.4m	
Average Take-up as a % of available stock	6.00%		14.20%		32.10%	

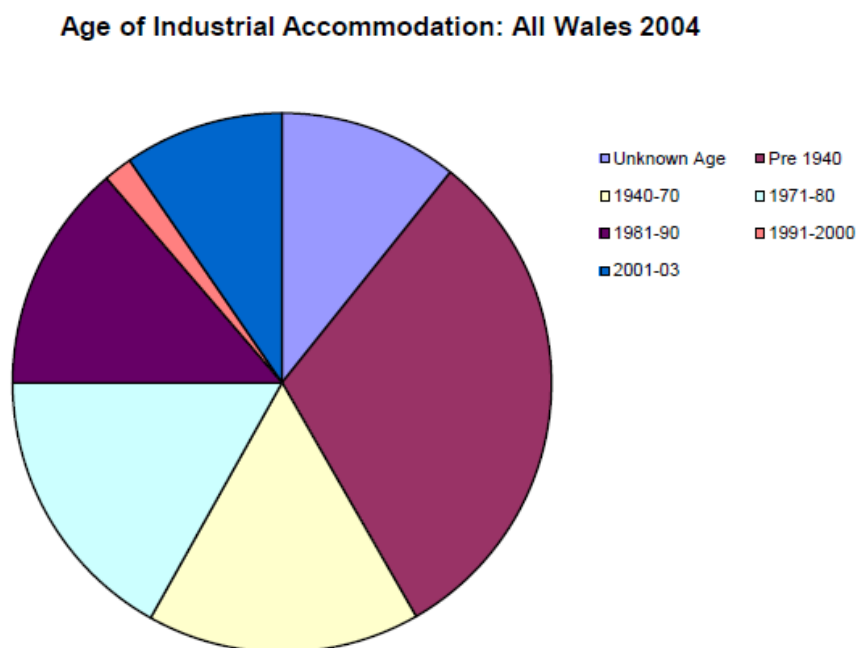
Note: Zero take-up recorded for Q2 and Q4 for 2012. We suspect that take-up data was not available to DTZ rather than there being no take-up occurring during these periods across Wales. Source: DTZ Property Times 2012-14

...but a significant lack of quality floorspace

3.42 Although these developments are promising, the lack of quality floorspace is a potential barrier to growth and investment across Wales. In addition, commercial floorspace across Wales is ageing and urgently in need of modernisation. Figure 3.10 provides a breakdown of industrial accommodation in Wales by age in 2004 by DTZ. Approximately half of all accommodation was built prior to 1970, whilst only approximately 10 per cent was newly constructed floorspace. Although this analysis was undertaken several years ago, the picture remains relatively the same given the lack of modern industrial accommodation that has been developed in the intervening years.

⁴⁷ DTZ Property Times, UK Industrial Q1 2015, April 2015.

Figure 3.10 Age of Industrial Accommodation in Wales, 2004



Note: Percentages are not provided in the source document. Source: DTZ, 2007

3.43 Despite improving market conditions, private sector development of new floorspace has been extremely modest. Although strong demand would normally encourage investment, building costs for industrial space exceed any rental or capital returns, deterring private sector provision. This apparent market failure strengthens the argument for public sector intervention and presents an ideal opportunity for the SESIF fund to provide the quality floorspace required by businesses.

3.44 Of the floorspace available in Table 3.3 for 2014:

- None of this is grade A floorspace⁴⁸
- **For Q1 2014:** Approximately 75 per cent was grade B⁴⁹, and the remainder was grade C

⁴⁸ Grade A floorspace is typically all new development (including speculative development) plus major refurbishments.

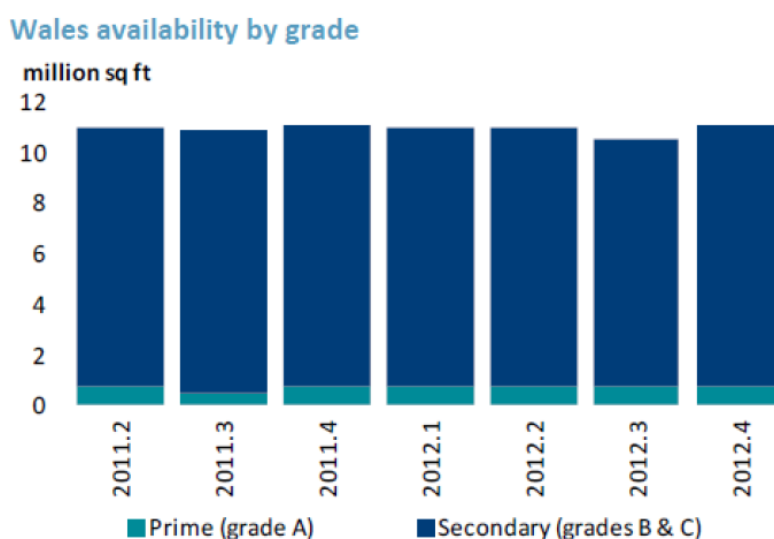
⁴⁹ Grade B floorspace is space previously occupied, completed or refurbished in the last 10 years.

- **For Q2 and Q3 2014:** Almost all of this available floorspace was grade B quality
- **For Q4 2014:** 75 per cent of available stock was grade C⁵⁰.

3.45 In the first quarter of 2015, take-up of industrial property was evenly distributed between grade B and grade C quality floorspace⁵¹. By comparison, approximately 90 per cent of the take-up of industrial property in London, the South East and the East of England was of grade A quality floorspace. This provides further evidence of a lack of quality provision of commercial property in Wales despite the improving economic climate.

3.46 There is clearly a lack of high quality industrial floorspace across Wales. Although based on data from 2011 and 2012, Figure 3.11 illustrates the limited change in industrial stock. In particular, growth in grade A stock has been stagnant over the six quarter time period.

Figure 3.11 Industrial Floorspace Availability in Wales by grade, Q2 2011-Q4 2012



Source: DTZ Research

Source: DTZ Property Times, Q4 2012

⁵⁰ Grade C floorspace is generally space previously occupied, completed or refurbished more than 10 years ago (i.e. typically cheaper space and of a lower quality and standard).

⁵¹ DTZ Property Times, UK Industrial Q1 2015, April 2015.

3.47 More recent research undertaken by JLL provides further evidence of diminishing availability within Wales. Whilst availability rose during the recession, it has fallen sharply since 2012. This fall in availability of industrial floorspace can be accounted for by a rise in demand as the Welsh economy slowly recovers from recession, as well as a result of some of the drivers of demand outlined earlier (e.g. changes in the retail market are placing significant pressures upon the stock of industrial/logistic floorspace).

Figure 3.12 Wales industrial/logistics availability, 2001-14



Source: JLL Industrial and Logistics 2015

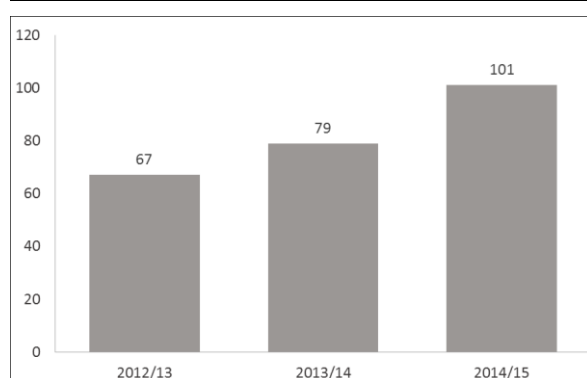
- 3.48 The following table highlights the disparity between demand for industrial floorspace and supply. 61 per cent of take-up of industrial floorspace in Wales in 2014 was for larger premises in excess of 100,000 sq ft. However, current supply in Wales is more geared to medium-sized accommodation between 20,000 sq ft and 100,000 sq ft.
- 3.49 Given the increased requirement for larger industrial/logistics floorspace amongst retailers, this may require some intervention to ensure the appropriate premises are available to meet changing business needs.

Table 3.4 Take-up and Available Supply of Industrial Floorspace by Sizeband in Wales

Size of Property (sq ft)	Proposed of Overall Take-up	Proportion of Overall Available Supply
1,000-4,999	9%	9%
5,000-9,999	8%	8%
10,000-19,999	8%	11%
20,000-49,999	7%	22%
50,000-99,999	7%	15%
Over 100,000	61%	35%

Source: JLL Cardiff

Figure 3.13 Number of Inward Investment Projects in Wales, 2012-15



Source: UKTI

Strong inward investment growth across Wales

3.50 According to statistics from UK Trade and Investment (UKTI), inward investment across Wales has increased substantially in recent years.

3.51 In the year 2012/13 the number of inward investment projects was 67. These were distributed in the following way:

- 47 projects in the South East Region
- 10 projects in North Wales
- 9 projects in the South West Region
- 1 project in Mid Wales.

3.52 In 2014/15, the number of inward investment projects was 101 (an increase of 51 per cent relative to 2012/13). Notable investments in Wales during 2014/15 reported by UKTI include SPTS Technologies

Ltd, which expanded its branch in Newport, South Wales leading to a £4.6m investment.

- 3.53 This reported increase in inward investment is encouraging, particularly as previous evidence by DTZ had suggested that inward investment only contributed a small amount to occupier demand across Wales (especially in North East and North West Wales).
- 3.54 Data prepared by the Welsh Government marginally differs from the inward investment statistics reported by the UKTI. According to the Welsh Government, there were 94 inward investment projects in 2014/15 (inward investment projects are measured slightly differently to UKTI), the vast majority of which were located in South East and South West Wales within the following sectors:
- Food
 - Financial and Professional Services
 - ICT
 - Life Sciences
 - Manufacturing.
- 3.55 The Welsh Government has a sectoral team structure in place which focuses its inward investment activity, as necessary, around nine sector teams. These teams, working in collaboration with other functions within Welsh Government (e.g. the property team), focus upon working collaboratively to meet the land and property needs of enquirers as they emerge. A strong portfolio of developer ready sites is an important asset at their disposal.
- 3.56 The Welsh Government has also announced ambitions to build upon the recent growth in the number of inward investment projects by implementing a programme of 27 overseas events to encourage trade and investment in 2015/16. Attracting additional inward investment will require suitable sites and premises in Wales to attract foreign businesses and suitably meet their requirements.

4. Rhyd y Blew – Site Evaluation

The Project

Background & Rationale

- 4.1 The Rhyd y Blew site in Ebbw Vale, Blaenau Gwent, is a large (29.2 hectares gross/12.9 hectares net developable) brownfield site which Welsh Government has owned since the mid-1990s. The Welsh Government has undertaken a range of earlier interventions to prepare the site for development (see site context below). Despite these interventions, as well as a period of sustained economic growth in the UK prior to the global financial crisis, this strategic employment site remained undeveloped.
- 4.2 Given the challenging economic and market conditions following the global financial crisis and the UK's recession, a key part of the Welsh Government's rationale for including this site in the SESIF Business Plan was focused on development viability. During this period there have been significant constraints on the private sector obtaining the necessary development financing for advanced infrastructure works without an identified occupier. Allied to this is the point that overall costs of the land, the costs of the infrastructure works (including addressing the site's ecological considerations) and the construction of premises proved an unviable proposition to the private sector.
- 4.3 In light of the prevailing economic and market challenges, SESIF funding was sought to pay for primary site infrastructure works to de-risk the site and to enable the provision of serviced development plots. Welsh Government aimed to make this regionally significant brownfield site a much more attractive proposition for major inward investors or private sector developers to bring forward the site for new employment uses.
- 4.4 This approach reflected the identified need by Welsh Government and local stakeholders for the public sector led creation of high quality employment sites in the area capable of accommodating high quality

businesses. The Rhyd y Blew site was also considered by Welsh Government of being of a scale that could deliver a regional impact for the Welsh economy, offering:

- Strategic access to Wales' principal road network
- An important focal point for industry and commerce in a regional and sub-regional context
- Excellent access to key employment centres
- First class ICT connectivity and supporting infrastructure
- A wide range of serviced plots to accommodate the needs of both indigenous and inward investors⁵².

4.5 This approach was deemed by the Welsh Government to present the best opportunity to maximise their return in the form of a capital receipt once the site was sold. However, in discussions with Welsh Government officers, there was acknowledgement that given existing land values, as well as costs associated with construction by a future developer/occupier, the capital receipt was unlikely to cover its existing investment.

4.6 SESIF funding supported a mix of infrastructure required for the Rhyd y Blew site, including:

- Road spur access off an existing roundabout, as well as internal site roads and street lighting
- Utilities infrastructure (gas, electricity, telecommunications, water and foul sewers).

4.7 As well as site infrastructure works, a major component of this sub-project was using SESIF funding to implement appropriate interventions to mitigate the impact of any construction activity on the ecological condition of the Rhyd y Blew site. The development site is part of the wider Rhyd y Blew site which is designated as a Site of Nature Conservation Interest (SINC). Previous ecological studies have

⁵² Cited in the Rhyd y Blew SESIF Project pro-forma

assessed and monitored the ecological status and condition of the site and its sensitivity to the proposed development as outlined in the site masterplan. Part of the SESIF Funding was used to implement the array of mitigation measures proposed by an independent ecologist commissioned by Welsh Government. This included mitigation measures for reptiles, amphibians, lapwings, other species, and habitat loss, as well as a requirement for on-going monitoring.

4.8 The Welsh Government's objectives for the project were:

- To create a high quality environment for development of employment premises thereby bridging the current gap in supply
- To accommodate more and better jobs
- To improve the environment and image for the Heads of the Valley area
- To achieve BREEAM Excellent Standards in development
- To support the development of a network of sustainable and strategic employment sites and premises within the key settlements of the South East Region in Wales⁵³.

4.9 The original timeline outlined for the project was:

- A masterplan to be completed by April 2010
- EIA completed by April 2011 and detailed planning application submitted in May 2011
- The project to commence in September 2011 in two phases⁵⁴

4.10 The original project documentation states that the Welsh Government's intention was to develop around half of the net developable site area for larger uses, with the other half of the site being used to support the accommodation and premises needs of small to medium sized enterprises. The documentation also highlighted that if future occupiers

⁵³ Ibid

⁵⁴ Project approval was finally given in 2012 and a single phase was identified as the best option

could not be identified within a 'reasonable' timeframe, there was an option for the Welsh Government to undertake a '*direct intervention through the construction of a speculative unit of approximately 50,000 sq ft*'⁵⁵. The plan noted that the delivery approaches would need to be market tested, including public-private partnerships or direct development⁵⁶.

Project Costs, Target Outputs and Results

4.11 The project costs for the Rhyd y Blew site were originally estimated at £2.0m in the SESIF Business Plan. These costs were split between a £1.28m contribution from Welsh Government and £0.72m ERDF grant contribution (an intervention rate of 36 per cent of total eligible project costs). The proposed Investment accounted for just over a quarter of all SESIF ERDF grant. Following changes in project costs associated with professional and audit fees, the re-profiled project costs (June 2014) rose to £2.02m, based upon a £1.29m contribution from Welsh Government and £0.73m ERDF contribution⁵⁷. Given the re-profiled project costs for this site and more importantly the other two sites, Rhyd y Blew accounted for 28 per cent of all SESIF ERDF grant.

Table 4.1 Rhyd y Blew Original and Re-Profiled Costs and ERDF Contribution

	Original (Business Plan)	Re-profiled
Total Cost (£m)	£2.00	£2.02
Total Eligible Costs (£m)	£2.00	£2.02
Private Sector Match (£m)	£0.00	£0.00
WG Match Funding (£m)	£1.28	£1.29
Sub-total (£m)	£1.28	£1.29
ERDF @36% of Eligible Project Costs (£m)	£0.72	£0.73
Percentage of total SESIF ERDF	26%	28%

Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015

⁵⁵ Ibid

⁵⁶ Ibid

⁵⁷ Rounded costs

- 4.12 Table 4.2 provides a summary of the target output and results that the Rhyd y Blew site was expected to deliver. The site output of 12.9 hectares accounted for just under half of the SESIF project target (48 per cent). Based upon the preferred option for the site (based on multiple occupiers rather than a single large occupier), it was anticipated that the site would accommodate around 540,000 sq ft of business floorspace, 30 enterprises and 1,500 jobs when fully developed out.

Table 4.2 Rhyd y Blew Target Output & Results			
	Rhyd y Blew	SESIF Total	Proportion of SESIF Target
Hectares of Land Developed [Output]	12.94	26.94	48%
Jobs Accommodated [Result 1]	1,500	2,700	56%
Enterprises Accommodated [Result 2]	30	60	50%
Sq ft of Premises Created or Refurbished [Result 3]	540,000	1,035,820	52%

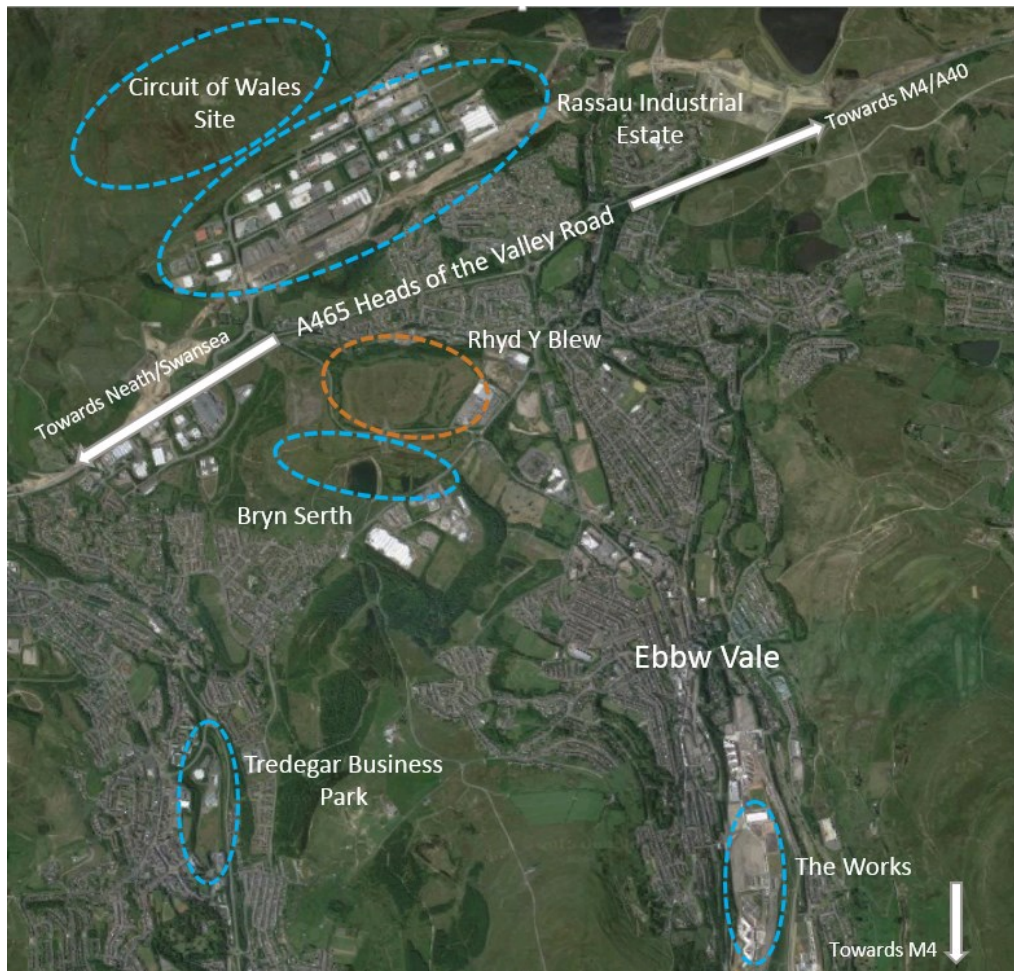
Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015

Site Context & History

- 4.13 The Rhyd y Blew site is a former open cast coal and ironstone mine site just over half a mile to the North West of Ebbw Vale, off the Bryn-Serth Road. The site has been owned by Welsh Government since the mid-1990s when the Welsh Development Agency (WDA) was charged with delivering economic development and regeneration.
- 4.14 The site occupies a strategic location to the south of the A465 (Heads of the Valleys Road) in the South Wales Valleys. The site is approximately 35 minutes travel time from Junction 32 of the M4 Motorway, with good access to the M50 and M5 Motorways to the Midlands. The site is bounded by a large supermarket to the east, Bryn-Serth Road to the south and west and housing and forestry plantation to the north. There is also another development site to the south of Bryn-Serth Road, which is in private ownership and allocated for employment uses. Both sites are included within the Ebbw Vale Enterprise Zone announced in September 2011. The proposed Circuit

of Wales site, to the north of Rassau Industrial Estate, is another important project locally with the potential to attract automotive companies and suppliers to the area who may have floorspace requirements.

Figure 4.1 Location Context for Rhyd y Blew and Other Ebbw Vale Enterprise Zone Sites



Note: The blue dashed lines represent other Ebbw Vale Enterprise Zone sites. Source: Google Maps/Regeneris Consulting

- 4.15 Since acquisition by the WDA, the site has undergone extensive remediation and reshaping to create a large development plateau (c. 13ha) surrounded by an open amenity / biodiverse area. Works have also included installation of land drainage and treatment of the boundary. A roundabout has also been constructed on Bryn Serth Road to provide access to the site.

4.16 Despite the reclamation of the site over a number of years, the site has remained undeveloped due to a range of economic, technical and ecological considerations⁵⁸ which has prevented the site becoming a viable development proposition.

4.17 The following provides a fuller history of the site's ownership and its planning/masterplanning history:

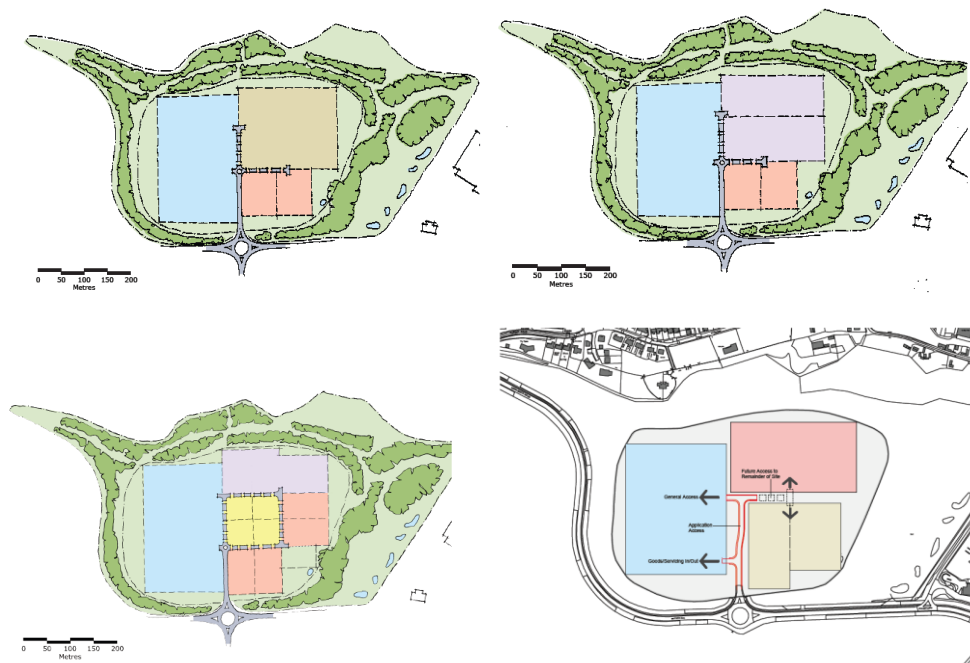
- The WDA bought the site in the mid 1990s to redevelop it for employment uses.
- Outline planning consent for B1b, B2, B8 employment uses was approved in 1997 by Blaenau Gwent County Borough Council, with full planning consent for remodelling the site in 1997. The development plateau was created in c.1999.
- In 1999, full planning consent was given by Blaenau Gwent County Borough Council for the access roundabout to be constructed to serve the site, as well as other employment sites in the areas (e.g. Bryn-Serth).
- Marketing of the site by Welsh Government and its partners continued through the late 1990s and early 2000s with limited interest and no take-up. However, a planning application was made in 2002 by the Welsh Government to Blaenau Gwent County Borough Council for a 100,000 sq ft development in light of an inward investment enquiry, although this application was later withdrawn.
- The site was allocated in the Blaenau Gwent County Borough Council Unitary Development Plan (UDP) in 2006 for B1, B2 and B8 employment uses. These uses formed the basis of the draft 2010 site masterplan by Powell Dobson Urbanists. This masterplan set out the site's constraints (i.e. identifying the range

⁵⁸ The proposed development site at Rhyd y Blew is part of the area's wider Site of Importance for Nature Conservation (SINC). The SINC comprises a mosaic of habitats, including marshy grassland together with ponds, ditches, semi-improved grasslands and scrub. The site is also a breeding area for ground-nesting birds such as skylarks and snipes.

of infrastructure works that would be required, as well as environmental/ecological considerations) and put forward development options to accommodate various combinations of future B1, B2 and B8 employment uses – from small and medium sized occupiers to larger occupiers, or a combination of the two.

- The preferred option therefore included a large plot for a major occupier, while including two further plots to accommodate a combination of small and medium sized occupiers.

Figure 4.2 Rhyd y Blew Site Masterplan Development Options



Note: The bottom right option was identified as the preferred option and was how the site was developed using SESIF funding, although some flexibility on combinations can still be implemented. Source: Powell Dobson Urbanists, Rhyd y Blew, Masterplan Development Options

- The site is now included in the Blaenau Gwent Local Development Plan (adopted in 2012), which replaced the previous UDP, for B1, B2 and B8 uses.
- There was a proposal to refresh the site masterplan in 2012/13. However, given the designation of the Ebbw Vale Enterprise Zone by Welsh Government in September 2011 with its focus on manufacturing, the masterplan for the site was not finalised and development options remained flexible.

- Consequently, in November 2012, Powell Dobson were re-commissioned to prepare an Infrastructure Planning document to support the full planning application from Welsh Government to Blaenau Gwent County Borough Council for the SESIF infrastructure proposals for the site. This again set out all of the site constraints and measures to be implemented to address them.

Local Policy Context – Project Relevance & Fit

4.18 The following section provides a review of the strategic relevance and fit of the SESIF investment project at the Rhyd y Blew site with the regional/local economic development and planning policy context. Each policy or strategy has been individually reviewed, while a summary table concludes the section providing a view on the relevance and fit of the project to supporting these policy/strategic frameworks.

European Union Structural Funds 2007-2013 Strategic Framework – Sustainable Regeneration South East Wales (2007)

4.19 Turning to the relevant Priority and Theme (P3T2 – Strategic Infrastructure), the area-specific aim for South East Wales was ‘*to achieve a range and network of high quality sites and premises to support a globally visible, dynamic city region. Sites and premises will be in locations closely aligned with the key settlements identified in the Spatial Plan South East Area work; and will encourage high or added value sustainable economic development and to modernise the accommodation profile appropriate to the South East city region*’⁵⁹.

4.20 This was underpinned by seven strategic objectives, including:

- ‘*The development of sustainable strategic employment sites and premises, to support a strong network of 14 interconnected key settlements across the region,*

⁵⁹ European Structural Funds 2007-2013 Strategic Framework, Sustainable Regeneration – South East Wales. WEFO. December 2009. Pages 14-15.

- *To implement landscaping, site remediation, land reclamation, redevelopment, clearance or refurbishment of obsolete or derelict buildings where necessary in support of the creation of more and better jobs,*
- *To provide appropriate infrastructure for the development of sites, including the issues of site-specific provision of utilities where necessary (in particular sewage and sewage infrastructure, which can be a significant development constraint), access and IT'.⁶⁰*

4.21 The strategy also aimed to address market failure and stimulate market demand by:

- *'Introducing of a small number of flagship business parks (including an international business park), prestigious sites and incubation facilities to meet the requirements of high value added activities,*
- *Providing a selection of a small network of competitively placed strategic sites,*
- *Providing advanced buildings to respond to new and traditional economy requirements and stimulate demand, especially in the disadvantaged areas,*
- *Upgrading existing sites and conversion of large units which are out of favour with current market conditions'⁶¹.*

4.22 The potential of Ebbw Vale to become a hub for economic growth was also recognised in the document, but no specific development activity was proposed in relation to the Rhyd y Blew site.

⁶⁰ Ibid., Page 15

⁶¹ Ibid., Page 15

Turning Heads – A Strategy for the Heads of the Valley 2020 (2006)

- 4.23 Produced in 2006, this strategy set out the vision for the Heads of the Valleys region in the context of the Wales Spatial Plan and provided a focus for targeted investment and regeneration. The strategy focuses upon 'Developing Balanced Communities'. The strategy set out that *'the Heads of the Valleys need a mix of strong employment opportunities and distinctive communities that are attractive, accessible, and offer an excellent quality of life in an improved natural environment' and that 'identified centres of economic growth and employment must be complimented by a network of connected communities'* providing a range of facilities and services⁶².
- 4.24 The strategy was developed around five priority themes, one of which was 'a vibrant economic landscape offering new opportunities'. To help achieve this, the strategy suggests a strategic programme of 'joined up solutions for business', including the commitment to *'actively encourage developers to improve and expand the range of business premises in the area, including within town centres, to help the Heads of the Valleys become a realistic investment option alongside centres such as Newport and Cardiff'*⁶³. The strategy made clear that this should be supported by improved transport and communications infrastructure improvements.

Blaenau Gwent County Borough Council Local Development Plan (LDP) up to 2021 (2012)

- 4.25 The Blaenau Gwent LDP provides guidance for new development and planning activities in the county of Blaenau Gwent up to the year 2021, and sets out 'a strategy which identifies the general locations for meeting strategic development needs' such as that of employment. The focus of the strategy is given as *'regenerating the area through creating*

⁶² Turning Heads...A Strategy for the Heads of the Valleys 2020. Welsh Government. June 2005. Page 15.

⁶³ Ibid., Pages 20-21

*a network of sustainable hubs around the principal hub of Ebbw Vale but recognising there is an emphasis on growth in the north and Ebbw Vale in particular*⁶⁴.

4.26 Four themes and 16 objectives are set out to help deliver the plan's vision. One objective is that *'by 2021 the regeneration plans for 'The Works', Ebbw Vale Northern Corridor [of which the Rhyd-y-Blew site forms a part] and other key regeneration sites will have been delivered benefiting the residents of the County Borough through the delivery of jobs, homes, community and green infrastructure*⁶⁵. The document goes into further detail about this activity, and states that the Ebbw Vale Northern Corridor area will be a mixed use site, accommodating a strategic employment site, along with employment and road side services, a commercial leisure hub and 700 homes⁶⁶.

4.27 The plan goes on to look at the various LDP policies in detail, and under Strategic Policy 1: Northern Area Strategy – Growth and Regeneration, the Ebbw Vale Northern Corridor area is designated a flagship site for development, and its strengths are recognised as *'its position relative to the Heads of the Valleys Road and its role as a Northern gateway into the centre of Ebbw Vale*⁶⁷. Due to the site's importance a site-specific strategy is set out, which states that:

*'Key aspects of the corridor will be to support a vibrant retail led town centre with sustainable residential development and provide economic opportunity and leisure facilities centred to the north capitalising on the opportunities for improved access presented by the planned realignments on the A465 Heads of the Valleys Road*⁶⁸.

⁶⁴ Local Development Plan up to 2021. Blaenau Gwent County Borough Council. November 2012. Page 2.

⁶⁵ Ibid., Page 20

⁶⁶ Ibid., Page 24

⁶⁷ Ibid., Page 28

⁶⁸ Ibid., Page 72

- 4.28 It is also noted that, as a matter of course, all developments will seek to achieve high sustainability and urban design standards, public realm and green infrastructure. The Rhyd y Blew site is identified as a potential strategic mixed-use employment site, and the LDP acknowledges the potential for ERDF and WG match funding as a funding source.

Ebbw Vale Sustainable Regeneration Framework (2011)

- 4.29 This study was commissioned by Blaenau Gwent County Borough Council and Welsh Government in 2009 with a view to future regeneration and development activities in the town of Ebbw Vale.
- 4.30 Within the study the Rhyd-y-Blew site was recognised as a regional employment site of strategic importance – it also noted that the site had remained undeveloped for a considerable period of time. Providing employment at Rhyd-y-Blew was identified as a key guiding principle of the entire framework. At the time the framework document was written (2011), funding for infrastructure to bring the site forward for development was being sought⁶⁹.
- 4.31 The document goes on to consider potential development sites in Ebbw Vale in detail, including Rhyd-y-Blew. The framework acknowledged that in the context of Rhyd y Blew specifically ‘delivery is enhanced by public ownership and the potential availability of Convergence funding. This would enable the site to be serviced and made available’. However, the framework also recognised that any pre-development infrastructure should ensure and retain ‘maximum potential development flexibility’⁷⁰. Other sustainable development issues that should be taken into consideration when developing the Rhyd y Blew site are listed, including potential for community interaction, access to

⁶⁹ Ebbw Vale Sustainable Regeneration Framework. Blaenau Gwent County Borough Council. April 2011. Page 36

⁷⁰ Ibid., Page 29

recreational facilities, its designation as a Site of Nature Conservation Interest (SINC) and links to public transport.

Ebbw Vale Enterprise Zone, Manufacturing a Successful Future

- 4.32 While there is not a formal policy document for the Ebbw Vale Enterprise Zone, its announcement in September 2011 was an important step in supporting economic development and regeneration activity in the town. The Welsh Government designated seven enterprise zones across Wales which are designated geographical areas to *'support new and expanding businesses by providing a first class business infrastructure and support'*⁷¹. Each of the zones had a different business/sector focus, with Ebbw Vale's focus being on the advanced manufacturing and materials sector. There is also a private sector led advisory board which is tasked with developing an action plan for each zone and for reporting to the Welsh Government.
- 4.33 The Ebbw Vale action plan is 'Manufacturing a Successful Future'. This plan sets out a vision for the Ebbw Vale enterprise zone of being *'a vibrant, world class high technology hotspot for manufacturing companies of all sizes spanning many key sub-sectors, providing employment that is challenging, rewarding and valued'*⁷². The action plan also acts as a marketing document setting out the strengths of the area in terms of its manufacturing heritage, skill base, flexible property solutions, business support services and incentives which are available, and strong infrastructure. The Rhyd y Blew site is identified as *'the largest strategic site available [for development] in the zone, offering enhanced capital allowances (ECA's)'*⁷³.

⁷¹ Welsh Government, Enterprise Zone Progress Update, November 2014

⁷² Manufacturing a Successful Future, Page 1

⁷³ Ibid, Page 11

Policy Context Summary

Table 4.3 Summary of the Regional/Local Policy Context – Relevance and Fit

Policy	Relevance of SESIF to Policy	Project Fit with Specific Policy
European Union Structural Funds 2007-2013 Strategic Framework – Sustainable Regeneration South East Wales	High - This document is highly relevant to SESIF as this is the sustainable regeneration framework under which the Rhyd-y-Blew site falls, and therefore the project would have needed to demonstrate close alignment to the framework's aims and objectives in order to secure ERDF funding.	High – in addition to the project site being located in Ebbw Vale, a key settlement and potential hub for economic growth identified in the document, the project contributes to the strategic objectives of developing suitable and sustainable strategic employment sites and premises and is also therefore very closely aligned with the overall aim for strategic infrastructure in the region.
Turning Heads – A Strategy for the Heads of the Valley 2020	Moderate - While the document is concerned with the physical and economic regeneration of the Heads of the Valley area, it covers many different policy areas and contains little specific detail on strategic infrastructure required on key sites for economic regeneration. There is one reference to encouraging developers to improve and expand business premises in the area.	Moderate – The SESIF project via its investment in Rhyd y Blew does contribute to the aims of the strategy, but is very much a small part of a bigger picture. No activity for the proposed site is specifically mentioned in the document given it is a regionally significant site.
Blaenau Gwent County Borough Council Local Development Plan up to 2021	High - This document is very relevant to the site of Rhyd y Blew and therefore the SESIF project. It provides detailed suggestions for the site as well as highlighting potential issues, and places the site firmly at the centre of economic regeneration activity in the town of Ebbw Vale.	High – The project sits very well at the heart of the Blaenau Gwent LDP as the project had already been approved by the time the plan was produced, and the ERDF funding element is acknowledged in the plan.
Ebbw Vale Sustainable Regeneration Framework	High - This document is highly relevant as it is wholly concerned with regeneration and development activities in Ebbw Vale and looks in detail at the potential development opportunities for the Rhyd y Blew site.	High – the Rhyd y Blew site is recognised as a regional employment site of strategic importance in the document. The potential for ERDF funding to enable the site to be serviced is also directly recognised.
Ebbw Vale Enterprise Zone, Manufacturing a Successful Future	High - This action plan document is highly relevant as it is wholly concerned with regeneration and development activities in Ebbw Vale, focusing on attracting investment and growing the economy. It focuses in detail on the potential development opportunity for the Rhyd y Blew site.	High – the Rhyd y Blew site is recognised as a regional employment site of strategic importance in the action plan.

Source: Old Bell 3

Local Socio-Economic Context

4.34 We have undertaken a summary analysis of the local socio-economic context to better understand the underlying socio-economic conditions prevailing within the local authority area of Blaenau Gwent when the SESIF investment project was in development and to understand the current conditions. This is helpful in articulating the need for the investment project at Rhyd y Blew.

4.35 The local socio-economic analysis primarily considers the district of Blaenau Gwent, within which the Rhyd y Blew site is located. Given the proximity of other neighbouring district, this section also assesses the economic performance of Caerphilly, Merthyr Tydfil and Torfaen.

Table 4.4 Economic Profile of Blaenau Gwent (and surrounding districts)

	Blaenau Gwent	Blaenau Gwent and surrounding areas ⁷⁴	Wales	United Kingdom
Employment Growth				
Employment Change (%) (2009-13)	2%	3%	1%	2% ⁷⁵
Employment Rate				
Employment Rate (Jan 2014 to Dec 2014)	65.4%	66.9%	69.5%	72.2%
Average (2004-2014)	61.6%	64.4%	68.3%	71.7%
Unemployment Rate				
Unemployment Rate (Jan 2014 to Dec 2014)	12.4%	9.8%	6.9%	6.4%
Average (2004-2014)	11.5%	9.2%	6.9%	6.6%
Out of Work Benefits				
Job Seekers Allowance Claimant Rate	4.1%	3.3%	2.4%	-
ESA and Incapacity Benefit Claimant Rate	12.2%	11%	8.6%	-
Skills				
No qualifications	14%	12%	10%	9%
Level 4+ qualifications	19%	25%	33%	36%
Proportion of Skilled Residents	28%	34%	39%	44%

Source: ONS Nomis

⁷⁴ Blaenau Gwent and surrounding areas comprises Blaenau Gwent, Caerphilly, Merthyr Tydfil and Torfaen.

⁷⁵ Data is for Great Britain, rather than for the United Kingdom (data for the UK is not available in the Business Register and Employment Survey).

4.36 A number of economic and labour market indicators for Blaenau Gwent suggest that the district's economy is comparatively weak and suffers from deep, underlying weaknesses:

- There were 18,600 employees working in Blaenau Gwent in 2013 according to the latest Business Register and Employment Survey (2013). Recent employment growth between 2009 and 2013 within Blaenau Gwent has been in line within growth across Great Britain (2 per cent), and higher than growth across Wales (1 per cent) over the same time period.
- The Blaenau Gwent economy is dominated by the manufacturing sector, which accounts for 24 per cent of total jobs within the district. A number of lower-value sectors also feature prominently such as the retail industry, which constituted 13 per cent of the total number of employees within Blaenau Gwent in 2013.
- However, while employment levels have been growing of late, the district's job density rate (i.e. the ratio of total jobs in the district to working age population) is just 0.47. Set against an average ratio of 0.72 in Wales and 0.80 in Great Britain, the district suffers from a real under-supply of employment opportunities relative to its resident population. The gap in jobs density ratio between the district and Wales has increased by c.60 per cent since 2000. The need for new and sustained local employment opportunities is clear.
- The latest Annual Population Survey data reveals that the employment rate for Blaenau Gwent was 65.4 per cent as of December 2014, compared to a ten year average of 61.6 per cent. The employment rate for Blaenau Gwent and the surrounding areas is marginally higher, although the ten year average is notably higher than for Blaenau Gwent. This implies that the Blaenau Gwent economy is significantly weaker than its neighbouring districts.

- The unemployment rate for Blaenau Gwent was 12.4 per cent in 2014, according to the Annual Population Survey. This is considerably in excess of the Welsh and UK unemployment rates for the same time period. The long-term average for Blaenau Gwent is also particularly high, implying that structural issues exist within the labour market that prevent unemployment from falling (e.g. long-term unemployment associated with skills and health-related inactivity). Additionally, the unemployment rate for Blaenau Gwent and the surrounding areas is substantially lower than the rate for Blaenau Gwent, providing further evidence that Blaenau Gwent's economy underperforms compared to neighbouring local authorities.
- The scale of unemployment within Blaenau Gwent has undoubtedly contributed to the comparatively high levels of job seeker allowance (JSA) claimants within the district. The number of claimants living in Blaenau Gwent as a proportion of the working age population is 4.1 per cent, greater than the rate for Blaenau Gwent and the districts of Caerphilly, Merthyr Tydfil and Torfaen (3.3 per cent) combined, and greater than the rate for Wales (2.4 per cent). Similarly, the rate of ESA and Incapacity Benefit claims in Blaenau Gwent (4.1 per cent) is higher than the comparative rate for Wales (2.4 per cent).
- Blaenau Gwent's economy is also characterised by a relatively low-skilled resident base with poor levels of academic achievement. According to the latest Annual Population Survey data, the proportion of Blaenau Gwent's residents without any formal qualifications is 14 per cent, compared to 10 per cent for Wales and 9 per cent for the UK. Conversely, the number of residents in Blaenau Gwent holding a Level 4 qualification or above is just 19 per cent, far below the equivalent proportion across the surrounding districts (25 per cent), Wales (33 per cent) and the United Kingdom (36 per cent).

- The poorly skilled resident base within Blaenau Gwent is reflected in the relatively low earnings of residents in the district. According to the latest Annual Survey of Hours and Earnings data, the average earnings of a full-time worker residing in Blaenau Gwent is £398, much lower than the earnings across Wales (£479) and the UK (£518).

Local Property Market Context

Demand

- 4.37 The Rhyd y Blew site was purchased by the then Welsh Development Agency in the mid-1990s for it to be redeveloped for employment uses. The WDA and subsequently the Welsh Government have undertaken a series of works, both on and off site, over a number of years prior to the SESIF investment to enable the site to be more effectively marketed for sale and for redevelopment. Various planning consents have also been secured to support this process.
- 4.38 However, as our consultations have highlighted, despite these various works, consents and marketing approaches there has only ever been very limited demand/interest by private sector parties in the redevelopment of the whole site, with no firm offers made. Despite the site being in single ownership and in a strategic position on the edge of Ebbw Vale and adjacent to the A465 Heads of the Valley road, the site has remained undeveloped due to range of economic, technical and ecological considerations which has prevented the site becoming a viable development proposition. In short, the costs for addressing these site issues, alongside the costs of construction for any business accommodation are too high in light of the residual value of the developed site.
- 4.39 As well as site specific issues at Rhyd y Blew, private sector demand for large employment sites, even those with fewer constraints, in this area of Wales has traditionally been weak. The Valleys area has historically struggled, even during more buoyant economic periods in

the Welsh and wider UK economic cycles, to stimulate sufficient demand to successfully re-orientate its economy as industrial restructuring has taken place (e.g. a shift away from mining and heavy industries). A range of public sector interventions and industrial/economic development policies have been deployed over the years to stimulate site development or inward investment activities. However, the area continues to struggle to compete for both indigenous and inward investment opportunities, mainly with locations closer to the M4 corridor and to larger centres of population and labour supply, or with other regions of the UK.

4.40 In terms of providing a wider perspective on demand for land and premises in Ebbw Vale, Blaenau Gwent and the wider area, we have explored various data options from local authority held enquiries data as well as data on web-searches from the Welsh Government's 'Wales Property Database'. However, we found that the position on local demand data was one which was quite fragmented at a local authority level (given how data was managed and could be interpreted⁷⁶) while we also judged that there were issues on the robustness of reporting demand figures (i.e. number of web searches) from the property database.

4.41 Without access to robust datasets which identify local property market demand data and market issues, a series of consultations with local authority officers and property agents has enabled us to draw out some of the key demand-side considerations for the Rhyd y Blew site, as well as more general points for the district and neighbouring areas. The following provide some of the key market demand considerations emerging from the consultations:

- Ebbw Vale and the district of Blaenau Gwent is an area which suffers from weak demand for industrial land and premises.

⁷⁶ Although we understand a new system is currently being commissioned to manage enquires data.

- Agents mainly see demand arising locally for light industrial units in the 1,000-5,000 sq ft range, but they do not often receive requirements for larger units than this.
- Weak demand is clearly reflected locally in the predominance of former industrial sites and premises that are vacant and/or under-used. Much of the available stock is generally older, of a lower quality compared to modern provision, and low cost.
- Viability of development has been the key issue locally in stimulating demand for developing sites and for premises by the private sector. For many sites, the costs of developing in the area (both infrastructure and construction costs) would be significantly in excess of the potential end value of the site once developed.
- The area has to compete with sites and locations within the M4 corridor where agents see the strongest levels of demand being focused. The Heads of the Valley area does attract some manufacturing businesses/sectors, but this has typically been associated with public sector grants and other interventions to stimulate interest.
- Viability and the area's peripheral location have historically been key drivers in shaping a series of public sector interventions supporting the development of industrial estates and speculative developments in the area to encourage growth, and in particular encourage inward investment activity (some of which has been more successful than others). Many agents pointed to the recent use of SESIF, alongside property development grants as being crucial tools in stimulating demand and investment in the area.
- In terms of office floorspace, demand is very limited in Ebbw Vale. While there has been some investment by the public sector in managed workspace provision which has proved popular, given levels of demand there is no appetite for any speculative new office space to be developed in the area.

Supply

4.42 As well as the availability of the Rhyd y Blew site, it is helpful to better understand the wider context of the supply of available land and industrial/office floorspace. To do this, the evaluation has analysed supply data from the Welsh Government's 'Wales Property Database'. The database consists of supply information provided by local authorities and from agents. It provides the best available comprehensive evidence base on supply in the Blaenau Gwent area and within neighbouring districts. The following supply analysis therefore includes the Rhyd y Blew site as part of the overall supply picture.

4.43 Some of the key findings include:

- Blaenau Gwent district has approximately 63 hectares of available employment marketed across five sites (the Rhyd y Blew site is a key site included in this). The average site equates to 12.6 hectares, which is in line with the scale of the Rhyd y Blew development plateau. This suggests that while the Rhyd y Blew site is identified as a large strategic site, there are also a number of other major sites that are available in the market and which can potentially compete for investors.
- If a wider viewpoint on employment land supply is taken across the four districts shown, Caerphilly district has over 260 hectares of available employment land – that equates to around 80% of all available employment land in the wider local area (326 hectares). So not only is there a relatively sizeable quantum of available employment land being marketed for development within Blaenau Gwent district, the overall picture in this area of the Welsh Valleys is of an abundant supply of designated employment land. Much of this is previously developed land which, in some cases, will be in direct competition for investors who may also be interested in Rhyd y Blew.

- Similarly to the position on employment land, both Blaenau Gwent (81,900 sq m) and Caerphilly (154,000 sq m) districts have significant levels of available industrial floorspace ready for occupation. Both Merthyr Tydfil (39,700 sq m) and Torfaen (53,000 sq m) districts also have significant volume of available industrial floorspace. Taken together, this headline data points to an overall position of just under 330,000 sq m of industrial floorspace availability. While this is a considerably large supply position, reflecting the challenges faced locally as a result of low levels of demand, what the headline data does not show is the overall mix in quality of this supply. Our consultations point to predominantly the position being one of a significant supply of older, lower quality and relatively lower cost industrial premises.
- The availability of office floorspace in Blaenau Gwent is relatively modest at around 2,400 sq m, with the average size of available office space being approximately 200 sq m. While this level of overall availability appears modest, this level of supply reflects the market demand for office premises in the district and more widely across the neighbouring local districts, where only Caerphilly had a reasonable scale of available accommodation. There has been very limited office development within the district in recent decades. Office stock is generally older, with a mix of private and public sector owned premises.

Table 4.5 Summary of Available Land and Property Supply in Blaenau Gwent and Neighbouring Districts

	Number of Listings	Approximate Total Amount of Available Floorspace	Average Size of Lot
Blaenau Gwent			
Industrial	39	81,900 sq m	2,100 sq m
Office	12	2,400 sq m	200 sq m
Land	5	62.8 ha	12.6 ha
Caerphilly			
Industrial	75	154,000 sq m	2,100 sq m
Office	57	26,500 sq m	465 sq m
Land	12	261.1 ha	21.8 ha
Merthyr Tydfil			
Industrial	12	39,700 sq m	3,300 sq m
Office	6	2,300 sq m	380 sq m
Land	1	1.8 ha	1.8 ha
Torfaen			
Industrial	15	53,000 sq m	3,530 sq m
Office	12	4,700 sq m	390 sq m
Land	1	0.8 ha	0.8 ha

Source: Wales Property Market Database

Project Progress & Issues

Project Progress & Performance against Targets

- 4.44 The Rhyd y Blew site had a clearly defined timeline and scope of works set out within the early business planning documentation. This originally included a project completion by September 2012 and the delivery of six key infrastructure components (road spur access off an existing roundabout, as well as internal site roads and street lighting, gas, electricity, telecommunications, water and foul sewers). Given the construction activities required, and the environmental sensitivity of the site (SINC), a series of ecological activities and mitigation measures were also required to be undertaken as part of the project.
- 4.45 As outlined in more detail in the project delivery chapter (Chapter 7) the overall timeline for the SESIF project changed markedly from when the original project idea form (PIF) was drafted (April 2009) to the receiving of a WEFO approval letter (February 2012) – this was almost 3 years (34 months). While there was a delay in the time between the SESIF

project being proposed and funding being approved, there was also a requirement for a considerable amount of work to be undertaken by Welsh Government officers and others partners in relation to the Rhyd y Blew site. This included:

- ensuring that Welsh Government match funding was secured for the project
- further developing the masterplan options and preferred option for the site (see the earlier Rhyd y Blew timeline)
- preparing the planning application and submitting this to Blaenau Gwent County Borough Council for determination
- working within an evolving policy context - given the designation of the Ebbw Vale Enterprise Zone in September 2011 and the requirements on all stakeholders to work collaboratively in ensuring all sites and future developments (including infrastructure requirements at Rhyd y Blew) maximised the economic potential of the whole Enterprise Zone.

4.46 To date, five out of the six components of the required site infrastructure have been completed ahead of the SESIF project completion deadline (end of June 2015). This includes:

- the internal road and street lighting, telecommunications and gas infrastructure were all completed by December 2014.
- the mains water connection was completed in January 2015
- electricity cabling was laid in February 2015, with connection to the key electricity sub-station, to the north of the Heads of the Valley road, taking place more recently in May 2015.

4.47 In addition, prior to the construction period and during it, the ecological mitigation measures proposed as part of the project were undertaken. These continue to be monitored by an independent ecologist commissioned by the Welsh Government. A further independent verification and assessment of the ecological impact of the project upon

the site has been undertaken as part of this evaluation – see below for a summary of the assessment findings undertaken by Acer Ecology.

4.48 Figure 4.3 presents photographs from our site visit in May 2015 providing an illustration of some aspects of the infrastructure and ecological mitigation measures.

Figure 4.3 The Rhyd y Blew Site – Infrastructure & Environmental/Ecological Works, May 2015

Entrance to site from roundabout



Main spine road



Spine road junction to development plot



Fencing as part of ecological mitigation strategy



Spine road looking back to roundabout



Environmental watercourse measures



Source: Regeneris Consulting

4.49 However, the key outstanding infrastructure component which has not yet been completed is the installation of the foul water sewer. This is a critical piece of site infrastructure required in order to accommodate a future occupier. This component of infrastructure is also very costly, accounting for around 50 per cent of all sub-project costs (c. £1m). We outline below some of the back-story and issues surrounding the non-implementation of the foul water sewer and implications for the site and the overall SESIF project. However, in summary, this issue is the key reason why this SESIF sub-project **cannot be considered as being completed** ahead of the official SESIF Project Completion date of the 30th June. As such, Welsh Government has not been able to claim the full ERDF contribution.

Table 4.6 Rhyd y Blew Performance Against Target Expenditure

	Re-profiled Expenditure (£m)	As of End June 2015 (£m)	Under-spend (£m)	% of under-spend
Total Site (Sub-Project) Expenditure	£2.02	£1.05	-£0.97	-48%
Total Eligible Expenditure	£2.02	£1.04	-£0.97	-48%
Private Sector Match	£0.00	£0.00	£0.00	0%
WG Match Funding	£1.29	£0.67	-£0.62	-48%
Sub-total	£1.29	£0.67	-£0.62	-48%
ERDF @36% of Eligible Project Costs	£0.73	£0.38	-£0.35	-48%

Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015

The Foul Water Sewer Issue

4.50 The foul water sewer is the most costly piece of infrastructure within the Rhyd y Blew project, accounting for around 50 per cent of all costs for the site (c. £1m). The background to the delay in the installation of the sewer is, as we understand it, broadly as follows:

- The Welsh Government originally envisaged a sewer connection to the north east out of the Rhyd y Blew site. This was part of the advice they received from appointed consultants during the site masterplanning phase and was an agreed approach for which during this time there appeared no rationale to query or

challenge. However, discussions in early through to mid-July 2013 with other parties (including Blaenau Gwent Council, the Enterprise Zone Executive and Welsh Water) resulted in an on-going dialogue that the proposed approach would not meet the future needs of other development sites coming forward in the local area due to capacity constraints. Welsh Government was advised that if the proposed sewer option was pursued through the planning system, Welsh Water would object when plans were submitted to Blaenau Gwent Council.

- In light of this position, we understand it was agreed between all parties that a wider hydrological study would be required to model the potential flows from all development sites within the area and the potential larger sewer requirements of the wider area. This study was commissioned by Blaenau Gwent Council and Welsh Water commenced their study in September 2013. We understand that the original duration for the study was six months, with completion due in March 2014. However, the study was only finalised in July 2014, after nine months. Taken together with the initial discussions the total delay as a result of this planning and assessment process was approximately 12 months.
- The outcome of the hydrological study has led to a new alternative sewer solution being proposed that will serve the Rhyd y Blew site and provide further local capacity as other development sites come forward. Work is currently continuing, led by Welsh Government and partners, to finalise the design, costs and approvals required to take this forward.

4.51 As a result of the delays to the sewer, the Rhyd y Blew site failed to meet the ERDF SESIF project completion deadline at the end of June 2015. The upshot of this for the Rhyd y Blew site, the SESIF project and the ERDF Programme is as follows:

- **Lower than anticipated site and SESIF project expenditure:** The failure to complete the Rhyd y Blew site ahead of June 2015 has resulted in an underspend of around £0.96m, with an ERDF underspend of £0.35m. To put this into context, the Rhyd y Blew site accounts for 92 per cent of all ERDF SESIF project underspend.
- **A requirement for further Welsh Government funding:** Given the delays and resultant underspend of ERDF, Welsh Government officers sought ministerial approval to fund the outstanding sewer works in order to complete the project. We understand that this approval has now been granted and the site works will be completed and be ready for any future occupier. The main downside to this approach is the opportunity cost that is implied as a result of the need to secure further Welsh Government funding, rather than having been in a position to utilise the available ERDF resource.
- **Failure to secure the project output and results for the Programme:** The ERDF Programme will be unable to claim and record the output and results of this element of the SESIF project. However, we understand from consultations with WEFO that this will not have a detrimental impact on the Programme's overall performance (e.g. the Programme has achieved a higher performance in the 'Land Developed' output). Nonetheless, while the Programme will not be able to claim the output and results, the impact assessment chapter (Chapter 8) provides further thoughts and insights on the potential future impacts arising at the site and contribution of the ERDF investment to this end.

A Potential Future Occupier at Rhyd y Blew

4.52 We understand that the Welsh Government is currently in detailed negotiations with an inward investor who is interested in acquiring the Rhyd y Blew site to develop a new manufacturing facility in the UK. The Welsh Government expects to have confirmation from the company's

board later this year if they are to proceed. The inward investor has been dealing with the Welsh Government's Inward Investment team and the Advanced Manufacturing and Materials sector team over the last 12 months. While locally, we understand the Enterprise Zone Executive and the local authority have also played a key role in facilitating the process and in engaging with the investor.

4.53 Given the inward investor's relationship with UK-based car manufacturers as a result of their future supply chain contracting opportunities, we understand that they have only been dealing with Welsh Government in their search for a site. A number of sites were proposed by Welsh Government, including Rhyd y Blew. While the sites proposed had broadly similar advantages in terms of Assisted Area status, site infrastructure and accessibility to markets and labour, through our consultations we understand that there are a number of factors which have led to the Rhyd y Blew site being the preferred site in Wales for the potential investor. These include:

- **Excellent modern infrastructure:** The impact of the SESIF infrastructure investment was cited by consultees as being critical to impressing the inward investor that the site was primed and ready for development. With all of the necessary on-site plots and utility connections completed or nearing completion, this provides certainty to the potential investor that they would experience short lead-in times to be on-site constructing and then being operational (albeit with their understanding and reassurance from Welsh Government that the finalisation of the sewer would not impact upon any future construction programme for the facility they would wish to implement).
- **The site being a 'clean plot':** We understand that some of the alternative sites presented by Welsh Government would have required the modification of existing buildings and plots. The Rhyd y Blew site provides an opportunity for the investor to undertake a development on a large site, which would enable them to deliver a bespoke manufacturing facility that would meet

all of their immediate needs, as well as provide scope for further expansion in due course.

- **Excellent access to the primary road network:** The site infrastructure works have come forward at a timely juncture being in line with the strategic investment in the dualling of the A465 Heads of the Valley Road which is on-going. Given the 'just-in-time' nature of the automotive sector's supply chain in the UK, the Rhyd y Blew site's position in close proximity to the A465 provides excellent access to the road network and connections into the rest of the UK.
- **Part of the Ebbw Vale Enterprise Zone:** The site is the largest site within the Enterprise Zone. Locating within an Enterprise Zone and at Rhyd y Blew brings with it financial incentives such as Enhanced Capital Allowances (ECA's) and grant aid via Assisted Area status (Tier 1), as well as access to superfast broadband connectivity and other business support activities. The local area also includes a range of other key employment sites, those identified as major sites in the Zone (e.g. Bryn Serth), plus other development sites in Ebbw Vale. Given the potential supply chain needs of the inward investor, the availability of other development sites is also an important consideration, as well as the opportunities to further develop an automotive or manufacturing cluster in the area.

4.54 Given these factors, the Rhyd y Blew site is very much considered by a range of stakeholders as the 'jewel in the crown' of the Enterprise Zone and in the wider Valleys area for attracting a large inward investor occupier. From our consultations with agents, stakeholders and Welsh Government officers who operate within the sector or inward investment teams, we understand that the current interest in the site has arisen as a result of long-term supply chain contracts in other areas of the UK within the automotive sector which is trying to re-shore key supply chain contracts. However, prior to the SESIF project being implemented, Welsh Government has advised that they have only ever had very

tentative and modest interest in the Rhyd y Blew site over the period of their ownership of the site. We are advised that enquiries never translated into firm interest, given the lengthy development timescale/trajectory required to bring the site forward, allied with the significant costs associated with site remediation and infrastructure works.

- 4.55 Given the SESIF investment that has occurred, as well as other strategic investments/interventions locally, we understand that there have been a number of additional enquirers for Rhyd y Blew that the Welsh Government has been liaising with over the last 12-18 months from across the automotive, aerospace and food manufacturing sectors. While Welsh Government has prioritised the automotive enquiry, given its potential for the inward investor to become one of Ebbw Vale's largest employers, this uplift in enquirers certainly reflects the SESIF funded enhancements in de-risking the site and aiding inward investors to visualise the site's potential. Importantly, the infrastructure works that have been completed have also made a **significant difference to the viability of investment projects**. While that is not to say that the potential end value generated by a future development will be greater the total costs, the SESIF project has dealt with a significant level of cost and associated risks which will make the site a much more attractive development proposition.

Cross Cutting Themes

- 4.56 From our review of documentation and consultations with Welsh Government officers, the Rhyd y Blew project has contributed, where possible, towards both ERDF Programme Cross Cutting themes – Environmental Sustainability and Equality of Opportunity. Given the ecological considerations associated with the site, the contribution to this theme has been significant and forms part of a wider overview below given the requirements to report on these considerations more widely as part of the evaluation.

Equality of Opportunity

4.57 Given the nature of this investment project, its contribution towards the ERDF Programme's equality of opportunity theme is largely attributed to the procurement processes deployed by the Welsh Government in the contracts which were let and managed and the contractors appointed. We understand that a range of tendering arrangements was utilised:

- Open tender opportunities for the main site infrastructure works were advertised on the Welsh Government's E-tender portal. These approaches utilise pre-qualification processes which set out the Welsh Government's requirements of contractors on equality, while the invitation to tender and interview processes test contractors further on these matters.
- Existing Welsh Government frameworks were used for the appointment of professional services advice, such as planning and masterplanning and legals. Companies that are on these existing framework agreements have had to demonstrate that they have the requisite policies on equality of opportunity that are in accordance with Welsh Government's requirements.
- Short-listed contractor procedures (e.g. three quotes for the installation of reptile fencing or quotes for ecological advice). This approach was used for expediency and given the specialist nature of the advice.

4.58 The Welsh Government technical manager has provided an example of the specification used for the Rhyd y Blew site's main contract. This document emphasises the importance placed on Welsh Government (the employer) and its contractors on implementing both the Welsh Language Scheme and Equality and Diversity as part of this site investment project.

- Welsh Language Scheme:

- *‘The Contractor implements and adheres to the terms of the Welsh Language Scheme, monitors its operation and reports to the Employer (at its request) thereon; and*
 - *imposes a contractual obligation on each of its Subcontractors in terms substantially similar to those set out above and monitors compliance with and takes all reasonable steps to enforce the same’.*
- Equality and Diversity:
 - *‘The Employer is committed to the active promotion of equality and to valuing diversity in all its work. It is committed to honouring the duties and rights enshrined in legislation and where possible, will go further than the requirements of law. The Employer believes that promoting diversity and equality of opportunity among its work force and more widely, will assist in meeting the needs and aspirations of the people of Wales. The Employer therefore seeks to contract with companies with similar aspirations and this is reflected in the consideration of the Quality submissions made by tendering companies’.*

4.59 In light of the above, it is clear that Welsh Government procurement processes have equality of opportunity enshrined within them and that these principles have been applied through the contracting opportunities arising as a result of the Rhyd y Blew investment.

Environmental Sustainability

4.60 This cross cutting theme is an important consideration within the context of the Rhyd y Blew site. The ecological and environmental importance of the Rhyd y Blew site has been recognised by Welsh Government for a number of years, given its SINC status. The Welsh Government commissioned a series of site surveys by an independent ecologist ahead of masterplanning activities for the redevelopment of the site.

4.61 This was important as it helped to identify the baseline ecological/environmental position at the development site and enabled on-going monitoring to be undertaken. The surveys and monitoring data was used by Welsh Government in articulating their planning case for the site to the local authority and in designing and implementing an appropriate mitigation strategy as part of the SESIF site infrastructure activities. The mitigation strategy included:

- erection of reptile fencing around the boundaries of the development area (January 2013)
- translocation of reptiles and amphibians founding within the exclusion fencing to the eastern plateau of the site (2013)
- continuing monitoring of reptile exclusion fencing and subsequent repairs (2013 onwards)
- discouragement of breeding lapwing from the site with a lapwing mitigation area being constructed at the western end of the Rassau Industrial Estate (agreed with RSPB).

4.62 Welsh Government required, as part of this evaluation, an independent assessment of the ecological impact upon the site, given the implemented mitigation strategy and the installation of the site services. Regeneris Consulting commissioned Acer Ecology, based in Penarth, to undertake the independent assessment. They undertook a site visit in early June 2015 to undertake their fieldwork, while they also liaised and consulted with the Welsh Government commissioned ecologist.

4.63 Acer's report is appended to the evaluation. However, their key finding on the post-development ecological impacts are summarised as follows:

- *'The construction of the road towards the south of the site has resulted in the loss of a relatively small area of marshy grassland ditch. These habitats are suitable for supporting a wider range of protected/priority species such as ground nesting birds, invertebrates, reptiles, amphibians and foraging bats. However, the relatively small area lost and the abundance of these habitats*

*in the wider area of Rhyd y Blew and local landscape means that **no significant ecological impacts are likely to have arisen as a result of the development.***

4.64 While this is a positive overarching conclusion for the project as a result of the mitigation measures deployed, and particularly in light of the Environmental Sustainability ERDF cross cutting theme for SESIF, Acer did set out a number of recommendations to Welsh Government to address issues they noted as part of their assessment. A full outline of the recommendation can be found in Section 5 of the Ecological Assessment. In summary they include:

- *Repair/upgrade of reptile and amphibian exclusion fencing (in light of breakages and sewer accessibility back to the development plots) and updated translocation.*
- *Enhancement and management of existing ponds in Rhyd y Blew every two years to ensure the habitat for translocated amphibians is suitable.*
- *Lapwing and nesting birds – anecdotal evidence suggested that the development plots were attracting nesting birds. Acer advised that development works should not be undertaken during the bird breeding season of March to August.*
- *Future developments – the development of buildings on the sites will result in the completed loss of habitat, with compensatory measures implemented as per the recommendations previously outlined in the mitigation/compensation report (January 2013).*

4.65 As well as the ecological considerations for the site, our analysis of the example contract provided by Welsh Government for the main site works also included the inclusion of a clause on Welsh Government's Waste to Landfill objectives which also accords with this cross cutting theme, '*...the Contractor and his supply chain shall carry out and complete the works in compliance with the Employer's Waste to Landfill objectives*'.

Rhyd Y Blew Site Conclusion

- 4.66 It is clear from our consultations that the Rhyd y Blew site investment had the support and buy-in of a range of stakeholders, given the site's strategic importance in Ebbw Vale, as part of the Enterprise Zone, as well as in the wider Heads of the Valley area as a major employment site. There has been on-going engagement and liaison between Welsh Government officers and stakeholders for a number of years. This has led on from previous interventions on the site, and in particular with the masterplanning process and planning applications which have set a clear direction for the site's redevelopment opportunities.
- 4.67 However, given the reasons outlined regarding the foul water sewer, the project has not been able to complete on time. With hindsight, while the amount of time post SESIF project approval appeared reasonable (c. 3 years) to achieve all of the necessary planning and on-site works, in practice this was not the case.
- 4.68 We understand that the Welsh Government was acting on professional advice and initial consultations with Welsh Water regarding the sewer. However, given the later steer provided by Welsh Water about the capacity constraints in the wider sewer network in the area and the redevelopment potential of other sites, it does suggest that a greater emphasis (i.e. through earlier, regular and comprehensive consultation with Welsh Water and a clearer strategic overview of development proposals for other sites) should have been placed in considering the risks to delay associated with this aspect of the site infrastructure works.
- 4.69 The outcome from this has been the loss of remaining ERDF funding. This has had a knock on implication for the SESIF project's total project and ERDF expenditure levels. Although we understand that this has not had negative implications for overall ERDF Programme delivery, it has required the Welsh Government to solely fund the remaining works to ensure the site's infrastructure is completed. As well as the loss of ERDF funding, the SESIF project and the ERDF Programme will not be able to claim the site's land developed output nor its results.

- 4.70 While the project did not complete on time, a significant proportion of the required works were undertaken as intended, including the ecological mitigation measures. The commitment of further Welsh Government resource will ensure that all works are completed in the near future. We would conclude therefore that the overall project and ERDF investment has played an extremely important enabling role in leveraging interest and potentially a future occupier (large inward investor) to the site.
- 4.71 The consultations undertaken with property agents and Welsh Government officers highlight that the Rhyd y Blew site is now very well placed to attract future occupiers. Allied to the improvements being made with the strategic road network, good access to labour and its Enterprise Zone status, the Rhyd y Blew strategic employment site forms part of an attractive wider proposition to investors and/or developers.

5. Amazon Way Stage 2 – Site Evaluation

The Project

Background & Rationale

5.1 The A483 Fabian Way Corridor/Jersey Marine area is located in the local authority area of Neath Port Talbot. However, it is very much part of the wider Swansea City region area, given it is a key gateway into Swansea. The Corridor and its environs, including the Coed Darcy site to the north (the former BP Llandarcy site

which is currently being transformed by developer St Modwen into an Urban Village), has long been identified in policy and masterplanning terms⁷⁷ as a key strategic regeneration area by the Welsh Government, local authority partners, as well as other stakeholders. More recently further regeneration activity has begun to the south of the A483 with the development of Swansea University's new campus.

5.2 The Welsh Government has had land interests in the Fabian Way Corridor for a number of years, as well as having a strategic interest in the wider regeneration of major former industrial sites in the area, such as Llandarcy. Taken together, the development of Coed Darcy with a mix of residential and employment uses, alongside the redevelopment of other industrial sites, including their own within the Fabian Way

Figure 5.1 Amazon Ways Stage 2 Site Location



Source: Google Maps/Regeneris Consulting

⁷⁷ The Fabian Way Corridor Masterplan was developed by stakeholders, while the Coed Darcy Urban Village masterplan was developed by St Modwen.

corridor, the area has the potential to provide a significant step change in the area's regeneration and economic development.

- 5.3 Utilising grant funding from the 2000-2006 ERDF Programme, as well as its own resources, the Welsh Government supported the development of the first stage of Amazon Way. This road infrastructure project was developed as part of the Welsh Government's ambition to attract Amazon to the Fabian Way Corridor to develop an 800,000 sq ft fulfilment (distribution) centre, which was achieved. It also supported wider ambitions to open up other land for redevelopment within the vicinity (although these Welsh Government owned sites are still being marketed).
- 5.4 The Stage 2 project aimed to extend Amazon Way by a further 1.5km from the Amazon Fulfilment Centre roundabout, using land behind the former Ford/Visteon factory heading towards the Gower Chemicals facility and the Neath Port Talbot Council materials and recycling centre. The Welsh Government, along with other stakeholders, saw an extended road link as critical to the future marketing and development of other land holdings within the area, both publicly and privately owned.
- 5.5 The extended road link was also promoted as it would provide an important link to the proposed 'Southern Access Road' to Coed Darcy. St Modwen's planning consent included a Section 106 agreement requirement for the urban village to have a southern access road to reduce the impact on the existing local road network serving the Coed Darcy site, as well as provide an important public transport link to Swansea from the village. The planning trigger point for St Modwen to develop this road link was 301 houses (note: not the development of employment land). This spur would provide access from the southern access road to Amazon Way and onwards.
- 5.6 The Stage 2 project involved:
- limited site remediation
 - the grading of the road base

- the provision of a new carriageway, cycle ways and footpaths
- the provision of new services, drainage attenuation ponds, culverts and ditches.

5.7 The project was later extended in 2013, using ERDF and Welsh Government funding (see more detail in later sections), to include an additional junction off Amazon Way Stage 2 to provide access to the former Elba Works site (a building to the south of Amazon Way which was once part of the Ford/Visteon factory complex) which the Welsh Government purchased some six months after the main Stage 2 road works were completed.

Costs, Target Outputs & Results

5.8 The costs for Amazon Way Stage 2 were estimated at £4.5m in the SESIF Business Plan. These costs were split between a £1.78m contribution from Welsh Government, £1.1m from St Modwen and a £1.62m ERDF grant contribution. The investment accounted for 59 per cent of all SESIF ERDF grant.

5.9 The £1.1m contribution from St Modwen was agreed as part of a 'Tripartite Agreement' between the Welsh Government, NPTCBC and St Modwen⁷⁸. As St Modwen would be required to invest in a Southern Access Road at some point in the future, a contribution of £1.1m was negotiated to pay towards part of the costs for the Stage 2 road (i.e. the SESIF project effectively brought forward part of St Modwen's future road investment - without the project, St Modwen would have been required to construct the Southern Access Road all of the way south to join Amazon Way Stage 1).

5.10 The costs for the project were re-profiled to £4.08m in June 2014. This reflected the changes in the project costs associated with the main Stage 2 works (which fell to £3.75m as a result of the competitive bid

⁷⁸ While NPTCBC made no direct financial contribution to the project, their involvement in the agreement was based upon their potential use of CPO powers where private negotiation failed to secure the land-holdings.

put forward by the successful contractor), as well as the further funding used to deliver the junction and access to Elba Works when the project was extended. Therefore, even though the project was extended to deliver access to Elba Works, the overall cost of the project was in fact lower than originally estimated during the business planning stage.

- 5.11 The split of the re-profiled project costs resulted in a reduced Welsh Government contribution of £1.47m and an ERDF grant of £1.45m. The total costs of Amazon Way Stage 2 accounted for 56 per cent of total SESIF ERDF grant.

Table 5.1 Amazon Way Stage 2 Original and Re-Profiled Costs and ERDF Contribution

	Original (Business Plan)	Re-profiled
Total Cost (£m)	£4.50	£4.08
Total Eligible Costs (£m)	£4.50	£4.02
Private Sector Match (£m)	£1.10	£1.10
WG Match Funding (£m)	£1.78	£1.47
Sub-total (£m)	£2.88	£2.57
ERDF @36% of Eligible Project Costs (£m)	£1.62	£1.45
Percentage of total SESIF ERDF	59%	56%

Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015

- 5.12 Table 5.2 provides a summary of the target output and results that the Amazon Way Stage 2 sub-project was expected to deliver. The output of 14 hectares of land developed accounted for just over half of the SESIF project output target (52 per cent). Based upon the output definition used by WEFO (*'making land fit for use by removing physical constraints to open it up for development or including provision of services to open it up for development'*⁷⁹), this output target comprised:
- 12 hectares of employment land at Coed Darcy
 - 2 hectares of Welsh Government owned land adjacent to the new road.

⁷⁹ WEFO ERDF Indicators Definitions, January 2013

- 5.13 Based upon the 14 hectares of employment land, the sub-project was expected to support, beyond the lifetime of the Programme, 1,000 jobs, 20 enterprises and 442,000 sq ft of premises. However, no documentation was provided to confirm how the precise result targets were estimated.

Table 5.2 Amazon Way Stage 2 Target Output & Results

	Amazon Way Stage 2	SESIF Total	Proportion of SESIF Target
Hectares of Land Developed [Output]	14.00	26.94	52%
Jobs Accommodated [Result 1]	1,000	2,700	37%
Enterprises Accommodated [Result 2]	20	60	33%
Sq ft of Premises Created or Refurbished [Result 3]	442,000	1,035,820	43%

Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015

Site Context & History

- 5.14 This analysis has been drawn upon from consultations and from existing Welsh Government project documentation. The genesis of the project started in the late 1990s when the then Welsh Assembly bought a large employment site at Jersey Marine for the development of employment floorspace. At the same time, the Assembly, working in partnership with BP, Neath Port Talbot County Borough Council and the Prince's Foundation, also sought to promote the potential regeneration of the former BP Llandarcy oil refinery site to achieve a new urban village.
- 5.15 By 2008 the Partners had successfully negotiated the sale of the Llandarcy site (known now as Coed Darcy Urban Village) to St Modwen Limited for mixed-use development, including a significant employment use. Partners believed that the success of the urban village project was predicated by the completion of a Southern Access Road from the site and a Fabian Way link road (which is now known as Amazon Way).
- 5.16 Over this period, the Assembly, now Welsh Government, also sought to bring forward the land it owned in the Jersey Marine area for employment development. This led to the completion of the 800,000 sq

ft Amazon Fulfilment Centre on land off Fabian Way (A483) – the major road link between the M4 and Swansea. This development scheme was able to be delivered through the Assembly being able to construct the Amazon Way Stage 1 road using ERDF funding from 2000-2006 Objective 1 Programme.

- 5.17 The ambition of the Welsh Government and partners is the second stage of Amazon Way (an extension of 1.5km) facilitates the development of further employment land in and around the former Ford/Visteon factory (including the 2ha of Welsh Government owned land cited in the project outputs, as well as other sites in the vicinity owned by private sector developers – i.e. The Bay Studios, Graceland's land holdings⁸⁰), as well as employment land at Coed Darcy (12ha as part of St Modwen's urban village development). The aim is to stimulate further investment and development and support local job creation in the local area. The road is also an important addition to the local road network to alleviate access and capacity issues from Fabian Way, as well as being the connection for the southern access road for Coed Darcy.
- 5.18 Welsh Government project officers who developed the bid were very clear on the importance of the new road *'Quite simply, without the completion of Amazon Way with its linkages to the Southern Access Road for Coed Darcy Urban Village, the very significant outputs and results highlighted cannot be realised - which will have significant physical, employment, social and environmental implications for the locality and region'*⁸¹. This emphasis on the contingent nature of the road to the Coed Darcy development and output and results is examined in the project progress section below.
- 5.19 The planning status for the road and the adjoining development areas are as follows:

⁸⁰ Gracelands/Richard Heywood Properties

⁸¹ Welsh Government Amazon Way Stage 2 Project Proforma

- *Amazon Way Road* - The land over which the road was built received planning consent (both March 2007 and November 2009).
- *Assembly Land* - The development land held by Welsh Government is allocated in the Neath Port Talbot County Borough Council's UDP for employment use.
- *Coed Darcy Urban Village/ South Access Road* - Outline planning consent for Coed Darcy Urban Village (which includes a potential 41,000 m² of commercial space) was granted in March 2007. Detailed consent for the Southern Access Road was also granted in 2007.

Local Policy Context – Project Relevance & Fit

5.20 The following section provides a review of the strategic relevance and fit of the SESIF investment at Amazon Way Stage 2 with the regional/local economic development and planning policy context. Each policy or strategy has been individually reviewed, while a summary table concludes the section providing a view on the relevance and fit of the project to supporting these policy/strategic frameworks.

European Union Structural Funds 2007-2013 Strategic Framework – Sustainable Regeneration Swansea Bay: The Waterfront and Western Valleys (2009)

5.21 Turning to the relevant Priority and Theme in this spatial Strategic Framework (P3T2 – Strategic Infrastructure), the area-specific aim was *'to achieve a range and network of high quality sites and premises that contributes to the development of a vibrant city-region'*⁸². This was underpinned by three strategic objectives;

- *'To develop strategic employment sites to support a strong network of 10 key interconnected centres across the area,*

⁸² European Structural Funds 2007-2013 Strategic Framework, Sustainable Regeneration – Swansea Bay: The Waterfront and Western Valleys. WEFO. December 2009. Page 13.

- *To support the regeneration for the Valleys, and more rural, communities through the development of key employment sites in Swansea Bay to stimulate economic growth as a dynamic model of sustainable development,*
- *To develop key sites and premises to complement and support the regeneration of the Waterfront*⁸³.

5.22 The Fabian Way development area (a large brownfield site between the SA1 development and Jersey Marine) was highlighted in the Strategic Framework as a key settlement for business, recreational and environmental improvement. This specific development area was described as '*a major cross boundary development on a key transport corridor*'⁸⁴.

Neath Port Talbot Waterfront Regeneration Strategy (2010)

5.23 The Waterfront Regeneration Strategy was produced by Neath Port Talbot County Borough Council in 2010 and provided a framework for the physical regeneration of the Swansea Bay Waterfront by the Local Authority and its partners.

5.24 Various strategic goals are set out in the document, two of which are of direct relevance to the Amazon Way Stage 2 sub-project:

- *'Strategic Goal 2 – To bring forward the development of major strategic regeneration sites in the area of Neath Port Talbot that will attract major new investment, create employment opportunities and spread prosperity to surrounding communities.*
- *Strategic Goal 3 – To develop and establish major new employment sites within the area of Neath Port Talbot that meet*

⁸³ Ibid., Page 13

⁸⁴ Ibid., Page 14

*the needs of the modern business, strengthen the local economy and ensure the provision of employment opportunities’.*⁸⁵

- 5.25 Actions identified to achieve these goals included master-planning, provision of site infrastructure, site remediation and preparation works, promotion of new investment, land assembly, development of new business premises, site assembly and relocation of business uses.
- 5.26 Fabian Way was highlighted as a key development site in the document and it was recognised that Welsh Government owns development land within the Fabian Way corridor, next to the Amazon Way Stage 1 development. A short action plan for the development of the Fabian Way area was proposed as part of this strategy, but its emphasis was primarily on the development of a second campus for Swansea University which has now commenced.

Neath Port Talbot County Borough Council Unitary Development Plan (2008)

- 5.27 The current Unitary Development Plan for Neath Port Talbot County Borough Council was adopted by the Council in 2008. In the document, the Council set out its vision for the local area including a coastal strategy, which would protect the undeveloped coast from unnecessary development and, where development had already occurred, *‘new development will be encouraged to respect the coastal location in terms of its design, siting and layout’*⁸⁶.
- 5.28 Specific objectives to achieve the Plan’s overall aim were set out and organised around various themes. Under the theme of employment, specific sites were identified for the focus of key employment provision, including Jersey Marine, and another objective cited was *‘[to] ensure that there is an attractive, readily available and sufficient range and amount of sites and premises’*⁸⁷. With regards to infrastructure, the plan

⁸⁵ Waterfront Regeneration Strategy. Neath Port Talbot County Borough Council. 2010. Page 14.

⁸⁶ Neath Port Talbot Unitary Development Plan. Neath Port Talbot County Borough Council. 2008. Page 21

⁸⁷ Ibid., Page 25

committed to *‘allow the provision of infrastructure while minimising adverse impacts’* and *‘guide development to make best use of available or programmed infrastructure’*⁸⁸.

5.29 A chapter of the UDP was devoted to the economy and employment status of the county, stating *‘the retention and creation of high quality employment is one of the key aims of the plan’*⁸⁹. It also recognised European Funding as a *‘vital opportunity’* for the county. *‘The strategic vision for the Authority area is to adopt policies that enable economic regeneration by bridging the transition between the declining industries on the coastal plain and new emerging industries’*. The UDP set out that this would be underpinned by several activities, including:

- *‘Focusing the main sources of employment along the coastal belt.’*
- *Providing a range of smaller key sites within the valley areas.*
- *Allowing in principle small scale business sites within and adjacent to settlements in order to encourage more sustainable urban and rural communities.*
- *Encouraging integrated cluster development opportunities where environmental benefits arise from co-location’*⁹⁰.

5.30 The chapter went on to outline the specific policies of the UDP that would contribute to achieving this aim. One of these was Policy 8, which stated the main sources of employment would be concentrated along the coastal belt within the urban area of Jersey Marine – Neath – Port Talbot with strategically located business sites in the valley areas and other small business located to serve more local needs⁹¹

⁸⁸ Ibid., Page 29

⁸⁹ Ibid., Page 108

⁹⁰ Ibid., Page 108

⁹¹ Ibid., Page 110

Policy Context Summary

Table 5.3 Summary of the Regional/Local Policy Context – Relevance and Fit

Policy	Relevance of SESIF to Policy	Project Fit with Specific Policy
European Union Structural Funds 2007-2013 Strategic Framework – Sustainable Regeneration Swansea Bay: The Waterfront and Western Valleys	High - This document is highly relevant to SESIF as this is the sustainable regeneration framework under which Amazon Way Stage 2 falls, and therefore the project would have needed to demonstrate close alignment to the framework's aims and objectives in order to secure ERDF funding.	High – the project contributes to both the objectives and overall aim for strategic infrastructure in the Swansea Bay area as set out in the framework. This site also falls within the Fabian Way development – a large brownfield site – highlighted as a key site for development.
Neath Port Talbot Waterfront Regeneration Strategy	Moderate - As regeneration activity, the SESIF project should fit well with the Waterfront Regeneration Strategy which covers a broad spectrum of regeneration activity in the Swansea Bay Waterfront Area. While economic regeneration through the provision of new employment sites is discussed in detail, more emphasis is placed on the development of a second university campus in the waterfront area.	High – the Amazon Way Stage 2 road is located in the specific geographical area the strategy addresses. It is also noted that Welsh Government own development land adjacent to the Amazon Way Stage 1 development.
Neath Port Talbot County Borough Council Unitary Development Plan	High - This document is highly relevant to SESIF as this is the sustainable regeneration framework under which Amazon Way Stage 2 falls, and therefore the project would have needed to demonstrate close alignment to the framework's aims and objectives in order to secure ERDF funding.	High – the project contributes to both the objectives and overall aim for strategic infrastructure in the Swansea Bay area as set out in the framework. This site also falls within the Fabian Way development – a large brownfield site – highlighted as a key site for development.

Source: Old Bell 3

Local Socio-economic Market Context

5.31 We have undertaken a summary analysis of the local socio-economic context to better understand the underlying socio-economic conditions prevailing within the local authority area of Neath Port Talbot when the SESIF investment project was in development and to understand the

current conditions. This is helpful in articulating the need for the Amazon Way Stage 2 investment project.

- 5.32 The local socio-economic analysis primarily considers the district of Neath Port Talbot, within which the site is located. However, given the proximity of Swansea, and that the Fabian Way Corridor is a key gateway location into the city, analysis for Swansea has also been included.

Table 5.4 Economic Profile of Neath Port Talbot and Swansea

	Neath Port Talbot	Neath Port Talbot and Swansea	Wales	United Kingdom
Employment Growth				
Employment Change (%) (2009-13)	3%	2%	1%	2% ⁹²
Employment Rate				
Employment Rate (Jan 2014 to Dec 2014)	68.4%	68.5%	69.5%	72.2%
Average (2004-2014)	63.9%	65.5%	68.3%	71.7%
Unemployment Rate				
Unemployment Rate (Jan 2014 to Dec 2014)	7.1%	7.6%	6.9%	6.4%
Average (2004-2014)	7.7%	7.6%	6.9%	6.6%
Out of Work Benefits				
Job Seekers Allowance Claimant Rate	2.2%	2.2%	2.4%	-
ESA and Incapacity Benefit Claimant Rate	12.3%	10.8%	8.6%	-
Skills				
No qualifications	14%	12%	10%	9%
Level 4+ qualifications	26%	32%	33%	36%
Proportion of Skilled Residents	36%	37%	39%	44%

Source: ONS Nomis

- 5.33 A number of economic and labour market indicators for the Neath Port Talbot economy suggest that the district's economy underperforms

⁹² Data is for Great Britain, rather than for the United Kingdom (data for the UK is not available in the Business Register and Employment Survey).

relative to the Welsh economy, although when compared to the earlier evidence for the district of Blaenau Gwent this is to a lesser extent:

- The latest Business Register and Employment Survey data reveals that there were approximately 44,800 employees working with Neath Port Talbot in 2013. Between 2009 and 2013, the number of jobs increased by 3 per cent, higher than growth across Wales and the UK. Across Neath Port Talbot and Swansea, employment grew by 2 per cent, rising from 145,000 in 2009 to 148,000 in 2013.
- The employment rate within Neath Port Talbot in 2014 (68.4 per cent) greatly exceeds the 10 year average for the district (63.9 per cent), indicating a recent upturn in Neath Port Talbot's labour market. Despite this increase, the current employment rate lags behind the rate for Wales and, although the differential is small, there is a considerable difference in the respective long-term averages. This lag reflects the effects of a long period of structural change in the Port Talbot economy as major manufacturing industries, such as steel making, which at its peak in the 1960s employed over 20,000 people, adjusted to falling demand associated with globalisation and technological advancements. Both the current and 10 year average of the employment rate are higher for Neath Port Talbot and Swansea, and this is to be expected given Swansea's role as a prominent Welsh city.
- The most recent Annual Population Survey data reveals that the current unemployment rate in Neath Port Talbot is 7.1 per cent compared to a longer term average of 7.7 per cent. The current unemployment rate across Neath Port Talbot and Swansea is higher (7.6 per cent), although the 10 year average is marginally smaller. The rates for both Neath Port Talbot and the area encompassing Neath Port Talbot and Swansea are higher than the equivalent rates for the current rates for Wales (6.9 per cent)

and the UK (6.4 per cent), and the longer-term averages (6.9 per cent and 6.6 per cent respectively).

- The small difference in the current unemployment rate between Neath Port Talbot and Wales is captured in the marginal difference in the respective JSA claimant rates. According to the Welsh Government, the current JSA claimant rates for Neath Port Talbot and Wales are 2.2 per cent and 2.4 per cent respectively. However, the ESA and Incapacity Benefit Claimant rate is notably higher for Neath Port Talbot (12.3 per cent) compared to the comparative rate for Wales (8.6 per cent).
- The skills of Neath Port Talbot residents lag behind those of the Wales labour market as a whole. There is a greater proportion of residents in Neath Port Talbot that hold no qualifications (14 per cent) compared to Wales as a whole (10 per cent). Similarly, the proportion of residents holding a Level 4 qualification or above is notably smaller for Neath Port Talbot (26 per cent) than the national rate (33 per cent).
- The outlook improves when the wider Neath Port Talbot and Swansea area is considered, helped by an improving Swansea economy, although the figures reported still fall short of the equivalent rates for Wales, and are further behind rates for the UK as a whole.
- The average full-time weekly earnings for Neath Port Talbot residents (£470) is marginally smaller than the equivalent pay across Wales (£479), and considerably smaller than average earnings across the UK (£518). This partly reflects the skills gap between Neath Port Talbot and Wales as a whole. The average full-time earnings across Neath Port Talbot and Swansea (£487.20) are higher, and this is partially a consequence of the higher skills and productivity in Swansea.

Local Property Market Context

Demand

- 5.34 The Welsh Government have had land holdings and interests in the Amazon Way/Fabian Way area for a number of years, as well as having strategic interests in the regeneration of major large-scale former industrial sites in the wider area. These include locations such as Llandarcy, which is being redeveloped by St Modwen as the Coed Darcy Urban Village with a significant employment land component for business and industrial uses, and Baglan Bay, which is also being redeveloped in partnership with St Modwen, for a mix of business and industrial uses.
- 5.35 The use of public funding, through various initiatives, has been critical to the works that have been undertaken to date across all of these former industrial areas to contribute to preparing them for re-use and redevelopment as employment sites to meet demand arising from businesses seeking modern office, industrial or warehousing accommodation.
- 5.36 In terms of providing a wider perspective on demand for land and premises in this area of South Wales, we have explored the use of local authority held enquiries and take-up data, as well as data on web-searches from the Welsh Government's 'Wales Property Database'. However, we found that the position on local demand data was one which was quite fragmented at a local authority level (given how data was held and could be interpreted), while we also judged that there were issues on the robustness of reporting demand figures (i.e. number of web searches) from the property database.
- 5.37 Nonetheless, our interpretation of demand for employment land, in particular within the context of the sites within Amazon Way area and its locale, has relied on insights from the consultations undertaken, as well as a review of available evidence from recently published employment land reviews. The following provides some of the key market demand

considerations emerging from the consultations and review of other evidence:

- Weak demand is clearly reflected locally in the predominance of former industrial sites and premises that are vacant and/or under-used. Evidence points to much of the available stock, a significant proportion of which has become available during the recession, being generally older and of a lower quality compared to modern provision.
- While there is evidence which points to there being some demand and take-up of for modern Grade A small and medium sized premises in recent years in locations with good access to the motorway, like at Baglan, there is not enough demand arising to sustain any significant speculative development opportunities. Private sector development is very much limited to design and build opportunities to meet the needs of specific opportunities as and when they arise.
- However, it is the viability of development which is a key issue in stimulating demand for developing sites and for premises by the private sector, even in some areas with better locational advantages (e.g. along the M4 corridor). For many sites, the costs of developing in the area (both infrastructure and construction costs) can still be excess of the potential end value of the site once developed. For example, even if public funding has been used to prepare the site there is likely to be a further requirement for grant funding for construction activities.
- Many agents that were consulted continued to point towards the various public sector grant regimes that are still deployed by Welsh Government or other partners to stimulate demand and 'gap' fund schemes. The use of SESIF was highlighted, alongside the use of property development grants. The problem of viability means that these tools are considered as being crucial to stimulating demand and investment in the area.

- The 2012 employment land review for Port Talbot and Swansea used economic forecasts of employment growth for the period 2011-26 and translated this into employment land demand requirements. While there are caveats attached to these forecasting approaches, in particular around the application of macroeconomic forecasts to local areas, the analysis pointed to demand over this period of around 17 hectares of industrial/warehousing space and around 3 hectares of office space. In Swansea, industrial/warehousing demand was around 30 hectares over the same period, albeit this was largely as a result of land to meet waste planning regulations, while office demand was in the order of 21 hectares. As noted below in the analysis of supply, this level of demand arising over the plan period can be comfortably accommodated.

Supply

- 5.38 It is helpful to better understand the wider context of the supply of available land and industrial/office floorspace in the wider area. Given the industrial past of the Neath Port Talbot/Swansea city region, as well as the range of public and private sector led regeneration initiatives ongoing in the area in response to this legacy, the picture on supply is one which is underlined by a significant quantum of sites and premises.
- 5.39 For example, as well as the availability of employment sites within the Fabian Way corridor, both publicly and private owned that we are aware of, there are also a number of other significant employment land sites in relatively close proximity. While some sites will not be directly competing, and may well be considered to have different advantages to one another depending on the needs of potential end-occupiers, it is clear that there is an abundant supply of employment land within the area. Some of the more prominent sites in relatively close proximity to Amazon Way include:
- Employment land at Coed Darcy Urban Village (c.12 hectares), with a focus on a mix of employment use classes.

- Development plots at Harbourside - a redevelopment of approximately 100 acres of Port Talbot's harbour area.
- Baglan Bay off junction 41 and 42 of the M4 motorway - Baglan Bay is a public/private initiative between St Modwen, Neath Port Talbot Council and Welsh Government. The development of Baglan Bay Energy Park as the first phase (c.180 acres) for business and industrial uses, while the total Baglan Bay development area is approximately 350 acres which will be developed over the next 25 years for a range of office, factory and warehousing uses.

5.40 However, while there are reports available which have assessed supply in recent years (e.g. such as employment land reviews for Neath Port Talbot and for Swansea), this evaluation has analysed the most recent available employment land and premises supply data from the Welsh Government's 'Wales Property Database' (at time of drafting). The database consists of supply information provided by local authorities and from property agents. It provides the best available comprehensive evidence base on supply in the Neath Port Talbot and Swansea area. The following supply analysis therefore includes sites within Amazon Way as part of the overall supply picture (although the 2 hectares of employment land in the SESIF project owned by Welsh Government is not included as this site is not being marketed).

5.41 Some of the key findings include:

- Neath Port Talbot has over 900 hectares of employment land available for development. As outlined, this quantum of employment land reflects the area's industrial legacy. However, around 90% of this available supply is comprised of the sites at Baglan Bay and at Coed Darcy, which involve St Modwen, alongside public sector partners.
- The availability of industrial land within Swansea is more modest in comparison, at around 48 hectares. However, while employment land supply is of a lower magnitude, given that

Swansea is Wales's second city and other uses compete for available land, it is Swansea which has a greater quantum of industrial premises currently available, with 134,000 sq m compared 52,000 sq m in Neath Port Talbot.

- That said, with around 186,000 sq m of industrial premises available across both districts, of varying age, quality and scale, there is already a significant stock of industrial premises available which can be considered when demand arises from both indigenous businesses looking for new premises or from businesses locating to the area.
- Swansea has substantially higher availability levels of office floorspace available than Neath Port Talbot, amounting to 68,000 sq m and 6,200 sq m of floorspace respectively. This reflects the focus of the economy in Swansea.
- While availability of office floorspace is lower in Neath Port Talbot, the area does have a range of business and enterprise centres which serve specific office floorspace needs in the district (i.e. typically smaller, lower cost managed workspace or start-up units). The local authority runs a number of these locations and consistently reports high occupancy levels.

Table 5.5 Summary of Property Market Availability for Amazon Way Stage 2 Site

	Number of Listings	Approximate Total Amount of Available Floorspace	Average Size of Lot
Neath Port Talbot			
Industrial	21	52,000 sq m	2,480 sq m
Office	22	6,200 sq m	280 sq m
Land	19	900 ha	47.4 ha
Swansea			
Industrial	77	134,400 sq m	1,745 sq m
Office	87	68,000 sq m	780 sq m
Land	16	48 ha	3.1 ha

Source: Wales Property Market Database

Project Progress, Completion & Issues

Project Completion

- 5.42 Following on from the successful implementation of the first phase of Amazon Way, this project had a very clearly defined scope of works in terms of the construction of the second phase of the road and providing access to key sites. Following the procurement of contractors and all legal matters related to CPOs, the construction of the Stage 2 road started in March 2012 and was completed by December 2012. We understand that the construction of the road finished around **three months** ahead of schedule. Our consultations suggest that this was down to strong project management arrangements with Welsh Government and their appointed contractors, as well as innovative techniques such as the use of 'Pulverised Fuel Ash' instead of imported stone as the base for the road. The road was adopted by NPTCBC in January 2014.
- 5.43 An extension to the project was agreed in June 2013 to use further ERDF funding and Welsh Government funds to provide an additional junction and access from Amazon Way to the former Elba Works site. These works were completed by the end of 2013. This additional project investment was important strategically as Elba Works had also been acquired by the Welsh Government. This was as part of their commitment to supporting the Creative sector in this part of Wales through the growth and development of the adjacent and privately owned Bay Studios at the former Ford/Visteon site, with assistance from Welsh Government. The new junction and road spur into the site would support the future redevelopment of the former works site by Welsh Government. It would also help to alleviate traffic and accessibility issues off Fabian Way, by providing improved access for the Bay Studios, as well as providing improved access to other businesses operating within the former Visteon site (e.g. the gas bottling and refurbishment business located adjacent to Elba Works).

- 5.44 With the completion of the road, including the additional junction and access to Elba Works, the total project cost was £4.03m, with £1.42m of ERDF expenditure. With the original project completing ahead of schedule, and it being extended to complement another Welsh Government investment objective, this is a strong financial performance with ERDF and other funding defrayed.

Table 5.6 Amazon Way Stage 2 Performance Against Target Expenditure, June 2015

	Re-profiled Expenditure (£m)	As of End June 2015 (£m)	Under-spend (£m)	% under-spend
Total Site (Sub-Project) Expenditure	£4.08	£4.03	-£0.05	-1%
Total Eligible Expenditure	£4.02	£3.97	-£0.05	-1%
Private Sector Match	£1.10	£1.10	£0.00	0%
WG Match Funding	£1.47	£1.45	-£0.02	-1%
Sub-total	£2.57	£2.55	-£0.02	-1%
ERDF @36 per cent of Eligible Project Costs	£1.45	£1.42	-£0.03	-2%

Source: Welsh Government/Regeneris Consulting based on project monitoring data, 30th June 2015

5.45 Figure 5.2 presents photographs from our site visit in May 2015.

Figure 5.2 Amazon Way Stage 2, May 2015

Stage 2 road towards MREC & Trojan

Spur access to the Elba Works site



The Elba Works buildings and spur access

Spur access to link to Coed Darcy



Source: Regeneris Consulting

Selection of Sites for Project Outputs & Results

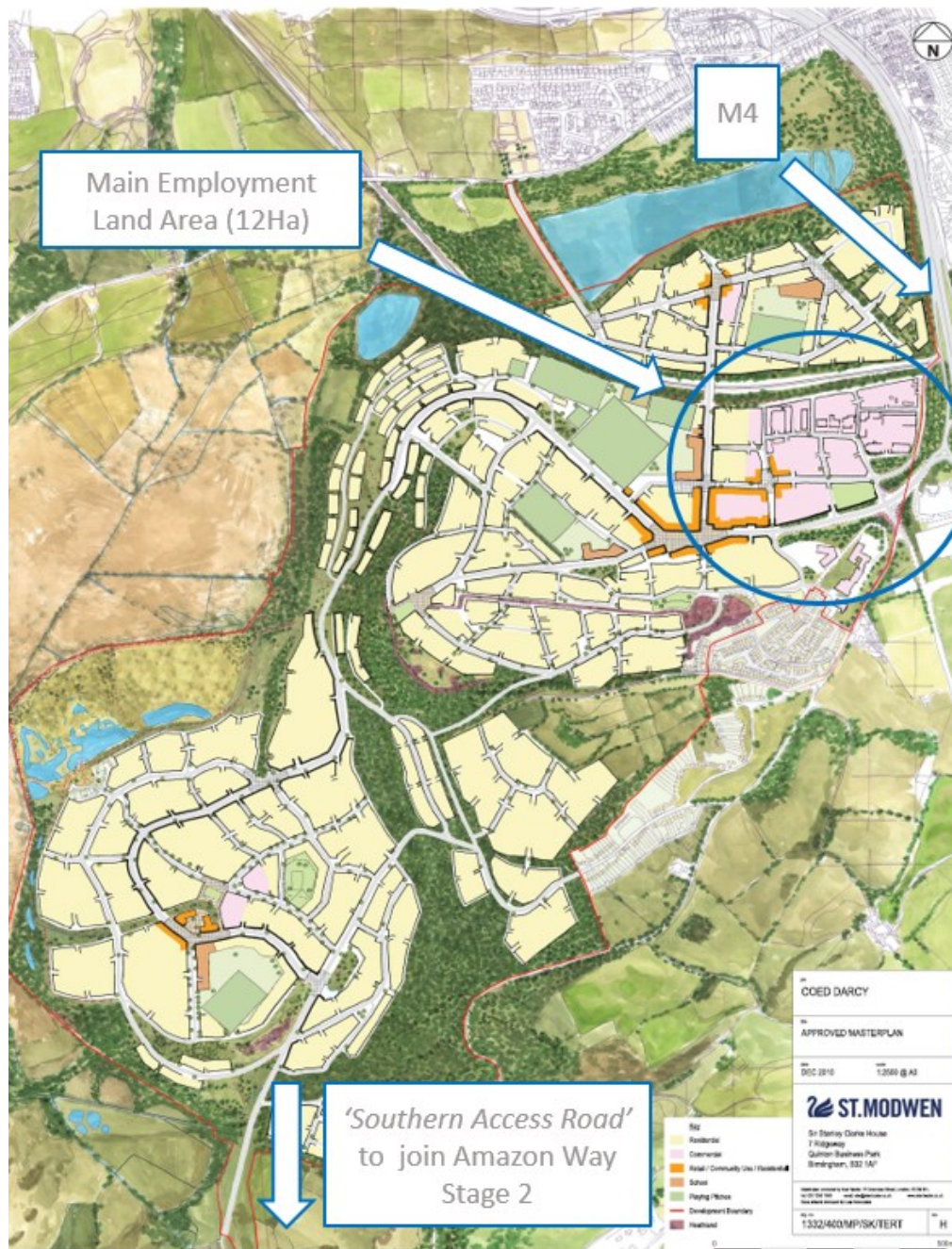
- 5.46 The delivery of the project's road infrastructure and servicing should be applauded, given the pace and efficiency at which it was completed, the budget deployed and the way in which the project was extended to take support wider strategic issues within the area (e.g. supporting the development of the Creative sector in this part of Wales). The project has made an important contribution to the opening up of immediate and adjacent development sites which were formerly land-locked.
- 5.47 The 2 hectare site owned by Welsh Government was opened up as a result of the development of the road and the spur access provided. While this was an appropriate site to include under the 'land developed' output for the project⁹³, we query the appropriateness of Welsh Government claiming 12 hectares of 'land developed' at Coed Darcy Urban Village as a result of the SESIF investment. Our analysis and consultations suggest that the employment land at the Coed Darcy Urban Village is not dependent on the Amazon Way Stage 2 investment.
- 5.48 It is our view that this issue goes back to the project development and appraisal stage when the choice of the Coed Darcy site and the output (and future results) associated with it was chosen. The inclusion of the site's 12 hectares of land was not appropriate for the following reasons:
- The 12 hectares of employment land at Coed Darcy should not have been included as contributing to the project output as a result of the Amazon Way Stage 2 investment. We do not agree with the assertion made in the early project documentation and outlined in discussions with officers, that the development of the 12ha of employment land at Coed Darcy is **contingent** on the development of Amazon Way Stage 2.

⁹³ The 2 hectare site was identified as employment land under Policy EC1/3 of the Neath Port Talbot Unitary Development Plan (UDP), alongside neighbouring sites owned by Gracelands/Richard Heywood Properties.

- The 12ha of employment land identified within the St Modwen masterplan is several kilometres (c.3km) north of this spur (see Figure 5.3). The employment land identified within the St Modwen masterplan can be easily accessed from junction 43 of the M4 or other local roads. Consultations have also confirmed that St Modwen are actively marketing opportunities at Coed Darcy, while the site already includes some existing and occupied business space. This latter point also queries the quantification of the 12Ha as an output target, given some of this land was already developed and had existing economic activity taking place.
- For the spur from Amazon Way to come into operation it requires the completion of the southern access road which will only be completed when St Modwen's house building triggers the planning obligation⁹⁴. It will also require a further c.£12m investment from St Modwen. At no point is the development of employment land at Coed Darcy a factor in shaping the timing of the development of the southern access road and its link to Amazon Way Stage 2. That planning obligation is predicated solely on residential growth. However, we do acknowledge that that traffic associated with economic activities at Coed Darcy will use this link in the future.
- An alternative view on this situation is that if the Amazon Way Stage 2 project had not have occurred, St Modwen would have, at some point in the future, had to have funded a link to Amazon Way Stage 1 given the Section 106 agreement. The SESIF investment project, in effect, brought forward this element of St Modwen's road infrastructure expenditure to support the Coed Darcy scheme which would have happened anyway.

⁹⁴ We understand that St Modwen are in negotiations with NPTCBC to extend the trigger to 501 houses (or by the end of 2017 – whichever comes first), rather than the original 301 houses. The southern access road is expected to cost c.£12m. If this alteration to the Section 106 agreement is permitted, the development of the southern access road to link to Amazon Way will not occur for around a further two years.

Figure 5.3 Coed Darcy Masterplan and Relationship with Amazon Way Stage 2



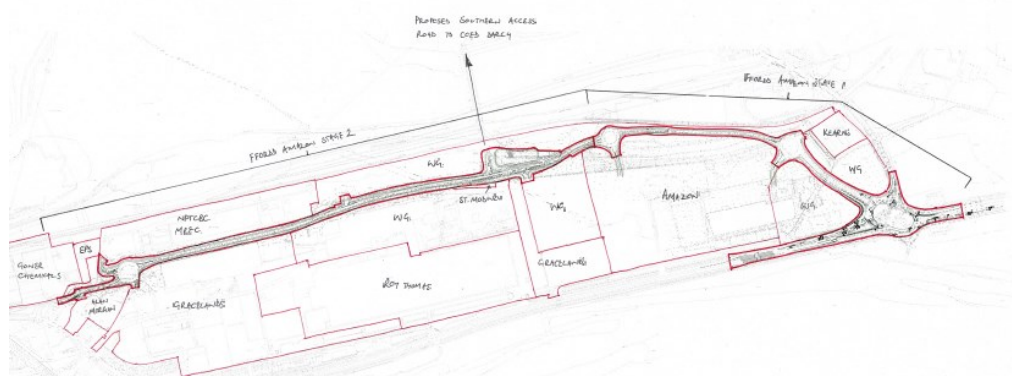
Source: St Modwen

- 5.49 This issue of site selection has a major implication for the performance of the SESIF project and overall output and results. We understand the important strategic relationship between Coed Darcy Urban Village and Jersey Marine/Fabian Way as a regeneration area, its positioning with policy to support Welsh Government and partners objectives for the area. We agree that the development of the Amazon Way road will play

an important role in improving infrastructure and local road capacity and in importantly helping to bring forward land and buildings for redevelopment that were not considered at the time of the original project scope, but which are considered important benefits nonetheless.

- 5.50 However, the project has significantly improved access to public and privately owned development land that was either land-locked or heavily constrained. It is not clear why these privately owned sites, which are more immediate and contingent on the investment project, were not considered by Welsh Government for inclusion at the project outset and which could have contributed to project output and result targets (see Figure 5.4 – e.g. land ownerships of Mr R Thomas (Bay Studios and a site currently designated for residential development, while Graceland also have land holdings in the area). Consultations suggest that the initial focus of the project was less focused on redevelopment of land/buildings, and more on bringing forward land for development. While the overall output and results may have been lower, on reflection there is a clearer rationale for their inclusion than employment land at the Coed Darcy Urban Village.

Figure 5.4 Land Ownerships in the Fabian Way/Amazon Way Area



Source: Welsh Government

- 5.51 Bearing in mind the choice of output (land developed) and the inappropriateness of including the 12 hectares of land at Coed Darcy, there was also scope for the project to have considered an alternative project output – kilometres of 'Access Route Created or Reconstructed'. The project would comply with this output definition given that it

provides access to employment areas such as ‘business sites and premises’⁹⁵. However, there is uncertainty surrounding why this output was not considered during the project design stage, even in addition to the Land Developed output.

Indirect and Wider Benefits

- 5.52 Despite our conclusion about the inappropriateness of the inclusion of the output related to the Coed Darcy employment land, our consultations and research has indicated that the development of Amazon Way Stage 2 has already started to contribute towards a number of important indirect and wider benefits for the Fabian Way Corridor area.

The Bay Studios

- 5.53 The Bay Studios have evolved into an important television filming and production hub within Wales in recent years and are a key contributor the growth of the Welsh Creative sector. They are centred on the former Ford/Visteon site, owned by Mr Thomas. Given the flexibilities that former manufacturing spaces present for filming (e.g. large, high ceiling spaces, outdoor film lots) they provide cost-effective space for filming. The studios are the base for filming the US funded production of the *Da Vinci's Demons* TV show. This is shown on Sky Television in the UK and distributed internationally. This show has been the key driver of the growth at the studios with three series now completed.
- 5.54 The studios provide 265,000 sq ft of production floorspace and are now one of the largest ‘alternative production spaces in Europe’. The development of the studios has also been supported by Welsh Government funding from property development grants. These have been used to improve the buildings in recent years to contribute towards the costs of their conversion. The Welsh Government’s Creative Sector team have also provided support to the production

⁹⁵ WEFO, ERDF Indicator Definitions

company to meet their post-production needs, location finding and with crew recruitment. Welsh Government's investment and support has been cited by consultees as critically important in securing the second and third series of the Da Vinci's Demons. Recent estimates suggest that the third series' production resulted in UK expenditure of £24.5m – with significant employment, supply chain and contractor benefits arising in Wales⁹⁶.

- 5.55 We understand that negotiations are currently taking place between the land owner, Mr Thomas, Welsh Government and the production company to ensure that further series are produced at Bay Studios. There is potential for an enhanced production and back-lot space to be developed, linked to the Welsh Government's Elba Works site proposals that will bring a further 100,000 sq ft of floorspace for the Creative Sector into use. The additional junction and spur that was added to the investment project has been an important additional piece of infrastructure which has aided the recent production of Series 3, while it is also now an important part of the Studio's overall 'offer'. The road access from Amazon Way provides significantly improved access instead of from Fabian Way for both crew and equipment. This is particularly important factor in the future success of the Studios given the planning authority is looking to remove or restrict vehicle movements to the site from Fabian Way.

Re-development of Neighbouring Sites

- 5.56 Our consultations with developer Gracelands and local property agents have also indicated the positive influence the development of Amazon Way Stage 2 has had on raising confidence and market interest in other sites within the local area. Developer Gracelands own land referred to as 'Fabian Park', which is to the west of Mr Thomas's landholdings and the Bay Studios. This land included older industrial units, with some larger units that were vacant and in poor condition. The general theme

⁹⁶ Information provided the Welsh Government's Creative Sector Team

emerging from our consultations was that this area suffered from poor accessibility and there was little market interest in the site given these restrictions.

- 5.57 The development of the road was cited as a key contributing factor, alongside Welsh Government property development grants, to the attraction and interest of occupiers to Gracelands' units. Following the completion of the road, Trojan Electronics, a Wales based firm, was immediately attracted to relocate to Fabian Park. Trojan had multiple sites spread across different locations and had a requirement for a single factory with scope for growth. Their move to this site helped to safeguard 180 jobs while we understand a further 40-50 jobs have been created. While the SESIF investment has contributed in part to the attraction of Trojan to relocate to this site, and the associated employment, it is clear that other factors (including property development grant funding) have also played significant roles.

Improved Local Road Capacity

- 5.58 The development of Amazon Way was always intended to alleviate traffic pressures on Fabian Way, a key gateway into Swansea. The completion of the road has already enabled some improvements given the improved access to Bay Studios and for businesses at Fabian Park. The additional spur servicing Elba Works will also benefit other business operating within the former Visteon/Ford site (e.g. the gas bottling facility). Further improvements will arise in the future when the Coed Darcy Urban Village is fully developed. Public transport links with the village will use the road to connect with Swansea, while the road's link to the Southern Access Road will also alleviate pressure on other local roads. This will have potential economic benefits for local businesses through reduced congestion and lower travel times.

Cross Cutting Themes

- 5.59 From our review of documentation and consultations with the technical manager for the site, the Amazon Way Stage 2 project has contributed,

where possible, towards both ERDF Programme Cross Cutting themes – Environmental Sustainability and Equality of Opportunity.

5.60 The project's contribution towards the ERDF Programme's cross cutting themes can be attributed to the procurement processes deployed by the Welsh Government in the contracts which were let and managed and the contractors appointed. Similarly to Rhyd Y Blew, we understand that a range of tendering arrangements were utilised including:

- 'Open tender' opportunities for the main site infrastructure works advertised on the Welsh Government's E-tender portal in line with OJEU⁹⁷ requirements. These approaches utilised pre-qualification and invitation to tender processes which set out the Welsh Government's requirements of contractors on equality and on which the selection panel scored tenderers.
- Use of an existing Welsh Government framework for the appointment of professional services advice for engineering consultancy. Companies that are on existing Framework agreements have had to demonstrate that they have the requisite policies on equality of opportunity that are in accordance with the Welsh Government's requirements.

5.61 Tender and contract documentation illustrated the approach adopted to placing CCT requirements upon contractors in this regard. These include the following clauses:

- *The Contractor's recruitment procedures should accord with good equal opportunities procedures.*
- *1.16.2 The Contractor is to allow provision for the employment of new entrant trainees that are engaged in a training programme.*
- *1.16.3 The Contractor is encouraged to provide training and accreditation opportunities for existing personnel.*

⁹⁷ OJEU – Official Journal of the European Union

- *1.16.4 The Contractor is required to support actions taken by the Employer to inform and support small and medium sized firms and social enterprises wishing to access subcontract or supply contracts.*

5.62 The contract also set out how the contractor was required to undertake ecological works which accorded with the planning permission. This included specific requirements and processes around surveys and dealing with badger setts and reptiles.

5.63 In terms of the environmental sustainability theme the project has also delivered new footpaths and cycle ways within an employment area. The inclusion of wide shared pathways will be important in ensuring that workers can walk or cycle to and from work within the area, as well as providing an important addition to the safe cycling network in the local area for residents and workers. It does appear to be a missed opportunity for the project to have claimed an additional output – 1.5km of *'footpath or cycleway created or constructed'*.

5.64 While not specifically covered under CCT's, we also understand that the project's contractor also undertook a wider set of initiatives/approaches to promote the scheme, engage with local communities and to liaise with appropriate sector bodies. Some examples of this include:

- On completion of the site works the contractor arranged a breakfast meeting at a local hotel to share the benefits of utilising the various innovative construction techniques with other contractors/professionals operating in this part of Wales.
- A work experience opportunity was supported by the contractor's consultants for a University student to be involved in the project.
- The contractor was a member of the Considerate Contractor's Scheme (CCS) and was committed to upholding the CCS's expectations for dealing with the local community, the environment, the site's appearance, and site and worker safety.

- The contractor also undertook regular liaison with community groups (including meetings and newsletters) and adjacent landowners/businesses to address concerns throughout the project.
- The contractor also cooperated with construction sector bodies, such as Construction Excellence Wales, to provide information on the scheme's supply chain impact.

Amazon Way Stage 2 Conclusion

- 5.65 The development of the 1.5km Amazon Way Stage 2 project was an important next step in the delivery of the Welsh Government and partners' economic development and regeneration objectives for the Fabian Way Corridor/Jersey Marine area. The first stage of the road was part of the infrastructure and site development that was necessary to secure a major inward investment by Amazon on Welsh Government owned land, as well as bringing forward other development plots adjacent to it.
- 5.66 The Stage 2 extension aimed to open up Welsh Government and private sector owned land, which was previously land-locked or which suffered from poor accessibility, while also providing a link to a future southern access road to the Coed Darcy urban village.
- 5.67 The delivery of the project's road infrastructure and servicing should be applauded for the following reasons:
- The project was delivered under budget, ahead of schedule and was recognised as using innovative construction techniques.
 - The project has made an important contribution to the opening up of immediate and adjacent development sites which were formerly land-locked or which had constrained access. This includes Welsh Government owned land (e.g. the 2 hectare site⁹⁸, plus Elba Works), as well as other sites (e.g. Gracelands'

⁹⁸ Access from Amazon Way was also made to a partially constrained Welsh Government site (constrained by Wet Woodland and Japanese Knotweed issues) and land owned by

sites, access to the Bay Studios and improved access for other existing businesses such as the gas bottling facility).⁹⁹

- The project was also extended. Welsh Government officers recognised that further expenditure on the provision of additional access to Elba Works would support their wider objectives for regeneration and the sustainable growth of the Creative Sector in Wales, via the development of the Bay Studios site.
- The delivery of the project also supported the wider objectives of relieving congestion and access issues from Fabian Way associated with existing businesses operating in this area, as well as providing new access arrangements to support any future developments as they come forward. Without the new access road it is unlikely that future development schemes would be approved by the planning authority.

5.68 However, despite these key points around project delivery success, it is our conclusion that the Amazon Way Stage 2 project did not deliver the envisaged scale of 'land developed' output for the overall SESIF project, nor will it contribute towards the significant future results identified in the Business Plan. While the 2 hectare site can be claimed as an output, it is our judgement that the 12 hectares of employment land at Coed Darcy (and its associated future results) should not have been included as contributing towards SESIF's project targets. We do not agree that the development of the 12 hectares of land at Coed Darcy is contingent on the development of Amazon Way Stage 2. The employment land is several kilometres (c. 3km) north of this spur and can be easily accessed from junction 43 of the M4 or other local roads.

Graceland. The access to Graceland's site can only be made via the Welsh Government land given the constraints on access to new developments from Fabian Way. We understand that the provision of access could facilitate a potential land deal to be agreed in the future between both parties to bring the Graceland site forward for development.

⁹⁹ However, it should be noted that other Welsh Government grants, such as property development grants, have also played an important role in supporting the development of Graceland's building's, Elba Works, and the Bay Studios. The road investment is just part of the mix of interventions which have contributed to these eventual outcomes.

In addition, the development of the Southern Access Road is based upon a Section 106 agreement focused on housing numbers, not development of employment land.

- 5.69 This issue goes back to the project development and appraisal stage when the choice of sites which would be included as contributing towards outputs was developed. It was at this stage that further consideration should have been given by officers to the validity of including the Coed Darcy site, the specific output and results chosen, as well as the possible inclusion of alternative sites in the vicinity of the road that would benefit from the road's development.
- 5.70 Despite the Stage 2 road only making a modest contribution to project output and results, we understand from WEFO that this outcome has not had a detrimental effect on the ERDF Programme's overall targets. Nevertheless, while in headline output and results terms the project has not met original expectations, given issues outlined in how the project was conceived, we judge that the project has been a qualified success and that we expect that it is likely to deliver further positive indirect and wider benefits and outcomes in the locality over the next decade.

6. Parc Bryn Cegin – Site Evaluation

The Project

6.1 The £1.19 million project represents the second and final phase of work required to complete the preparation of the site for full occupancy. The vast majority of this (£1.17 million) has been to upgrade power infrastructure, bringing capacity from 1MW to the 4.5MW that is required for a site of this size, as stated in an assessment undertaken by Scottish Power prior to the initial infrastructure works funded under the 2000-06 ERDF Programme.

6.2 Planning permission was granted in 2004 for £8.5 million of preparatory works to be undertaken on the site. This saw development plots plateaued, road access from the A5, terracing, on site roads, sewerage, gas and electric installed. This first phase of works was funded under the previous ERDF Programme.

Figure 6.1 Parc Bryn Cegin Project Site



Source: Google Maps

6.3 However, capacity in the local off-site electricity network was such that a maximum of 1MW could be delivered to the site. While this would allow for developers to start building and for tenants to move in, it falls some way short of the full 4.5MW requirement.

6.4 Despite this constraint and while it is not clear that 1MW of power would enabled full occupancy, the site has been ready for development from the point at which the first phase of works were completed in 2007.

6.5 The site is allocated for B1, B2 and B8 employment land uses within the Joint Anglesey and Gwynedd County Council Joint Local Development Plan (Policy CYF1).

Cost, Outputs and Results

- 6.6 The project costs were revised upwards by almost £14,000 (1.2 per cent) from the original ERDF Business Plan to £1.19 million. These costs were split between a £760,000 contribution from Welsh Government and a £427,000 ERDF contribution (based on an intervention rate of 36 per cent of total eligible project costs. Parc Bryn Cegin accounts for 16 per cent of the total spend profiled for SESIF.

Table 6.1 Parc Bryn Cegin Original and Re-Profiled Costs and ERDF Contribution

	Original (Business Plan)	Re-profiled
Total Cost (£m)	£1.17	£1.19
Total Eligible Costs (£m)	£1.17	£1.19
Private Sector Match (£m)	£0.00	£0.00
WG Match Funding (£m)	£0.75	£0.76
Sub-total (£m)	£0.75	£0.76
ERDF @36% of Eligible Project Costs (£m)	£0.42	£0.43
Percentage of total SESIF ERDF	15%	16%

Source: Welsh Government SESIF Project Management Claim to the 30th June 2015

- 6.7 All of the 36 hectares of developable land at Parc Bryn Cegin were claimed under the phase 1 works undertaken under the 2000-2006 Operational Programme and so none can be claimed this time around. 53,820ft² of floorspace was targeted for development as part of the project with the potential to accommodate 200 jobs. It was anticipated that 10 businesses employing an average of ten people each might occupy this space. The 2005 masterplan for the site suggests the site when fully occupied would provide floorspace totalling 758,000ft².

Table 6.2 Parc Bryn Cegin Target Output & Results

	Parc Bryn Cegin	SESIF Total	Proportion of SESIF Target
Hectares of Land Developed [Output]	0.00	26.94	0%
Jobs Accommodated [Result 1]	200	2,700	7%
Enterprises Accommodated [Result 2]	10	60	17%
Sq ft of Premises Created or Refurbished [Result 3]	53,820	1,035,820	5%

Source: Welsh Government SESIF Project Management Claim to the 30th June 2015

Site Location, Context and history

The Site

- 6.8 Before any works had taken place, the 36 hectare greenfield site was a marked as a regional strategic employment site adjacent to Llandegai Industrial Estate on the outskirts of Bangor. It has been designated in the Anglesey and Gwynedd Joint Local Development Plan (JLDP) as a '*Primary Employment Site*'. This means that the Council considers the site to be more attractive to the market and likely to be developed in the short-term or medium-term.
- 6.9 In the late 1990s, the WDA earmarked the site for a major business and industrial park. This was based on market analysis indicating demand for this type of site. The analysis pointed to demand from inward investors, as well as local businesses.
- 6.10 The site benefits from a strong strategic location along the A55. Bangor is home to Bangor University, Coleg Menai and a hospital, all of which can present opportunities for economic growth. With this said, the site is also detached from the more buoyant markets situated along to the A55 further to the East, i.e. from St. Asaph (roughly 25 miles from the border with England) and into Cheshire and towards Greater Manchester.
- 6.11 Meanwhile development and demand for premises south of the A55 in Gwynedd has typically been limited.

Background to the Project

- 6.12 A £1 million contribution was secured from UK Land and Property for the works undertaken under the previous ERDF programme, which was to be repaid from the receipts from land sales (none of which have been secured to date). UK Land & Property were set to provide 15,000ft² of offices and 38,800ft² of industrial space ready for occupation in spring 2009¹⁰⁰. The UK Land and Property investment was later inherited by Middlewich-based developer Pochin but no such development has

¹⁰⁰ Propertyweek.com, April 2008.

gone ahead. Pochin are the preferred developer for the site and have first refusal to develop up to at least two thirds of the site. The remainder is open to other developers.

6.13 Insufficient capacity in the local electricity grid meant the power supply required to service the full site. To increase the supply capacity Scottish Power as the grid owner have been contracted to upgrade the grid. The works are primarily site specific and require that a connection is installed from the local network to the sub-station already present on the site¹⁰¹.

6.14 The original masterplan for the site, developed in 2005 suggests room for 70,400m² of floor space.

Figure 6.2 Parc Bryn Cegin Masterplan



Source: RPS Planning, Transport and Environment

Local Policy Context

6.15 Here we provide a review of the key regional and local economic development and planning policy and strategy documents. This is

¹⁰¹ There is no obligation among end occupiers to use Scottish Power to provide their power supply.

followed by a table summarising the strategic relevance and fit of the project against these.

European Union Structural Funds 2007-2013 Strategic Framework – Sustainable Regeneration North West/North East Wales

6.16 During the 2007-2013 EU Structural Fund Programme period, WEFO and the Welsh Government published a series of strategic frameworks as a complement to the ERDF and ESF Operational Programmes. The Sustainable Regeneration Framework for North West/North East Wales was one of these documents.

6.17 In relation to Priority 3, Theme 2 of the ERDF Convergence Operational Programme (Strategic Infrastructure), the area-specific aims set out in the Strategic Framework were:

- *“to provide adequate and appropriate supply of high quality sites and premises to enhance economic prosperity throughout Wales through the creation of more and better jobs”*
- *“to create a portfolio of high quality sites and premises which meet the demands of modern occupiers and create an attractive business environment through sustainable development¹⁰².”*

6.18 These aims were underpinned by ten strategic objectives, including the need to:

- *“respond to the economic challenges highlighted by the Môn a Menai and North Wales Coast Programmes by developing the necessary employment infrastructure in the area and other key locations to capitalise on the economic growth opportunities and potential”*
- *“exploit the potential for high value investment within strategic business parks in the area”*

¹⁰² European Structural Funds 2007-2013 Strategic Framework, Sustainable Regeneration – North West/North East Wales. WEFO. December 2009. Page 15.

- *“enhance utilities and basic infrastructure capacity to reduce development constraints in the principal employment centres¹⁰³.”*

6.19 The Strategic Framework document also identifies the Môn a Menai Strategic Regeneration Area as *“a key regional economic driver and priority for investment”* and *“an over-riding priority in the early years of the programme”¹⁰⁴*. Parc Bryn Cegin is referred to as part of the Menai Hub, and the need to provide *“the highest quality offer of sites to accommodate a range of potential uses”* at this site and others was recognised¹⁰⁵.

North West Wales Spatial Development Strategy (2008)

6.20 The North West Wales Spatial Development Strategy was produced to complement the Wales Spatial Plan, and set out how the aims of that plan were to be achieved in the North West Wales region.

6.21 The vision for the area, as stated in the strategy, was for *“an outward looking, confident area where the unique cultural and natural assets provide the basis for a high quality of life, enhanced prosperity and the good health and wellbeing of all its residents and communities¹⁰⁶.”*

6.22 Several objectives underpinning this vision were identified, including one for economy and prosperity, which stated that:

6.23 *“By 2020 the gap in prosperity and the value of the economy in North West Wales and Wales will be lessened and disparities within the region reduced¹⁰⁷.”*

6.24 Key interventions designed to achieve this objective were identified, including:

¹⁰³ Ibid., Page 15

¹⁰⁴ Ibid., Page 16

¹⁰⁵ Ibid., Page 16

¹⁰⁶ North West Wales Development Strategy. Draft. Various. June 2008. Page 15.

¹⁰⁷ Ibid., Page 26

- *“Coordinating the development and marketing of sites and premises across the region to ensure that suitable sites are already available or are brought forward to meet the requirement of this Strategy to distribute growth throughout North West Wales”*
- *“Supporting programmes to improve the region’s business environment by developing suitable sites and premises, ICT infrastructure and appropriate business support and training to facilitate distributed economic growth across North West Wales¹⁰⁸.”*

6.25 In line with the Wales Spatial Plan, Bangor was identified as a key settlement of national importance. Bangor was also mentioned as part of the Menai Primary Hub, along with Caernarfon and Llangefni. The approach to the hub was set out as the *“facilitation and management of physical development and economic growth”*, and the priorities for the hub were identified as *“achieving a much greater spin-off from the academic strengths of Bangor University”*, *“providing higher level leisure facilities”* and *“contributing to the broader tourism offer of the region¹⁰⁹.”*

North Wales Regional Employment Land Strategy (2014)

6.26 Snowdonia National Park authority, on behalf of all seven Local Planning Authorities in North Wales, commissioned this study in 2013 to *“understand the role and function of strategic employment sites in North Wales”* and *“identify any gaps in employment land provision...and to give a broad indication of where site expansion should take place and where new sites should be allocated or developed¹¹⁰.”*

¹⁰⁸ Ibid., Page 27

¹⁰⁹ Ibid., Page 19

¹¹⁰ North Wales Regional Employment Land Strategy. North Wales Planning Authorities. June 2014. Page 4.

- 6.27 As part of this study, a review of existing strategic employment sites was undertaken and a subsequent exercise was undertaken to define and then prioritise existing strategic employment sites. A long list of 34 potential sites was initially identified. This long list was then further appraised to explore *“the potential of the sites in terms of available land, headline constraints to future development and proximity of other available land”*. The result was a short list of 23 sites, one of which was the Parc Bryn Cegin site¹¹¹.
- 6.28 As part of this appraisal process, Parc Bryn Cegin scored a total of 12 out of 15 available points. It scored highly in having high development potential, being strategically located and well connected and being ready to bring to market. However, it scored less well in terms of suitability for key sector investment. All sites on the short list were ‘banded’ in order of priority, with the Parc Bryn Cegin site being in the middle band.
- 6.29 The study acknowledged that the Parc Bryn Cegin site had been subject to infrastructure works to provide fully ready development plots by UK Land and Property in partnership with the Welsh Government. Combined with its strategic location close to the A55, it was suggested in the regional employment land strategy that the site could attract a large scale inward investor. Whilst it was classed as both a Regional Strategic Site and a medium term priority for investment that should be deliverable within 10 years¹¹², Parc Bryn Cegin did not make the shortlist for priority sites presented within the strategy. The outcome from this assessment potentially points to an issue of coordination failure amongst local partners given the rationale for Welsh Government’s SESIF investment.

¹¹¹ Ibid., Page 30

¹¹² Ibid., Pages 44, 47

Gwynedd Regeneration Strategy 2007-2013 (2007)

- 6.30 This strategy set out the strategic context for regeneration activity in Gwynedd for the years 2007-2013 – the time frame thus being the same as that of the European Structural Funds Programme. Its vision was *“to develop and support active, sustainable, healthy and viable communities, with the confidence to venture, and with the desire and ability to contribute their own solutions to the challenges and make the most of new opportunities”¹¹³*. It was also acknowledged that this vision would influence the direction of European-funded projects in the county.
- 6.31 There was little specific activity mentioned in relation to either the settlement of Bangor or the provision of employment sites and infrastructure - *“Developing work, business, enterprise and innovative opportunities’ are cited as a potential ‘regeneration activity’¹¹⁴.”*

Gwynedd Unitary Development Plan 2001-2016 (2001)

- 6.32 The Gwynedd Unitary Development Plan 2001-2016 sets out the aim to *“provide a framework for creating and maintaining sustainable communities”¹¹⁵*.
- 6.33 Eight Dependency and Catchment Areas (DCA) are identified, of which the Bangor and Caernarfon DCA is identified as having a higher potential for economic growth than the rest of the county due to various factors. Several aims for this specific DCA are set out in the plan, including;
- *“Promoting developments that will lead to investment, employment and other activity that maintain or strengthen the status of Bangor as a sub-regional Centre, Caernarfon as an*

¹¹³ Gwynedd Regeneration Strategy 2007-2013. Gwynedd County Council. 2007. Page 4.

¹¹⁴ Ibid., Page 7

¹¹⁵ Gwynedd Unitary Development Plan, available at: http://www.cartogold.co.uk/gwynedd/text/english/01_intro.html#int. Gwynedd County Council. 2001.

Urban Centre and Bethesda, Llanberis and Penygroes as local centres”

- *“Allocating and protecting 78.3 ha of land for employment in the Bangor DCA and 55.05 ha in the Caernarfon DCA¹¹⁶.”*

6.34 Further on in the document, the need for high quality employment sites is identified and three sites in the county are designated as such – however, Parc Bryn Cegin is not one of them. It is, however, classed as an industrial site.¹¹⁷

6.35 It should be noted that Gwynedd Council and the Isle of Anglesey County Council are currently in the process of developing a joint local development plan, which is due to be adopted in December 2016.

Policy Context Summary

Table 6.3 Summary of the Regional/Local Policy Context – Relevance and Fit

Policy	Relevance of SESIF to Policy	Project Fit with Specific Policy
European Union Structural Funds 2007-2013 Strategic Framework – Sustainable Regeneration North West/North East Wales	High - This document is highly relevant to SESIF as this is the sustainable regeneration framework under which Parc Bryn Cegin falls, and therefore the project needed to have been closely aligned to the frameworks aims and objectives in order to secure ERDF funding.	High - Parc Bryn Cegin, and the wider regeneration area in which it sits, are specifically mentioned within the framework, and the need to offer high quality employment sites for a wide range of potential uses for the former is recognised. This activity is closely aligned with the overriding aim and objectives for this framework.
North West Wales Spatial Development Strategy (2008)	High - The spatial plan, together with the relevant ERDF framework, are very much the key strategic policy documents to be considered with regards to the specific site of Parc Bryn Cegin, and are thus highly relevant. The plan describes proposed activity to stimulate the economy of the region in detail, and describes area	Moderate – while obviously contributing to the overall economic aims of the North West Wales Spatial Development Strategy, the priorities for the Menai Hub as featured in the strategy are to fully exploit the economic potential of Bangor University, provide quality leisure facilities and improve the tourism offer which differ from the potential benefits of investing in the

¹¹⁶ Ibid.

¹¹⁷ Ibid.

	specific activity for the Menai Primary Hub, under which the site falls.	Parc Bryn Cegin site.
North Wales Regional Employment Land Strategy (2014)	High - The North Wales Regional Employment Land Strategy is very relevant for the purposes of this policy review, and provides a detailed analysis of employment sites in North Wales. It places Parc Bryn Cegin in its context alongside other, similar sites.	Moderate – Parc Bryn Cegin is identified as a medium-term priority site behind a number of shorter-term priority sites providing developable land. However, the project contributes to the sites potential positioning as a shorter-term priority.
Gwynedd Regeneration Strategy 2007-13 (2007)	Moderate - The strategy is somewhat relevant, as it was intended to provide direction and context for regeneration activity in the county. However, the provision of employment sites for infrastructure is not specifically mentioned or discussed.	High - The North Wales Regional Employment Land Strategy is very relevant for the purposes of this policy review, and provides a detailed analysis of employment sites in North Wales. It places Parc Bryn Cegin in its context alongside other, similar sites.
Gwynedd Unitary Development Plan 2001-2016 (2001)	Moderate - There is some relevance to the SESIF project, as the UDP identifies a Dependency Catchment Area (DCA) in which the project operates and sets out the priorities for its development.	Low – Three strategic, high-quality employment sites are identified for development in the UDP. Bryn Cegin is not one of them, but it is mentioned elsewhere as a possible industrial site.

Source: Old Bell 3

Local Socio-Economic Context

- 6.36 We have undertaken a summary analysis of the local socio-economic context to better understand the underlying socio-economic conditions prevailing within the local authority area of Gwynedd when the SESIF investment project was in development and to understand the current conditions. This is helpful in articulating the need for the Parc Bryn Cegin investment project.
- 6.37 The analysis considers conditions within Gwynedd as well as Anglesey which operates its planning policy jointly with Gwynedd.

Table 6.4 Economic Profile of Gwynedd and Anglesey

	Gwynedd	Gwynedd and Anglesey	Wales	United Kingdom
Employment Growth				
Employment Change (%) (2009-13)	5%	2%	1%	2% ¹¹⁸
Employment Rate				
Employment Rate (Jan 2014 to Dec 2014)	69.3%	70.3%	69.5%	72.2%
Average (2004-2014)	69.8%	69.6%	68.3%	71.7%
Unemployment Rate				
Unemployment Rate (Jan 2014 to Dec 2014)	6.1%	5.9%	6.9%	6.4%
Average (2004-2014)	5.1%	5.5%	6.9%	6.6%
Out of Work Benefits				
Job Seekers Allowance Claimant Rate	2.2%	2.6%	2.4%	-
ESA and Incapacity Benefit Claimant Rate	5.9%	6.5%	8.6%	-
Skills-				
No qualifications	9%	8%	10%	9%
Level 4+ qualifications	35%	32%	33%	36%
Proportion of Skilled Residents	40%	40%	39%	44%

Source: ONS Nomis

6.38 In contrast to the economic profile of Blaenau Gwent and Neath Port Talbot, Gwynedd compares much more favourably to Wales and the UK:

- Recent employment growth has usurped growth across Wales and Great Britain. Between 2009 and 2013, the number of employees within Gwynedd increased by 2,500, or 5 per cent. This has principally been driven by considerable growth in the education sector, within which the number of jobs increased by

¹¹⁸ Data is for Great Britain, rather than for the United Kingdom (data for the UK is not available in the Business Register and Employment Survey).

1,300 (24 per cent), and the health sector, within which employment increased by approximately 900, or 11 per cent.

- Across Gwynedd and Anglesey, growth was more modest, but still in line with growth across Great Britain.
- According to the latest Annual Population Survey data, the employment rate for Gwynedd (69.3 per cent) in 2014 was marginally below the comparative rate for Wales (69.5 per cent). This is a recent development, and the long-term average of the employment rate for Gwynedd (69.8 per cent) is above the Welsh ten-year average (68.3 per cent). Both the current rate and long-term average remain below the equivalent rates for the UK as a whole, however.
- Further evidence of a strong labour market within Gwynedd is evidenced by a relatively low unemployment rate that is lower than the Welsh and UK rates. This is true for both the current rate and the long term averages. The lower rates of unemployment translate into comparatively smaller rates of out of work benefit claimants. Both the current and long term averages of the JSA claimant rate and the ESA and Incapacity Benefit Claimant Rates for Gwynedd are lower than the equivalent rates for Wales.
- The resident base within Gwynedd is relatively highly skilled. The proportion of residents holding a Level 4 qualification or above in Gwynedd is higher than the Welsh rate, and marginally below the rate for the UK. Likewise, the proportion of skilled residents living in Gwynedd (40 per cent) is above the rate for Wales (40 per cent), but is lower than the UK equivalent (44 per cent).
- Despite the relative strength of the Gwynedd economy, the comparatively strong performance of the district's labour market does not translate into higher earnings for Gwynedd's residents. The average weekly pay of full-time residents in Gwynedd (£449) is considerably lower than earnings across Wales (£479) and the UK (£518), according to the latest Annual Survey of Hours and

Earnings. This could potentially be due to the relative prominence of sectors associated with lower pay, such as education, health, and accommodation and food services.

Local Property Market Context

Demand

- 6.39 Prior to the 2007/8 financial crisis and subsequent recession take-up and demand for development along the A55 had been comparatively strong and occupiers were taking up space at nearby business parks like Park Menai and St. Asaph.
- 6.40 Since 2007 there have been two major opportunities for an anchor tenant to position at Parc Bryn Cegin that would help to kick start its wider development. The Countryside Council for Wales had been thought a likely tenant prior to 2008. However, it was affected by public sector budget cuts and the proposition faded. It was then hoped by many involved with the site that it would then become the location for the new Menai Science Park. The park is being led by Bangor University and the proximity of the University to Parc Bryn Cegin, alongside the preparatory works that have been undertaken, made it a strong candidate location. However, in 2013 the University decided to position the park at a 20 hectare greenfield site by Gaerwen on Anglesey.
- 6.41 Anchor tenants such as the Menai Science Park and the Technium Optic scheme at St. Asaph's Business Park will help to boost the North Wales economy and to draw inward investment. However, it appears that the opportunities to secure such an anchor tenant have come around only periodically.
- 6.42 It has not been possible to obtain up to date and comprehensive data on demand for the site. Gwynedd Council do not appear to track take-up rates and enquiries into specific sites in a formal manner. Enquiries made to Welsh Government and to the agents for the site are recorded

but data protection rules have meant these are not available for the purposes of this evaluation.

- 6.43 Based on discussions with Legat Owen, JLL and the Local Authority it appears that some steady interest has been shown, with reports from local agents suggesting there has been some upturn in enquiries in North West Wales over the first half of 2015. However, clear opportunities for development have been relatively limited.
- 6.44 Conditions have changed from the time that the market assessment underpinning the first phase of the project was first produced. The effects of the recessionary period of the later parts of the 2000s are still being felt in North West Wales. While demand has returned to the larger markets around Greater Manchester, Liverpool, Warrington and Chester and this has been felt to some extent along the A55 in North East Wales, it has yet to return to those sites located along the western end of the A55 corridor (i.e. up to and beyond St. Asaph) where the market is much thinner and it will take some time for conditions to return to those seen prior to 2008.

Interest from Non-B1/B2/B8 Uses

- 6.45 Interest in the site is also reported to have been registered from non-B1/B2/B8 uses. Specifically, a proposition for a c. 7 acre food and leisure development, (taking around 15 per cent of the site) has been registered with Pochin and Legat Owen. It has been suggested within stakeholder consultations that the likelihood of the proposition going ahead would be around 70 per cent (if the use-class on the site were to be relaxed).
- 6.46 Given the period over which Parc Bryn Cegin has been vacant, pressure has risen from both Pochin and Legat Owen to allow non-B1, B2 or B8 use classes to develop part of the site. This has been compounded by a local residents campaign totalling almost 6,000 members (equivalent to almost 33 per cent of Bangor's resident population) pushing for such uses on the site. It is thought the development of other uses would act as a spur to B1/B2/B8

development on other parts of the site and has worked at other sites previously; the North Wales Business Park at Abergele (11 miles East of Llandudno and around 30 East of Bangor) has successfully combined residential, B1 and healthcare uses for example.

- 6.47 However, this would require the site's permitted use to be changed through the local plan and new planning permission to be secured. While this could act as a catalyst for further development it would conflict with the original vision for a higher value business park and the sites' status as a short-medium term strategic priority.
- 6.48 From a programme perspective, such a decision would be at odds with the aim of the fund, i.e. to unlock strategic employment land for office and light industrial uses.

Energy Island and Cluster Development in North Wales

- 6.49 The Energy Island Programme looks to build on the major investments in energy being made on Anglesey (most notably at Wylfa nuclear power station), to deliver wider benefits for the local economy and to establish the island as a centre of excellence for low carbon energy generation. There are expected to be a wide range of research, supply-chain and logistics opportunities stemming from the energy investment on the island and from the Energy Island Programme.
- 6.50 These opportunities could be felt in terms of demand for space at Parc Bryn Cegin. For some of those attracted by Energy Island the location of Parc Bryn Cegin along the A55 may act as a notable draw, positioning them closer to major economic centres to the East and South than is the case on Anglesey.
- 6.51 Other notable supply chain links and clusters to have formed nearby include an optical-electronic and technology cluster at St. Asaph Business Park and linkages to Siemens at its site in Llanberis where medical equipment manufacturer Euro DPC have also located.
- 6.52 The proposed partial relocation of S4C to Caernarfon could also boost an existing media businesses present in the town which include

television production companies Rondo Media and Antenna as well as Sain Records and a range of smaller enterprises.

- 6.53 These examples provide some indication of the latent opportunity for inward investment that has existed in North Wales previously and of the clustering that could result from an anchor tenant arriving at Parc Bryn Cegin.

BREEAM

- 6.54 It has also been suggested within some stakeholder and project interviews that the Welsh Government requirement for BREEAM standard development on key strategic sites increases the cost of development and acts as a disincentive to developers. With this said, it is not clear that this has been a fundamental factor in the case of Parc Bryn Cegin. Moreover, this forms a key Welsh Government policy and so the case for building outside of the BREEAM standard would have to be well justified. Such a case has not been made.

Marketing

- 6.55 The site is being marketed nationally by JLL while Legat Owen are responsible for handling enquiries and marketing more locally. Enquiries are also channelled through Welsh Government and Gwynedd Council, though Gwynedd Council do not have a direct role in marketing the site.
- 6.56 Legat Owen have a distinct presence in North Wales and are also responsible for a number of other business and employment sites, including Parc Menai, St. Asaph's Business Park, Mochdre Commerce Parc, the North Wales Business Park in Abergele as well as a number of sites on Anglesey.
- 6.57 Some concern has been expressed by stakeholders that the marketing effort on Parc Bryn Cegin might not have been as focused as it could have. The current site brochure was produced in 2008 and so is around seven years old at the time of writing and up until recently the

advertising and information boards at the site had deteriorated. It is also surprising that the site has been positioned as a medium to longer term priority, given the scale of investment committed over the course of the last two ERDF Programmes. On top of this, the agents marketing the site, as commercial actors, have no clear incentive to market the site above any other site from their portfolio.

Supply

Industrial and Office Floor Space

6.58 According to the Wales Property Market database at the time of writing, there appears to be limited availability of industrial and office floor space within close proximity to Parc Bryn Cegin. There is a relatively low amount of available industrial floor space across the two districts and a particularly low level of office floor space within the latter. Overall:

- The amount of available industrial floor space is relatively modest within Gwynedd and Anglesey, amounting to 19,900 sq m and 28,500 sq m respectively. The average size of lot for the two districts is also especially low (415 sq m and 2,600 sq m respectively).
- Within Anglesey, the supply of available office floor space is especially low (700 sq m), but there is a greater supply of floor space within Gwynedd (8,500 sq m).

Table 6.5 Summary of Property Market Availability for Parc Bryn Cegin Site

	Number of Listings	Approximate Total Amount of Available Floor Space	Average Size of Lot
Gwynedd			
Industrial	48	19,900 sq m	415 sq m
Office	31	8,500 sq m	275 sq m
Land	11	48.4 ha	4.4 ha
Anglesey			
Industrial	11	28,500 sq m	2,600 sq m
Office	4	700 sq m	175 sq m
Land	6	59.8 ha	10 ha

Source: Wales Property Market Database

6.59 Discussions with local agents suggest occupancy is high at many of the business parks close to the A55. Occupancy at those owned by Gwynedd Council stood at an average of 93.7 per cent¹¹⁹ over the last three years. While there are also pockets of mostly older B1 stock available which can absorb demand from some businesses, much of this has been for available some time and does not represent an offer comparable to newer grade A stock. Overall the available data and information available on occupancy levels suggests further development may well be needed to accommodate short or medium term demand.

Developable Land

- 6.60 Market conditions prior to the initial Phase 1 project had pointed to demand for further employment land development, particularly given that the nearby Parc Menai, located around five miles to the West of Parc Bryn Cegin, was reaching full occupancy. It is thought that this excess demand from businesses no longer exists to the extent that it had. Other sites, including vacant plots on Anglesey holding Enterprise Zone status and offering business and developer benefits, may be acting as a stronger draw to developers.
- 6.61 However, Wales Property Market database suggest a strong supply of available and undeveloped land, with 48.4 ha available in Gwynedd and 59.8 ha available in Anglesey.
- 6.62 The June 2014 North Wales Planning Authorities Employment Land Strategy for North Wales suggests there is even more developable land available¹²⁰, with the 36ha of land available at Parc Bryn Cegin representing 18.5 per cent of a total 194ha of existing priority/committed land located along the A55 in North Wales and on Anglesey. This land is spread between seven other sites, with the largest portions of land

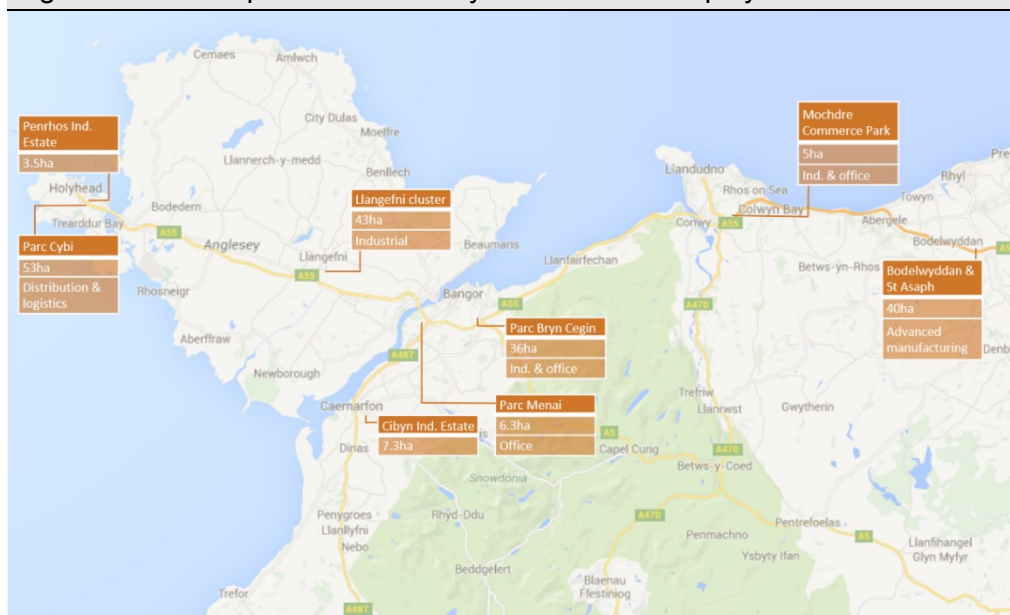
¹¹⁹ Based on around 120 Council-owned units.

¹²⁰ North Wales Planning Authority (June 2014). 'Regional Employment Land Strategy for North Wales Strategy Document'.

available at Parc Cybi (53ha), the Llangefni Cluster (43ha) and Bodelwyddan and St. Asaph (40ha). While Parc Menai and St Asaph's were developed from the early 2000s onwards, Parc Cybi's infrastructure was completed in 2008 after which the park became available for development. The location, scale and focus of these strategic sites is shown in Figure 6.3.

- 6.63 Amongst the strategic sites in the wider North West Wales area, Parc Bryn Cegin is placed by the Employment Land Strategy as a medium to long term priority site, ranked behind all of the other sites shown below, which are positioned as short-term priorities. As has already been stated, this is surprising given the scale of investment made in the site over the course of the last two ERDF Programmes.
- 6.64 A number of these sites, including Parc Menai, Bodelwyddan and St Asaph and Mochdre Commerce Park offer existing buildings alongside new land and established infrastructure. The offer presented by these sites will be attractive to many, and especially smaller businesses, who wish to be located close to other businesses and on site facilities.

Figure 6.3 Developable Land at Key North Wales Employment Sites



Source: Regeneris Consulting; North Wales Regional Employment Land Review, 2014; Google Maps.

- 6.65 However, while there appears to be ample space for development at other locations, the Parc Bryn Cegin site is still seen by many as offering a prime location for new and larger scale development that is not closely matched by many other locations within Gwynedd and North Wales.

The Anglesey Enterprise Zone

- 6.66 There are three Enterprise Zones in North Wales, on Anglesey, in Snowdonia and at Deeside, each bringing tax support, wider publicly-backed financial and business support as well as investment in infrastructure. Stakeholder consultees have suggested there is a concerted focus on employment land and on driving inward investment in the Enterprise Zones which does not always exist to the same degree elsewhere. Hence the Zones may have acted to displace investment from other locations such as Parc Bryn Cegin.
- 6.67 As mentioned in paragraph 6.49 above, potential opportunities may stem from the Energy Island Project on Anglesey. However Anglesey's Enterprise Zones status, positioned so close to Parc Bryn Cegin, may act to draw occupiers that might have located at Parc Bryn Cegin on to Anglesey. Indeed some have pointed to this as contributing to the decision to locate of Menai Science Park on Anglesey.
- 6.68 While the Snowdonia and Deeside Enterprise Zones are located further away from Parc Bryn Cegin and are operating in slightly different markets these may also have served to displace potential development and take-up elsewhere.

Project Progress, Completion & Issues

- 6.69 As stated above, the aim of the project has been to extend power capacity at the site to the 4.5MW which had been recommended by the Scottish Power survey prior to the phase 1 infrastructure works funded under the 2000-06 ERDF Programme.
- 6.70 Two factors have contributed to a delay in implementation. First, the route taken by the new connection to the site substation has had to be

altered at least once and crosses the land holdings of third party owners. As a result, a number of wayleaves have had to be agreed, delaying implementation. Secondly, the required works will temporarily affect capacity within two local circuits providing electricity to users locally. Therefore further agreements and permission had to be secured before the work can be finalised.

- 6.71 These challenges have delayed the final elements of the work being undertaken by Scottish Power until after the official project completion deadline in June 2015, more than three years after the project was passed for approval in February 2012. The project team for SESIF have looked to Scottish Power for reassurances that progress was being made along the way. However, it is not clear whether Scottish Power could have mitigated for or navigated some of the factors that led to such a delay at an earlier time or that these alone have resulted in project closure slipping past the final deadline for ERDF.
- 6.72 With this said, all of the physical infrastructure is now in place and it only remains for the power to be connected and for the substation to be energised, requiring outages on the local electricity network. These remaining works will be undertaken in July and August. Arrangements for financial completion have been made, with the invoice for the *entirety* of the works being raised in May 2015. These final elements of work required permissions from the grid and so could not be undertaken at an earlier time.
- 6.73 The associated costs are estimated to account for 2.5 per cent of the total spend. It is not clear that this final ERDF spend can be claimed from WEFO. If not it is thought this may account for much of a £12,500 underspend on ERDF for the project.

Table 6.6 Project Spend to June 2015

	As of End June 2015 (£m)	Underspend (£m)	% of underspend
Total Sub-Project Expenditure	£1.15	-£0.04	-3%
Total Eligible sub-project Expenditure	£1.15	-£0.04	-3%
Private Sector Match	£0.00	£0.00	0%
WG Match Funding	£0.74	-£0.02	-3%
Sub-total	£0.74	-£0.02	-3%
ERDF @36% of Eligible Project Costs	£0.42	-£0.01	-3%

Figure 6.4 The Parc Bryn Cegin Site, May 2015



Source: Regeneris Consulting

Has Limited Power Acted as a Constraint?

6.74 As already stated, it is our understanding that part of the site could have been developed after the completion of the first phase of works in 2007, despite the power constraint. However, this constraint would have certainly restricted the scale of development which could have been achieved and restricted the suitability of the site for occupiers with large

energy requirements (such as data centres or capital intensive manufacturing). Despite the site's availability for development and its flexible masterplan, which could accommodate occupiers with a smaller land or property requirement, the evidence suggests that there has been little demand in practice over the period.

- 6.75 There is little evidence to suggest that occupiers with a substantial land or property requirement have been deterred by the power constraint. However, in the absence of information on the requirements of businesses which have been searching in the area (due to data protection issues), it is impossible to determine definitively the extent to which power capacity may have played a part in them deciding otherwise.
- 6.76 Nonetheless, the lead developer Pochin, local agents and other local stakeholders have indicated that some of those interested in the site have raised the issue of power capacity. It is therefore possible that power constraints could have acted as some deterrent to some potential occupiers (of which there have been few overall). Expanded power capacity has therefore improved the prospects for the development of the site, in terms of its full build out, for users with a substantial land requirement and those with an intensive energy requirement.
- 6.77 With this said, it is not thought that power constraints have acted as a primary barrier for development and take-up of floorspace among most potential occupiers of the first site plots planned for the site. Ultimately it is unlikely that, had full capacity been provided under the first phase of works, the site would have drawn any development as yet.

Cross-Cutting Themes

- 6.78 No new procurement was required for the project as it was set up as a variation on the existing contract with delivery partner Scottish Power. As a result there was no requirement to set out the means through which cross-cutting themes would be addressed. We understand that

Scottish Power operate under their own equal opportunities and environmental sustainability policies.

Conclusion

- 6.79 Park Bryn Cegin has remained vacant for the eight years that have followed the completion of the bulk of infrastructure requirements undertaken in phase 1 of the project.
- 6.80 A concerted recovery from recession is proving elusive for North West Wales in particular, and supply data shows that a significant amount of alternative land is also available. While demand has returned to some degree to popular sites in North East Wales and South East Wales, and there have been some signs of demand returning to the market in Gwynedd and Anglesey, opportunities for development at this site have been rare.
- 6.81 The funding provided through SESIF has meant that the upgraded electricity sub-station will be complete as of August 2015. As a result, the scope to fully develop the site has been secured, providing a flexible masterplan to meet the needs of office and industrial occupiers with a mix of requirements. Bangor consequently has a major employment site within its site portfolio to accommodate economic growth and inward investment that will be vital for bringing economic growth to North Wales in the long term.
- 6.82 However, while Parc Bryn Cegin would provide potential occupiers and developers with a good location, the state of market demand and scale of alternative land and premises supply in the locality make it difficult to be certain about the timing of development on the site. Ultimately, there is little to suggest that the conditions which have seen the site stand vacant over a prolonged period will come to an end in the short-term (i.e. in the next three to five years).
- 6.83 While demand and supply conditions go much of the way to explaining why the site remains undeveloped, other factors have also affected the site's prospects. The strength of the marketing effort and strategic positioning of the site have also contributed to a local perception that

not enough has been done to actively promote the site for development. If the potential for development is to be maximised a clear direction should be formed between Welsh Government, Gwynedd Council (including those involved in inward investment¹²¹) and the lead developer and agents for Parc Bryn Cegin to actively pursue potential occupiers and anchor tenants.

- 6.84 Similarly while the success of other nearby business parks such as St. Asaph's and Parc Menai can be attributed in large part to more buoyant market conditions prior to 2008, it is also suggested by local agents that they have benefitted from resource having been put into developing a thriving business community and some nascent clusters on these sites.
- 6.85 The agents have argued that the sites' designation for B1, B2 and B8 uses have also prevented the potential development for other uses, in particular for food and leisure uses where the demand is felt to be strong in this particular location. However, this has not been compatible with the stated objectives of the fund, Welsh Government's site strategy and prioritisation of the site for strategic employment uses by the Joint Planning Authority.
- 6.86 Finally, the difficulties the evaluators have faced in gathering up to date data on land and property enquiries and take-up also suggests a need for the key stakeholders involved in the management and marketing of key employment sites to collect and store this key data. Without this it will continue to be difficult to ascertain what likely scale and type of employment land will be needed.

¹²¹ e.g. from the recently formed North Wales Wales Economic Ambition Board,

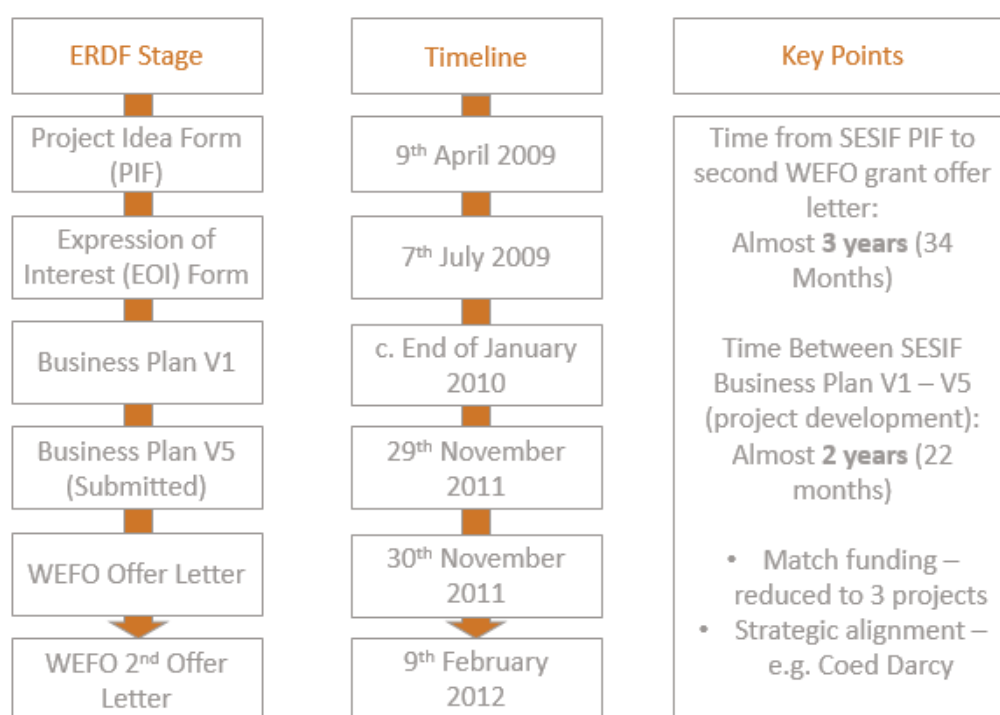
7. The Delivery and Management of SESIF

Project Development & Delivery

Project Development

- 7.1 Following a review of project documentation (including the project idea form (PIF), an expression of interest (EOI), business plans (several iterations) and two WEFO grant offer letters), as well as consultations with key officers at Welsh Government, we have developed a timeline for the project development period (i.e. from project idea through to project approval from WEFO). This points to the complete project development period taking almost three years (34 months).

Figure 7.1 Timeline of SESIF Project Development to WEFO Approval



Source: Regeneris Consulting

- 7.2 The main contributing factor to this lengthy development period was the business planning stage with five iterations of the Business Plan prepared over almost two years (22 months). This was of course a particularly challenging period for the Welsh Government to be developing the SESIF Business Plan for a number of reasons:

- The Business Plan development process was on-going during a period of prevailing public sector funding cuts following the 2010 General Election. Cuts in Welsh Government budgets had spending implications across all departments, with funding for capital works also affected (and hence match funding for the candidate SESIF sites).
 - We understand that this impacted upon the scale of the proposed SESIF project at this time given the level of available Welsh Government resources. The long list of 8-12 sites originally included in the SESIF project was reduced in part due to these funding issues, but also other site specific delivery issues. Some sites proceeded down alternative funding routes.
- 7.3 A further source of delay, albeit minor, was the need for WEFO to issue two grant Offer Letters to Welsh Government (end of November 2011 and early February 2012). This led to a further two month delay to the project commencing.
- 7.4 When time is included for the initial 12-18 month 'bedding in period' for a new ERDF Programme (i.e. a generally accepted period of time where WEFO processes are being established, refinements are made to the Programme, and 'Calls for Projects' developed), approximately five years had passed from the start of the ERDF programming period to project commencement.
- 7.5 Site infrastructure projects of this nature can often be complicated in terms of their design, planning, procurement and delivery issues. With a maximum of just over three years remaining for the SESIF project to be delivered and completed (by the end of June 2015), the high level of risk of not delivering aspects of the site investments on time is fairly evident.
- 7.6 The infrastructure requirements for the individual sites were originally well scoped, with the necessary masterplanning activity and planning consents either in place or actively being developed or sought. This enabled the Amazon Way site to be delivered on time. In the case of

the other two sites, significant delays arose as a consequence of factors largely outside the control of the Welsh Government technical site managers (linked to third party utility providers). These risks do not appear to have been fully recognised in the business plan or subsequent appraisal.

- 7.7 As ERDF Programmes have an agreed end point for project completion, which is known and understood by all at the outset, the delivery of the SESIF project has suffered as a result of a project development period that was far too long, as well as in some of the sites, the introduction of third party decisions and processes that impacted upon the delivery schedule for the project (e.g. Parc Bryn Cegin), or resulted in the site works being incomplete (e.g. Rhyd y Blew).
- 7.8 The key conclusions that we can draw from the project development process are:
- While it is challenging to develop a multi-site investment project like SESIF (including vital delivery roles for third parties) and this was exacerbated by the economic and funding circumstances at the time, with hindsight the prolonged development and approval process left insufficient time to deliver the project.
 - Given these circumstances, more attention should have been focused on developing a detailed implementation and risk management strategy. We have not seen any evidence that these were prepared or tested through the subsequent project appraisal process.

Project Appraisal

- 7.9 The consultations have highlighted that there were on-going discussions between the WEFO PDO and the Welsh Government officers during the project development process. Such an approach is important in helping to shape the project so that it can maximise its

contribution to meeting the needs of the ERDF Priority and Theme investment areas, as well as testing delivery risks and value for money.

7.10 This interaction continued as part of the appraisal and approval process, including for SESIF as a whole and each individual site. The review of this appraisal and approval process has highlighted a small number of concerns we have regarding the rigour of aspects of this process and the associated audit trail. The key points are:

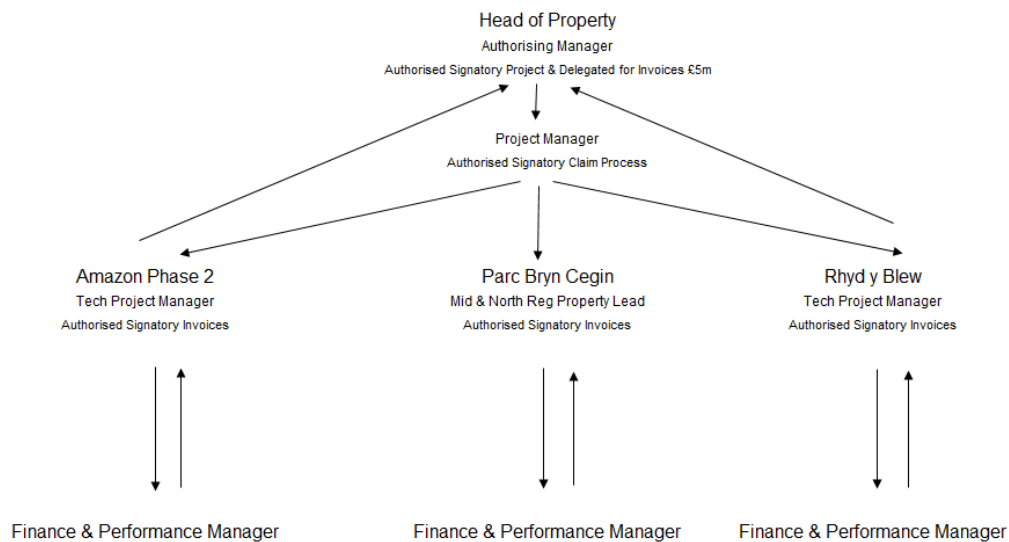
- As noted already, the delivery risks do not appear to have been adequately tested and factored into delivery timelines and arrangements. This is demonstrated by delays associated with the Rhyd y Blew site and the foul water sewer, as well as the time taken to programme works and deal with legal and other issues associated with the power requirements for Parc Bryn Cegin.
- The relative merits of the strategic and market case for investment in some sites were not always clear in the business plan or tested through the appraisal process. For example, the evidence we present later suggests that whilst the strategic case for investing at Parc Bryn Cegin may have been strong, the market case was much weaker. It is important for these to be transparent as it will influence the achievement of results and economic impacts.
- It is not always clear how the output and result targets were determined for each site and the extent to which these were tested by WEFO.
- A number of these targets are not, in our view, directly attributable to the site investments (eg hectares of land developed at Coed Darcy through the Amazon Way investment) and it is not clear that this dependence was adequately tested by WEFO.

Project Management – post approval

7.11 While the management structure was different at the outset of the project, the following was the management structure and team for SESIF for the majority of the project period. This consisted of:

- The Accountable Officer and overall Project Director. This role was performed by the Head of Property in the Department of Economy, Science and Transport. Responsibilities for SESIF include strategic management and oversight, as well the delegated responsibilities for expenditure approval.
- SESIF Project Manager. The project manager is responsible for the day to day oversight of project progress in terms of financial and output monitoring and reporting (to Welsh Government and WEFO) and submission of grant claims.
- Managers for the individual sites. Although responsibilities have varied between sites according to their specific needs, the site managers are broadly responsible for the development strategy, procurement and implementation, risk management, and reporting to the overall project manager.
- Finance and Performance Managers for each site, responsible for accounting and reporting project expenditure. These officers report directly to the site managers.

Figure 7.2 SESIF Management and Delivery Structure



Source: Department for Economy, Science and Transport, Welsh Government

- 7.12 The project and site managers have also been able to draw on specialist expertise within Welsh Government, including around the procurement of site works, ERDF compliance, the cross cutting themes, and monitoring and evaluation. This support was provided both from specialists within Welsh Government (including an internal ERDF advisor within EST) and WEFO.
- 7.13 Our evaluation has pointed to good project management systems being in place, in terms of financial control, financial and output monitoring, and reporting of progress to WEFO. This conclusion has been based on the outcome of Welsh Government and WEFO audits, as well as our own review of the information contained within monitoring reports. Welsh Government audit has highlighted errors in the treatment of ineligible expenditure, but these are relatively minor and have been dealt with.
- 7.14 Whilst there has been good continuity in the project team as a whole, there have been some issues around the loss of knowledge held by the original project developers (as they have not remained involved in the project) and staff absence due to ill health.

- 7.15 Whilst many aspects of SESIF have been implemented effectively and on time, there have been slippages in other aspects of delivery which could have been avoided through more effective and proactive management of site delivery. The 2013 PIV report noted that the *'project is being financially managed rather than performance managed by the Project Manager who has no responsibility for the three regional managers or the site development.....The project would benefit from a more integrated and consistent approach to achieving outcomes...'*. However, when delays threatened the ability to achieve satisfactory project completion and hence the defrayment (and claim) of ERDF grant, these issues received much greater attention by the project management team and WEFO.
- 7.16 The extension of the project timescale provided an initial solution, although given the nature of the delays at the Rhyd y Blew and Parc Bryn Cegin it has not been possible to secure site completion by the end of June 2015 (and official project closure). Whilst this has led to the loss of a proportion of ERDF grant (-15 per cent), Welsh Government has secured the approval from the Minister to make good this shortfall through its own resources¹²². This has been important in ensuring that remaining works at both sites can be completed and that prospective economic impacts are not put at risk. In this regard, the Welsh Government's continued commitment to ensuring the full delivery of SESIF is recognised by the evaluators.

Project Monitoring

- 7.17 Whilst financial and output monitoring processes have been compliant and met the needs of WEFO, the evaluation has questioned the appropriateness of some outputs being claimed for Amazon Way Stage 2. The case for the inclusion of the employment land at Coed Darcy (12ha), and its dependency on the investment project, should have

¹²² That is, both securing funding to replace the ERDF funding which has not been defrayed by the end of the project period (end June 2015) and an additional approval which was necessary for the use of the match funding which had not been spent in this period.

been tested more rigorously given the impact that this has had on the outcome of overall project outputs and results. This point applies to the project development team at Welsh Government to accurately articulate this dependence in the Business Plan, while it also applies to the WEFO appraisal team to rigorously test and challenge the dependency case to minimise Project and Programme risk.

- 7.18 In terms of cross cutting themes (CCTs), the 2014 PIV records that for CCT monitoring *'the Sponsor has submitted a revised monitoring and evaluation plan to WEFO for approval by the RME and CCT teams....'*. We have not seen this plan or any evidence to suggest that on-going monitoring of CCTs has occurred.

Overall Project Progress Compared to Targets

Project Expenditure

- 7.19 At the end of June 2015 total SESIF project expenditure was £6.23m (86 per cent of all re-profiled project expenditure), with £2.21m of this ERDF expenditure (85 per cent of all re-profiled eligible ERDF expenditure). While some project underspend has arisen as a result of savings made at some of the sites or in professional fees, the majority of the project underspend is attributable to the Rhyd y Blew site and the non-completion of the foul water sewer. Approximately 92 per cent of total project underspend is attributable to this issue (£0.97m), while it also contributes to around 89 per cent of overall ERDF underspend.
- 7.20 From our consultations with the PDO at WEFO, we understand that the level of project underspend for SESIF has not led to any significant implications for the Programme, given the practice of over-programming and management of Programme resources employed by WEFO. Nonetheless, the main upshot has been the foregone opportunity for maximising the use of 2007-13 ERDF Programme funding to contribute towards the costs for this vital piece of infrastructure at the Rhyd y Blew site.

- 7.21 The sewer accounted for around half of all site costs, with an ERDF contribution of approximately £350,000. In order to complete the site works, Welsh Government officers sought direct ministerial approval, which was agreed in June 2015, to use further Welsh Government funding to complete the site works. While it is positive that the site has the necessary resources to be completed, the additional spend by Welsh Government will also result in an opportunity foregone in their ability to use these funds to support other interventions at other sites in Wales.

Table 7.1 SESIF Project Performance Against Target Expenditure

	Re-profiled Expenditure	As of End June 2015	Underspend	% of underspend
Total Project Expenditure	£7.28	£6.23	-£1.05	-14%
Total Eligible Project Expenditure	£7.23	£6.17	-£1.06	-15%
Private Sector Match	£1.10	£1.10	£0.00	0%
WG Match Funding	£3.52	£2.86	-£0.67	-19%
Sub-total	£4.62	£3.96	-£0.67	-14%
ERDF @36% of Eligible Project Costs	£2.60	£2.21	-£0.39	-15%

Source: Welsh Government. Numbers have been rounded by Regeneris

Project Output & Results

- 7.22 The project was contracted to contribute to one output measure within the ERDF Programme – hectares of employment land developed. The definition for meeting this output was through an intervention of *'making land fit for use by removing physical constraints to open it up for development or including provision of services to open it up for development'*.
- 7.23 The overarching output for the SESIF project was 26.94 hectares of employment land developed. This target was based upon two out of the three sites – Rhyd y Blew (12.94 hectares) and land associated with the Amazon Way Stage 2 road (14 hectares split between 12 hectares at Coed Darcy, owned by developer St Modwen, and 2 hectares of Welsh Government owned land off Amazon Way). The land associated with the Parc Bryn Cegin site at Bangor was not included in the overall

target as we understand this was claimed as part of the 2000-2006 ERDF Programme investment.

7.24 As outlined under the site evaluations, while we note the positive outcomes and benefits from the project, progress against achieving the overarching headline project outputs has been poor. Only 2 hectares of the target output (7%) can be claimed for the project and hence the ERDF Programme as a result of the investment in SESIF (i.e. the 2 hectares of Welsh Government owned land associated at Amazon Way Stage 2). We have outlined the reasons for this already in the specific site evaluations. However, in summary, our judgements are based on the following key points:

- **The Rhyd y Blew site:** The infrastructure works were not completed ahead of the end of June deadline, with substantial works required to complete the foul water sewer. As a result, we understand that Welsh Government will not be claiming any outputs for this site. We judge this to be the correct approach.
- **Amazon Way Stage 2:** The delivery of the project's road infrastructure and servicing should be applauded, given the pace at which it was completed, the budget deployed and the way in which the project was extended to maximise the opportunities at Elba Works and in supporting the development of the Welsh creative sector. However, the ability to reasonably claim the significant associated project output harks back to the decisions taken during the project development stage for the inclusion of St Modwen's Coed Darcy site. It is our judgement that the site's inclusion was not appropriate for the following reason:
 - The 12 hectares of employment land at Coed Darcy should not have been included as contributing to the project output for land being 'serviced' as a result of the spur provided off Amazon Way Stage 2. We do not agree that the development of the 12ha of employment land at Coed Darcy is contingent on the development of Amazon Way.

The land identified within the St Modwen masterplan is several kilometres north of this spur (requiring the completion of the 'Southern Access Road'), while it can currently be readily accessed from junction 43 of the M4 or other local roads. Consultations have also confirmed that St Modwen are actively marketing opportunities at Coed Darcy, while the site already includes some existing and occupied business space. This latter point also brings into question the quantification of the 12ha, given some of this proposed output target was already developed and had existing economic activity taking place.

- However, there were potentially alternative and more appropriate adjacent sites which could have been considered for inclusion within the project at the outset, given the enhancements that the road provided to aid their development (e.g. Graceland's site for Trojan) or future development (e.g. expansion of the Bay Studios). While we understand that these may have been given some consideration at the time of project development, the prevailing view was that the Coed Darcy site was an appropriate inclusion, given its strategic importance and scale leading to significant project outputs and results.
- There was also potential for additional outputs to be considered in addition to 'Land Developed' as part of the project. These include 'kilometres of access route created or reconstructed' serving employment sites and premises, as well as 'kilometres of footpath or cycleway created on reconstructed'.

7.25 As with SESIF project underspend, our consultations with the PDO at WEFO have demonstrated that the 2007-13 ERDF Convergence Programme will not under-perform against its overarching output target as a result of the failure of the SESIF project to contribute its 26.94 hectares. We understand that the Programme has been able to readily

meet this output target already through the delivery of other projects. Nonetheless, we do believe that this points to a wider project development and appraisal process point that should be explored further.

7.26 As outlined in Chapter 2, the SESIF project had three results targets:

- 96,228 sq m (1,035,820 sq ft) of premises created or refurbished
- 60 enterprises accommodated
- 2,700 jobs accommodated.

7.27 The Rhyd y Blew and Amazon Way Stage 2 sites were expected to deliver the majority of the jobs, enterprises and new employment floorspace. Parc Bryn Cegin's contribution is more modest. The ERDF offer letter states: *'It is anticipated that it will be beyond the life of this Programme before the following projected results will be achieved in their entirety'*. However, by using the term 'entirety' there is an implied expectation from WEFO that some of the project's results could potentially arise ahead of Programme closure. This depends on progress on individual sites, albeit with recognition that the majority may well arise in the future (beyond the lifetime of the Programme given the nature of this type of investment).

7.28 However, given progress made to date with delivery at each of the sites, the various issues we have outlined that have contributed to no occupiers being on site at this stage, none of the sites have yet contributed towards the achievement of the project results targets. While the expectation of both WEFO and the Welsh Government was that project results would be realised beyond the life of the ERDF Programme, it is important to highlight the potential economic impact and contribution of each of the sites to the achievement of results beyond the lifetime of the ERDF Programme. Chapter 8 of the evaluation provides our assessment of the potential future economic impact of the three sites.

- 7.29 Given the issues surrounding the Amazon Way Stage 2 investment regarding the inclusion of a site which we judged not to be contingent on the development of Amazon Way Stage 2 (St Modwen's employment land at Coed Darcy) this component of the SESIF investment project will not be able to claim any future results. The 2 hectare Welsh Government owned site may well come forward for redevelopment in the future and generate results. However, we understand that the site is not currently being marketed by Welsh Government while more prominent sites they own remain undeveloped adjacent to Amazon's facility. In short, it is judged that this site is unlikely to deliver any results in the short or medium term given the availability of other sites, both public and privately owned, in the vicinity. However, the project may well be able to point towards helping to secure the future use of any refurbished floorspace associated with the addition of the Elba Works site which can be accessed via the new road spur. However, while it is not clear why this was not included as an additional future project result when the project was extended, it is an important additional consideration for the project given the scale of the facility served from the road.
- 7.30 Nonetheless, investment in the project has already, in part, contributed towards the delivery of wider benefits (e.g. the relocation of Trojan to Fabian Park and its associated employment, improved access to Bay Studios), and it is expected to support a series of indirect and wider economic and strategic benefits in future years. This has been explored in more detail in Chapter 5 and in the impact assessment in Chapter 8.

Table 7.2 Summary of Output & Results Targets					
Output/Result Targets	Rhyd y Blew	Parc Bryn Cegin	Amazon Way Stage 2	SESIF Total	Target Met?
Hectares of Land Developed (O)	12.94	0	14	26.94	Modest (2Ha)
Jobs Accommodated (R)	1500	200	1000	2700	No
Enterprises Accommodated (R)	30	10	20	60	No
Sq ft of Premises Created or Refurbished (R)	540,000	53,820	442,000	1,035,820	No
Share of Outputs/Result Targets					
Hectares of Land Developed (O)	48%	0%	52%	100%	
Jobs Accommodated (R)	56%	7%	37%	100%	
Enterprises Accommodated (R)	50%	17%	33%	100%	
Sq ft of Premises Created or Refurbished (R)	52%	5%	43%	100%	

Source: Welsh Government monitoring information and WEFO (Grant Offer Letter)

8. SESIF – Impact Assessment

Approach to Assessing Impact

- 8.1 The earlier chapters of the evaluation focused upon the three individual sites where SESIF funding has been used to implement infrastructure works, while the evaluation has also examined the overall delivery of the SESIF project in terms of progress, achievements and management. However, given the SESIF investments are focused on creating the right conditions to leverage private sector investment and to stimulate economic growth within these localities, it is important for both Welsh Government and for WEFO to better understand the likely economic impacts of their investments.
- 8.2 As we have explored, the three sites have all followed different trajectories in terms of when the SESIF works were undertaken and whether they have subsequently been completed or not (e.g. the foul sewer works at Rhyd y Blew or the power supply connection at Parc Bryn Cegin). The upshot of this is that there has been no private sector development so far on the land immediately associated with the investment sites as outlined in the agreed Business Plan.
- 8.3 As a result it has not been possible for the evaluation team to undertake any direct surveying of occupiers to better understand the number of businesses located on the sites, the quantum of floorspace developed or the number of jobs supported (i.e. their contribution to the target results set for the SESIF project). This would have been important in understanding what impacts had arisen to date and to understand businesses' growth plans/aspirations. It would have also been possible to gather insights around demand and wider property market considerations to come to a view on the impacts of SESIF to date, as well as in short (0-2 years), medium (2-5 years), and the longer term (5+years).
- 8.4 Alternative fieldwork approaches to an occupier survey were discussed with the Steering Group, led by Welsh Government's Evaluation Project Manager, during the first phase of the evaluation as the situation with

each of the three sites became clearer. The alternative approaches and our assessment of their feasibility/applicability for the evaluation were as follows (based on a mix of individual or combined approaches to meet the needs arising from the three sites):

Table 8.1 Alternative Survey Fieldwork Approaches	
1. A survey of potential inward investors via a telephone survey approach (i.e. to gauge the interest in the sites and future premises amongst inward investors)	For sites where this was relevant, this approach was explored but it was decided it was not a feasible approach given: the difficulty in identifying suitable candidates, inward investors' potential lack of familiarity with the sites, sensitivities around inward investor enquiries and contact information held by Welsh Government or local authorities, including on-going live enquiries.
2. Survey of potential end users who could be local SMEs via a telephone survey approach (i.e. to gauge the availability of suitable sites and future premises and potential interest in the project sites (where relevant))	The extent to which some sites would focus on local SMEs was not always clear given the shift in the vision for some sites over the project period, while it would also be dependent on being able to distinguish between local SMEs that have recently had a requirement for a new site or premises. While a potentially valuable approach, it would only be feasible with a good supply of SME enquiries data. Given the fragmented nature of data amongst partners, it was felt that this approach would also be impractical to deploy .
3. A general survey of local SMEs via a telephone survey approach (i.e. to assess the general views of local SMEs on growth priorities and prospects, the factors which will enable and constrain growth, and views on the adequacy of the sites and premises offer locally).	While a general survey of SMEs could provide some insights on their perceptions of availability and adequacy of sites and premises, the surveyed firms in practice may not be familiar with the project sites given their limited wider marketing (and no end product) and there was an agreed perception that the value of the insights would not provide strong enough to judge impact for the specific sites. As such, this approach was discounted .
4. In depth consultation interviews with economy, business and market experts - e.g. economic development officers and related stakeholders, business and sector representatives, developers, property agents and advisors, inward investment advisors (i.e. to explore the views of experts on local economic performance and prospects, the adequacy of the sites and premises offer, and the role of the sites in addressing these needs).	Given the limitations to the survey approaches above, the rationale for undertaking a consultation exercise is that it provides an important opportunity for the team to gather the views from a range of business facing organisations who would be well placed in understanding the sites more generally (in many instances), the local economies and property markets in the locations and wider regions, as well as in some cases, a strong appreciation of the economic development agenda. The team would be able to draw on a wide range of views to enable reasoned judgements to be made on the potential short, medium and longer term impacts of the site investments to be developed. It was agreed with Welsh Government that this would be the approach that would be undertaken.

Source: Regeneris Consulting

- 8.5 In undertaking the consultation approach a long-list of consultees was prepared and shared with the steering group for comment. Around 40 suggested consultees were identified at a Pan-Wales level or across the local areas for the three sites. The consultees came from across a broad spectrum of local authority economic development, planning and business engagement officers, business and sector representatives, developers, property agents and advisors, and inward investment advisors. The consultations were undertaken during June and July by consultants from Regeneris and Old Bell 3. Other names came forward as a process of nomination from selected consultees.
- 8.6 The consultations we have undertaken, allied with our understanding of the progress made on the three sites, have provided the evaluation with a wide range of insights into the potential economic impact that the three sites could deliver in the future, albeit **beyond the lifetime** of the ERDF Programme.

Rhyd y Blew

- 8.7 As outlined in the site evaluation chapter, the Welsh Government are currently in detailed negotiations with a North American inward investor that is interested in acquiring the whole Rhyd y Blew development site for a new automotive parts manufacturing facility in the UK. Welsh Government anticipate that there be confirmation from the company's board later this year if they are to proceed with the deal, in light of the wider financial proposal and incentives put forward regarding the site.
- 8.8 Reflecting on the consultations that we have undertaken with officers close to this situation, there was a clear sense that a deal for the Rhyd y Blew site could well be achieved as a result of the lengthy and on-going engagement with the investor by Welsh Government officers, the Enterprise Zone Executive and local stakeholders. Given the inward investor's relationship with UK-based car manufacturers and the future supply chain contracting opportunities which are emerging as manufacturers seek to re-shore and shorten aspects of their supply chains, we understand that the investor has only been dealing with

Welsh Government in their search for a site. While a number of sites were proposed, the Rhyd y Blew site is their preferred option for a number of reasons:

- Excellent modern infrastructure funded through SESIF has led to a site which is ready for development, with few hurdles to overcome and shorter lead-in times to develop a future operational facility.
- The site provides an opportunity for the investor to deliver a bespoke manufacturing facility that would meet all of their immediate needs, as well as provide scope for further expansion in due course.
- Excellent access to the primary road network alongside public investment in enhancements to the A465 Heads of the Valley Road.
- The site is part of the Ebbw Vale Enterprise Zone and has Tier 1 Assisted Area Status which brings with it fiscal incentives.

8.9 As the project has not been completed ahead of the end of June 2015, given the delays outlined with the foul sewer, the target output of 12.94ha cannot be claimed by the SESIF project and hence the ERDF Programme. Nonetheless, with the potential scenario of a major inward investor being secured for the site, allied with an indicative date of early 2016 for construction activity and a target operational date of 2017, the timeline for employment impacts to arise could be relatively short-term (i.e. within the next two years), if the deal is secured by Welsh Government. That would be a particularly strong and compelling outcome for the SESIF project and the use of ERDF and Welsh Government resources to secure a significant foreign direct investment for Ebbw Vale.

8.10 Based on our consultations we understand that the manufacturing facility would support:

- Approximately 400 new jobs within the main development plot at the Rhyd y Blew site

- Total on-site employment potentially rising to around 500-550 jobs when subsequent phases of development would come forward on the remainder of the site.
- 8.11 As well as the direct employment created, evidence on the employment multipliers for the automotive sector suggests that a further 840-1,160 jobs could be created locally and across Wales in the manufacturers supply chain once the first and later phase of the development is completed¹²³. Taken together the direct, indirect and induced employment impact arising from the inward investment could be approximately 1,240-1,710 jobs.
- 8.12 While information is limited at this time, the net additional employment impact of this scenario has been estimated as follows:
- Deadweight – assumed to be zero as without Welsh Government intervention the Rhyd y Blew site would not have come forward for development and inward investment opportunities would not have arisen.
 - Leakage – we have assumed this to be low or zero at the Wales level. We anticipate that the jobs will be accessible to residents in Ebbw Vale, the wider Blaenau Gwent local authority area and neighbouring areas within reasonable drive-time of the facility.
 - Displacement – we anticipate that ‘trade’ displacement would be particularly low at the Wales level, potentially zero. This is as a result of the inward investor being part of a wider re-shoring process led by UK car manufacturers so there is little scope for this form of displacement. In terms of ‘labour displacement’, it is anticipated that the investor would work with local stakeholders to recruit workers who are currently out of the labour market and to

¹²³ This assessment of indirect and induced employment impacts is based on evidence from the Scottish Government’s Input-Output Model and its Type II employment multipliers for the ‘motor vehicles’ sector. An employment multiplier of 2.1 has been applied to the range of 400-550 direct jobs. Consultations with Welsh Government’s Advanced Manufacturing Sector team suggested a higher multiplier of 2.4 was standard for the automotive sector for Wales.

minimise displacement. However, we would expect there to be only limited displacement effects as the area does not suffer from supply-side constraints. Businesses would be able to recruit again if workers moved jobs. However, to be cautious in our approach we have applied a displacement factor of 20 per cent to take account of this issue.

- 8.13 On the basis of the above, the potential net additional employment impact would be 320-440 direct jobs, rising to 900-1,360 jobs once indirect and induced employment is included.
- 8.14 This level of gross and net additional direct employment would be a positive outcome for the SESIF project and for the use of ERDF and Welsh Government resources to secure a major foreign direct investment for Ebbw Vale, as well as its ability to stimulate and embed further supply chain activity in the economy. If the inward investment is secured by Welsh Government, there is a real opportunity for these employment impacts to arise within the short-medium term (over the next 1-2 years and 3-5 years if the company grows).
- 8.15 However, at a headline level the total employment impacts do fall significantly below the target result (i.e. 1,500 jobs). While that is true, our consultations with stakeholders did reveal a clear uncertainty as to whether the result target also included wider supply chain employment – this was highlighted on several occasions. Requests were made for the original documentation and assumptions that underpinned the derivation of the target results, although it has been confirmed that no record of these were kept.
- 8.16 We understand that a decision should be made later this year regarding whether the inward investment will proceed. If it did not, we believe that Welsh Government has other interested inward investors for the site given that it is almost development ready.
- 8.17 This original results targets do look challenging to achieve given the proposed masterplan (i.e. 540,000 sq ft/50,168 sqm of either B1c/B2/B8 floorspace) and the potential for up to 30 enterprises to be located on

site¹²⁴. However, it is possible to see how this target could have been generated if all of the floorspace was considered B2 manufacturing floorspace and an employment density of 33-36 sqm per full-time equivalent job was applied¹²⁵. This would deliver a potential job yield of 1,400-1,500 full-time equivalent jobs on-site (i.e. excluding supply chain). Nonetheless, we would conclude that there would appear to be some internal inconsistencies with how the target results were originally derived and how these passed through appraisal, given the stated quantum of floorspace, number of jobs and enterprises.

- 8.18 However, if the site did come forward over a longer period via other routes (e.g. another inward investor or a mix of a larger occupier and accommodation for indigenous businesses), we would expect the overall impact of the development to be lower than the site's current employment and enterprises target. If the mix of indigenous end-occupiers was high, we would also anticipate the net additional employment impact to be lower given a high propensity for displacement effects to arise.

Amazon Way Stage 2

- 8.19 As outlined in Section 6, the development of Amazon Way Stage 2 was an important next step in the delivery of Welsh Government's and partners' economic development and regeneration objectives for the Fabian Way Corridor/Jersey Marine area. The project opens up Welsh Government owned land and private sector land which was previously land-locked or which suffered from poor accessibility. The rationale for the road also included providing a link to a future southern access road to support the development of the Coed Darcy urban village.

¹²⁴ For around 30 enterprises to be located on site an implication would be more business units than would be the case with 2-3 larger plots/occupiers. We would expect to see more B1c units as part of this mix (i.e. targeting more local needs). B1c units would typically lead to fewer jobs per sqm of floorspace than B2 floorspace and hence lower overall site employment.

¹²⁵ Employment Densities Guide, HCA, 2010

- 8.20 We concluded that the Amazon Way Stage 2 project only delivers 2 hectares of its 14 hectare output target as a result of the Welsh Government owned land being serviced by the road. The 12 hectares of land associated with Coed Darcy was considered ineligible – as such, no economic impacts can be claimed as arising from this site. However, while 2 hectares of land can be claimed as an output, and the site has been identified for future development, it is unclear from our consultations with Welsh Government officers whether this would in fact be developed within the short to medium term. Despite the SESIF investment, the site is not being marketed given the availability of more prominent government owned sites in the vicinity, particularly the large sites adjacent to Amazon.
- 8.21 Its future development and economic impact is contingent on a change in marketing approach and the successful sale/development of other land interests in the area. In light of this it is not envisaged that any economic impacts will arise directly on this site in the short to medium term. The upshot from this is that there are likely to be no or only very limited direct economic impacts arising for the economy as a result of the Amazon Way Stage 2 investment. While we do anticipate that the employment land at Coed Darcy will be developed over the next 10-15 years, this is not contingent on this investment in the road.
- 8.22 Despite this, the development has already started to contribute towards a number of important indirect and wider benefits for the Fabian Way Corridor area. These include supporting the growth of The Bay Studios and other neighbouring employment sites, through improved access and market appeal, as well as helping to alleviate congestion on Fabian Way and other local roads.

Parc Bryn Cegin

Prospects for Development

- 8.23 We conclude in the site review chapter that there is little to suggest that the conditions which have seen the site stand vacant over a prolonged

period will come to an end in the short-term (i.e. in the next three to five years). However, we do feel that the potential for the site to be developed at some point is strong, given its location and investment readiness. As things stand, the degree of uncertainty surrounding the timing of any development is such that we are unable to provide a clear view on *when* occupiers or developers might arrive on the site. Consequently, we have not produced an estimate of the likely impact to be generated by the site over the short-term, as is the case for the Rhyd y Blew site.

- 8.24 There are a number of factors, highlighted in Chapter 6, which affect the potential for development at the site over the shorter term (i.e. within the next five years). Chief among these are the economic and market conditions surrounding employment land in North Wales, especially given a lack of readily available and comprehensive demand and take-up data. In addition to the existing power constraints existing on the site, we judge that a lack of a clear direction on site marketing and the strategic prioritisation of the site alongside other nearby locations and Enterprise Zones are seen as contributing to doubt about the potential for development in the short-term.
- 8.25 As suggested in the conclusions to the site's review chapter, a more concerted and collaborative effort on the part of the key project stakeholders may well serve to expedite development and so generate impacts for the Gwynedd and North Wales economy sooner.
- 8.26 We provide below an assessment of the economic impact associated with Parc Bryn Cegin being fully developed. As we are not able to say with any certainty when the site might reach full capacity, the estimates provided are not intended to show the impact associated with the project over any specific timescale, but of the sites long-term potential.

Calculating Gross Economic Impact

- 8.27 At just over 7 per cent of the total potential floorspace available at Parc Bryn Cegin, the basis of the result target set for the project to facilitate development of 5,000m² of floorspace was a conservative one. It was

stated in the business plan that this could accommodate 200 FTE jobs on the site, at an average space per job of 25m². This suggests a mix of floorspace uses weighted further towards serviced office space than industrial use.

- 8.28 The site masterplan suggested that once the site is fully developed it would be weighted further towards industrial uses at 65 per cent with the remaining 35 per cent taken by B1 offices. Applying employment densities that are broadly consistent with official guidance for these uses, it is estimated that if the masterplan were to be realised over the longer-term the site would accommodate 1,585 FTE gross jobs.

Table 8.2 Calculation of Potential Gross FTE Jobs Impact at Parc Bryn Cegin			
	Planned Floorspace (m ²)	Assumption on Employment Density	Gross FTE Jobs Created at Site
Project Target Floorspace	5,000	25m ² per FTE job	200
Site Fully Developed	70,410 ¹²⁶	35% office at 30m ² per FTE 65% industrial at 60m ² per FTE	1,585

Source: Regeneris Consulting

Calculating Net Additional Economic Impacts

- 8.29 To convert the estimate of gross employment located on the site into an estimate of the net additional employment that can be attributed to the investment we need to make three adjustments:

- **Deadweight**, representing the proportion of impacts that might have been generated in absence of the project.

The proportion of the economic impact generated across a fully developed site which can be attributed to the project will depend on the scale of development possible on the site given the 1MW of power available prior to the project. This will depend upon the power requirements of those occupiers that might take up space.

¹²⁶ Based on the site masterplan.

For example a data centre or process intensive manufacturer will require greater power needs than a typical B1 office tenant. As we are unable to tell what uses might comprise the earlier stages of development at the site we have made a simplifying assumption that at 22 per cent of the total power capacity recommended and available at the Parc Bryn Cegin, the existing power would cater for the 22 per cent of the site.

- **Displacement**, representing the proportion of net economic benefits that might draw away from activity elsewhere within North Wales. For example, were a local firm to decide to locate at Parc Bryn or it was seen that a firm from outside North Wales might have located elsewhere in the area, the economic benefits generated would be displaced from another North Wales location. It is thought likely that such occupiers would account for a significant proportion of any take-up at Parc Bryn Cegin.

We have applied the latest benchmark figures for displacement included in the 2014 HCA Additionality Guide which suggest displacement at sub-regional level for investments in regeneration through physical infrastructure of 39 per cent¹²⁷.

- **Multiplier Effects**, of which there are two types. Induced multiplier effects occur where employees located at the site spend money within the local economy, while indirect effects occur where firms located at the site spend money with local suppliers.

As for displacement, we have applied the latest benchmark figures for multiplier effects included in the 2014 HCA Additionality Guide for B1, B2 and B8 uses. This suggests a composite multiplier effect of 1.29¹²⁸.

¹²⁷ Homes & Communities Agency (2014). 'Additionality Guide: Fourth Edition'.

¹²⁸ Ibid.

8.30 Applying these adjustments, the hypothetical net additional employment impacts of a fully developed Parc Bryn Cegin are estimated to total 975 jobs.

Table 8.3 Gross to Net Impact Adjustments for Parc Bryn Cegin	
	FTE Employment
Gross Impact	1,585
Less Deadweight, at 22%	1,233
Less Displacement, at 39%	756
Adding combined induced and indirect multiplier effects at 29%	975

Source: Regeneris Consulting

8.31 As suggested earlier in this section, these impacts represent an estimate of the hypothetical maximum economic benefit that the site could stand to generate *if* it were to be fully developed. Two key factors have combined to make such an estimate unrealistic:

- the on-going uncertainty of market conditions in North Wales
- the inherent difficulty of predicting when, and what type of organisations may look to take up space in the area (let alone at the Parc Bryn Cegin specifically). Ultimately, we have not been able to say with any clear degree of certainty what timescales or uses might be attached to the long term development of Parc Bryn Cegin or the generation of impacts.

9. Conclusions

Headline Conclusions

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

- 9.4 The project was contracted with delivering one main output measure - 26.94 hectares of 'Land Developed'. This target was based upon two out of the three sites:
- Rhyd y Blew: 12.94 hectares
 - Amazon Way Stage 2: 14 hectares split between 12 hectares at Coed Darcy, owned by developer St Modwen, and 2 hectares of Welsh Government owned land off Amazon Way.
 - The land associated with the Parc Bryn Cegin site at Bangor was not included in the overall target as this was claimed as part of the 2000-06 ERDF Programme investment.
- 9.5 We conclude that only 2 hectares (7%) of 'Land Developed' can be claimed for the SESIF project, and hence the ERDF Programme. This judgement is based upon the following reasons:
- Rhyd y Blew: The infrastructure works were not completed ahead of the end of June deadline, with substantial works required to complete the foul water sewer. As a result, Welsh Government are not claiming any output for this site, which we judge to be the correct approach.
 - Amazon Way Stage 2: The employment land at Coed Darcy (12Ha) should not have been included as contributing to the project output as its development is not contingent on the development of Amazon Way Stage 2. The land is several kilometres north of this road spur (requiring the completion of the 'Southern Access Road'), while it can currently be easily accessed from junction 43 of the M4 or local roads.
- 9.6 However, there may well have been opportunities, particularly with the Amazon Way Stage 2 project, for officers to have considered some alternative or additional sites and outputs as part of the project. These included sites within the immediate vicinity of the road at Amazon Way, as well as outputs linked to its creation (e.g. kilometres of access route created or reconstructed or kilometres of footpath or cycleway created or reconstructed).

- 9.7 While the headline output performance is disappointing from an overall project perspective, we understand that the ERDF Programme will not under-perform against its overarching lifetime output target as a result of the SESIF project not contributing its total 26.94 hectare output of land developed. Nonetheless, this points to some shortcomings in the project development and appraisal processes which should have highlighted these issues at a much earlier stage.
- 9.8 As the SESIF sites do not have occupiers, the results outlined within the SESIF Business Plan have not yet occurred. However, given the nature of the investments, it was always anticipated that the majority of results would arise beyond the lifetime of the Programme. Given our judgements on the Amazon Way Stage 2 investment and the Coed Darcy site, the project will not be able to claim any of the results associated with this site that were outlined in the Business Plan. However, there may well be scope to review whether Welsh Government officers can claim results associated with the project being extended to include providing new access to the Elba Works site.
- 9.9 Nevertheless, we conclude that the SESIF project is in a reasonably strong position to achieve some of the other economic results and associated impacts in the coming years (both in the short, medium and longer term), and in some circumstances can be considered a qualified success given the range of positive indirect and wider benefits that have already occurred or that may occur in the future. The key messages underlying this conclusion are as follows:
- Rhyd y Blew:
 - While the project did not complete on time, a significant proportion of the required works were undertaken as intended, including the ecological mitigation measures. The commitment of further Welsh Government resource will ensure that all works are completed in the near future. The Rhyd y Blew site is now very well placed to attract future occupiers. We would conclude therefore that the overall

project and ERDF investment has played an extremely important enabling role in leveraging interest and potentially a future occupier (large inward investor) to the site.

- Given the investment we judge that there is a good prospect of securing a major inward investment for the Rhyd y Blew site based upon the available evidence. If the current company negotiating with the Welsh Government locates their manufacturing facility at the site, around 400 jobs could be created in the next two years, rising to 500-550 jobs if the facility grows in short to medium term (3-5 years).
 - The potential net additional employment impact would be 320-440 direct jobs, rising to 900-1,360 jobs once indirect and induced employment is included. This would be a positive outcome for the SESIF project and for the use of ERDF and Welsh Government resources contributing to the securing of a major foreign direct investment for Ebbw Vale, as well as potentially stimulating and embedding supply chain activity in the economy.
- Parc Bryn Cegin:
 - The site has remained vacant for the eight years that have followed the completion of the bulk of infrastructure requirements undertaken as part of the previous ERDF Programme. With a concerted recovery from recession proving elusive for North West Wales, we expect challenges related to the moderate supply and demand regarding alternative sites and land in the area to continue. Consequently, we expect opportunities for development to continue to be rare.
 - Nonetheless, as a result of the investment project, the scope to fully develop the site has been secured, providing a flexible masterplan to meet a mix of requirements. Bangor now has a major developer ready employment site within its

site portfolio. If the masterplan were to proceed over the longer-term around 1,585 FTE gross jobs or around 975 net additional FTE jobs could be created.

- Amazon Way Stage 2:
 - The project did not deliver the envisaged scale of 'land developed' output for the overall SESIF project, nor will it contribute towards the significant future results identified in the Business Plan. While the 2 hectare Welsh Government owned site can be claimed as an output, it is our judgement that the 12 hectares of employment land at Coed Darcy (and its associated future results) should not have been included. We do not agree that the development of the 12 hectares of land at Coed Darcy is contingent on the development of Amazon Way Stage 2.
 - However, while in headline output and results terms this site investment has not met original expectations, we judge that the project has been a qualified success supporting a number of positive indirect and wider benefits now and potentially in the future. This judgement is based upon:
 - The development of the 1.5km Amazon Way Stage 2 road being an important next step in the delivery of the Welsh Government and partners' economic development and regeneration objectives for the Fabian Way Corridor/Jersey Marine area.
 - The project being delivered under budget and ahead of schedule, making an important contribution to the opening up of immediate and adjacent development sites which were formerly land-locked or which had constrained access.
 - The project being extended based upon the recognition that further expenditure on the provision of an additional access to Elba Works would support Welsh Government's

wider objectives for regeneration and the sustainable growth of the Creative Sector in Wales, via the development of the Bay Studios site.

- The delivery of the project also supported the wider objectives of relieving congestion and access issues from Fabian Way associated with existing businesses operating in this area, as well as providing new access arrangements to support any future developments as they come forward. Without the new access road it is unlikely that future development schemes would be approved by the planning authority.

- 9.10 Turning to process and management issues for the SESIF project, we conclude that the management, monitoring and compliance systems have, on the whole been good. The evaluation has pointed to good project management systems being in place, in terms of financial control, financial and output monitoring, and reporting of progress to WEFO.
- 9.11 While delays in project implementation have arisen, which have in turn led to the failure to achieve physical completion within the timescale required, this reflects to some extent the complexity of the project and site specific issues encountered. Nonetheless, the project would have benefited from a tighter strategic and pro-active management approach, alongside more proactive risk management in light of the fairly challenging ERDF timeframe (given the delay in approval). Nevertheless, the project management team, with the assistance of WEFO, have found solutions to guarantee the full completion of all of the projects in the near future.
- 9.12 The SESIF project has had to face quite a challenging implementation timescale. In part due to delays in the development, appraisal and approval of the project. Some of these issues are as a result of changing circumstances beyond the control of the project development team and funders. However, the evaluation has also highlighted a number of issues which could have been picked up at the appraisal and

approval stage. This includes the appropriateness of the Coed Darcy site in the Amazon Way Stage 2 project and outputs, as well as the need to have in place appropriate risk management strategies.

Aims, Objectives & Additional Questions

- 9.13 Moving on from the headline conclusions the following provides the key points and messages addressing the aims and objectives of the evaluation, as well as answering a number of additional questions. The aims, objectives and additional questions are set out in Chapter 1 and are taken in turn here.

Addressing the Study's Aims & Objectives

To conduct a comprehensive evaluation of project outcomes against the key performance indicators as outlined in the project business plan

- 9.14 A comprehensive review of the project's expenditure performance, as well as its performance against output and results targets as set out in the project Business Plan has been undertaken. As outlined in the headline conclusions, as well as in earlier chapters of the evaluation, the SESIF project is now largely completed, albeit the physical completion of some works at both Rhyd y Blew and Parc Bryn Cegin remain outstanding.
- 9.15 In terms of overall project expenditure, approximately £6.23m of all re-profiled project expenditure was spent (86 per cent), with ERDF expenditure totalling £2.21m (85 per cent). While a small proportion of project underspend has arisen as a result of savings made at some of the sites or in professional fees, the majority of the project underspend is attributable to the Rhyd y Blew site and the implications arising from the non-completion of the foul water sewer (92 per cent of total project underspend or £0.97m, or 89 per cent of overall ERDF underspend). One of the main implications to note from the loss of ERDF grant support from the Rhyd y Blew site has been the requirement placed

upon the Welsh Government to seek Ministerial approval to fund the completion of the works and finalise the project.

9.16 In respect of a contracted output, the project was expected to deliver 26.94 hectares of 'Land Developed'. This target was based upon 12.94 hectares at Rhyd y Blew and 14 hectares split between 12 hectares at Coed Darcy, owned by developer St Modwen, and 2 hectares of Welsh Government owned land off Amazon Way. No land developed output was attributable to Parc Bryn Cegin. However, for the following reasons, we conclude that only 2 hectares of the output of 'Land Developed' can be claimed for the SESIF project, and hence the ERDF Programme (c.7 per cent of the target output).

- At Rhyd y Blew, the infrastructure works were not completed ahead of the end of June 2015 deadline, with substantial works required to complete the foul water sewer. No outputs can be claimed as a result of the project's incompleteness.
- At Amazon Way Stage 2, the project has completed and the 2 hectares of employment land owned by the Welsh Government can be claimed – although the development of the site appears to be uncertain as it is not being actively marketed by Welsh Government at this time. However, we also concluded that the 12ha at Coed Darcy should not have been included in the project as it is judged not to be contingent on the development of Amazon Way Stage 2 road.

9.17 This is a disappointing output performance for the project, although it is understood that the Programme will not under-perform against its overarching output target as a result of the failure of the SESIF project to contribute its 26.94 hectare output of land developed.

9.18 As the SESIF sites have no occupiers, the results outlined within the SESIF Business Plan have not been achieved. However, given the nature of the investments, it was always anticipated that the majority of results would arise beyond the lifetime of the Programme. Given the judgements on the Amazon Way Stage 2 investment and Coed Darcy,

the project will not be able to claim any of the results that were outlined in the Business Plan associated with it. Nevertheless, we conclude that the SESIF project is in a reasonable position in terms of the future achievement of economic impacts in the coming years (in the short, medium and longer term).

- **Rhyd y Blew:** There is a good prospect of securing a major inward investment for the Rhyd y Blew site. If the current company in negotiations with the Welsh Government locates their manufacturing facility to the site, around 400 jobs could be supported in the next two years, rising to 500-550 jobs if the facility grows in the short to medium term (3-5 years). The potential net additional employment impact would be 320-440 direct jobs, rising to 900-1,360 jobs once indirect and induced employment is included. This would be a positive outcome for the SESIF project and for the use of ERDF and Welsh Government resources contributing to the securing of a major foreign direct investment for Ebbw Vale, as well as potentially stimulating and embedding supply chain activity in the economy.
- **Park Bryn Cegin:** The site remained vacant for the eight years that have followed the completion of the bulk of infrastructure requirements undertaken as part of the previous ERDF Programme. With a concerted recovery from recession proving elusive for North West Wales, we expect challenges related to the moderate supply and demand of alternative sites and land to continue in the area. Consequently, we expect opportunities for development to continue to be rare. While challenging to predict, it is anticipated that the development of the site will be over the longer term. Nonetheless, as a result of the investment project, the scope to fully develop out the site has been secured, providing a flexible masterplan to meet a mix of requirements. Bangor now has a major developer ready employment site within its site portfolio. If the masterplan were to proceed over the

longer-term it is estimated that around 1,585 FTE gross jobs or around 975 net additional FTE jobs could be created.

- **Amazon Way Stage 2:** While the 2 hectare Welsh Government site may be developed at some point in the future, there is currently no marketing activity being undertaken and therefore the prospect of results being delivered in the short to medium term is limited. While it is anticipated that the employment land at Coed Darcy will be developed over the longer term (the next 10-15 years), it is judged that this is not contingent on this investment in Amazon Way Stage 2. Nonetheless, the SESIF investment has already started to contribute towards a number of important indirect and wider benefits for the Fabian Way Corridor area. These include supporting the growth of the Bay Studios, improving the market appeal of other adjacent sites and helping to alleviate congestion on Fabian Way and other local roads. The strategic contribution that the project has made to the economic development potential and regeneration of the area is also very clear. A number of alternative and more contingent sites (including private sector interests) are benefiting from the SESIF investment.

To assess the effectiveness and efficiency of project delivery in achieving the project aims and objectives outlined in the business plan

- 9.19 The SESIF project is now largely completed, albeit the physical completion of some works at both the Rhyd y Blew and Parc Bryn Cegin sites remains outstanding. While delays in project implementation have arisen, which have in turn led to the failure to achieve physical completion within the timescale required, this reflects, to some extent, the complexity of the project and site specific issues encountered.
- 9.20 In regard to the Rhyd y Blew site, the delay has had a significant impact on overall project expenditure levels, as well as the target output of 'land developed'. If this project had completed ahead of the project

closure date, overall project expenditure levels would be significantly nearer to expected levels, while just half of the output target would have been claimed. The implication from this delay was that the Welsh Government was required to provide further funding to cover the lost ERDF grant. Nonetheless, the ERDF grant that was claimed has played an extremely important role in delivering a wide range of infrastructure improvements and ecological mitigation measures at the site.

- 9.21 The evaluation has pointed to good project management systems being in place, in terms of financial control, financial and output monitoring, and reporting of progress to WEFO. However, where there have been weaknesses, it has been around strategic management, in particular ensuring that implementation is managed to the ERDF timescale, and the use of appropriate risk management strategies. While some issues were beyond the direct control of officers, the effectiveness and efficiency of the delivery of the overall project would have benefited from a tighter strategic and pro-active management approach, alongside more proactive risk management processes. Nevertheless, the project management team, with the assistance of WEFO, have found solutions to guarantee the full completion of all of the projects in the near future.
- 9.22 The SESIF project has had to face quite a challenging implementation timescale. In part due to delays in the development, appraisal and approval of the project. Some of these issues are as a result of changing circumstances beyond the control of the project development team and funders. However, the evaluation has highlighted a number of issues which could have been picked up at the appraisal and approval stage by either Welsh Government or WEFO. This includes the appropriateness of the Amazon Way Stage 2 sites and outputs, as well as the need to have in place appropriate risk management strategies.

To understand the added value of the project for its potential beneficiaries with regard to the packages of support offered

- 9.23 Abnormally high costs associated with the types of infrastructure required, allied with the residual value generated at these sites, were factors felt to be contributing to a lack of private sector interest in their development potential. SESIF funding, including significant ERDF grant assistance, has been essential to addressing this market failure and enabling the Welsh Government to implement the infrastructure works at the three strategic employment sites.
- 9.24 The implementation of the works at these sites (some of which are near completion) will enable developers and inward investors to now clearly see the potential development opportunities at these sites, rather than the constraints. The result of this, to varying extents, has meant that the three sites are now much better positioned in the market for investment over the short, medium and longer terms.
- 9.25 However, in terms of end beneficiaries and added value, the beneficiaries would be the end occupiers of the sites. Given the lack of property development on sites to date, there are not yet any occupiers. Nonetheless, the following provides an overview of the added value that the SESIF investment has delivered for each site or will deliver once some projects are finalised.
- **Rhyd y Blew:** The Welsh Government has now approved additional resources to complete the site infrastructure works related to the foul sewer, with the solution to this issue now progressing. They will also find out in the next couple of weeks if the inward investor will be committing to bringing their manufacturing facility to Ebbw Vale. However, even if this inward investment opportunity does not materialise, evidence points to demand strengthening amongst enquirers to Welsh Government for this site. This is as a result of the works that have been undertaken and the redevelopment opportunities this site now presents, allied with the site's Enterprise Zone status and

strategic location. The masterplan also provides a good level of flexibility for accommodating larger and SME occupiers on site, with the potential to accommodate both smaller inward investors and indigenous businesses. The deployment of SESIF funding therefore has the potential to deliver positive economic impacts in the short to medium term. As well as economic impacts, the project has also funded a programme of ecological mitigation measures to lessen the impact of the construction works, as well as provide enhancements to the wider Rhyd y Blew area.

- **Parc Bryn Cegin:** Expansion of the power capacity has provided the scope to fully develop out the site, providing a flexible masterplan to meet the needs of office and industrial occupiers with a mix of requirements. As a result Bangor has a major employment site within its site portfolio to accommodate economic growth and inward investment that will be vital for bringing economic growth to North Wales in the long term. The land provided by the site sits amongst a wider supply of land for development along the A55 and Anglesey and in current market conditions it is hard to tell when the site might be developed. Nonetheless Parc Bryn Cegin is seen by local agents as offering a unique location and opportunity for new development at significant scale.
- **Amazon Way Stage 2:** While the 12 hectares of land at Coed Darcy was originally envisaged as coming forward for development, we conclude that the site is not contingent on the SESIF investment project. Nonetheless, the timing of the investment project has meant that St Modwen's contribution to the road costs were brought forward, given the planning obligation they had to link their Southern Access Road to Amazon Way Stage 1 in the future. Therefore, while the project investment will not directly support beneficiaries on employment land at Coed Darcy there are a number of additional beneficiaries that the road infrastructure project supports in the wider Fabian

Way corridor. This includes private sector landowners given the project contributes to developing an improved perception and marketing of the area, helping to catalyse investment and development on neighbouring sites (e.g. by Trojan at Fabian Park); supporting the on-going development of The Bay Studios; while providing benefits to existing residents and businesses through new local cycleway and footpath provision, easing congestion on Fabian Way, as well as aiding Coed Darcy's future development.

To identify and determine the nature of any unintended outcomes not covered by the WEFO key performance indicators

9.26 The key performance indicators for the Project focused upon one output (hectares of land developed) and three results (enterprises, jobs, floorspace). However, while we have already commented upon the progress made against these performance indicators, it is clear that a number of other outcomes have arisen as a result of the investments at two out of the three sites (Rhyd y Blew and Amazon Way). While some of these could be considered positive unintended outcomes, others were, at the outset of the project, considered as important potential wider benefits. These however were not part of the WEFO performance indicators.

9.27 At Rhyd y Blew, finalising the design and location of the foul water sewer to serve the site has meant that the project was not completed on time. The proposed solution has evolved as part of a wider study into the future needs of the local area, including other sites within the Ebbw Vale Enterprise Zone (e.g. the Bryn Serth site opposite Rhyd y Blew). Despite this delay, the proposed solution for Rhyd y Blew will result in the provision of sufficient capacity within the sewage network. Given the portfolio of employment sites within the local area, this new infrastructure has the potential to support potential developments at other employment sites as and when they come forward. It may also contribute towards shorter construction lead-in times and lower costs.

- 9.28 With the potential development of Rhyd y Blew for an automotive parts manufacturing facility, there is significant scope for further economic benefits to be realised in Ebbw Vale and in the wider area as a result of the supply chain needs of the inward investor. With the availability of other development sites in the local area, both in close proximity to Rhyd y Blew (e.g. Bryn Serth) and also on other industrial estates and locations in the wider area, there are a range of possible locations. While there is already an established cluster of automotive-related manufacturers in the area (e.g. Continental Teves, Yuasa, Tenneco, G-TEM), and the potential surrounding the Circuit of Wales motorsport project, the attraction of a major inward investor and elements of their supply chain would be a major addition to the local area and economy.
- 9.29 Turning to Amazon Way Stage 2, the project has only delivered 2 hectares of its total 14 hectares of output, with very limited scope to deliver results on this land in short to medium term given that there are no immediate plans to market the site. However, the investment project has already started to contribute towards a number of important indirect and wider benefits for the Fabian Way Corridor area. These include:
- Supporting the redevelopment of neighbouring sites: the new road infrastructure has already begun to have a positive influence by raising confidence and market interest in other sites within the local area (e.g. Gracelands' Fabian Park) which suffered from poor accessibility. The development of the road was cited as a key contributing factor, alongside Welsh Government property development grants, in attracting the interest of occupiers to Graceland's units. Trojan Electronics, a Wales based firm, was attracted to relocate to Fabian Park. Their move helped to safeguard 180 jobs and it is understood that a further 40-50 jobs have been created.
 - Supporting the growth of The Bay Studios and the Creative Sector in Wales: Centred on the former Ford/Visteon site, The Bay Studios has evolved into an important television filming and production hub within Wales in recent years. The additional

junction and spur that was added to the SESIF investment project has been an important additional piece of infrastructure to aid production capabilities at the studios, while it is now also an important part of the studio's overall 'offer'. The new road access from Amazon Way provides much improved access to the studios and to Elba Works for both crew and equipment, instead of accessing the site from Fabian Way.

- Improved local road capacity: The development of Amazon Way was always intended to alleviate traffic pressures on Fabian Way, a key gateway into Swansea. The completion of the road has already enabled some improvements given the improved access to The Bay Studios and for businesses at Fabian Park. Further improvements will arise in the future when Coed Darcy is fully developed. Public transport links with the village will use the road to connect with Swansea, while the road's link to the Southern Access Road will also alleviate pressure on other local roads. This will have potential economic benefits for local businesses through reduced congestion and travel times.

To assess the project's delivery and achievement against the cross cutting themes' (CCT) aims, objectives and CCT-related indicators outlined in their business plan.

- 9.30 The 2007-13 ERDF Convergence programme focuses upon the importance of the cross-cutting themes (CCTs) of 'Equal Opportunities' and 'Environmental Sustainability', with funded projects contributing, where possible, towards their achievement.
- 9.31 The SESIF project Business Plan outlined how the Welsh Government, alongside its partners, adheres to these CCT principles through the existing policies, frameworks and approaches they have in place. These included the importance of SESIF project/technical managers being fully conversed in WEFO's equal opportunities guidance, as well as the importance of the project adhering to Welsh Government's principles of sustainable development.

- 9.32 While the material contained within the Business Plan could have been more specific on how this would be achieved (it was judged that some of the material contained within the Business Plan was rather generic and focused upon presenting a summary of existing Welsh Government strategies and policies which support the ethos and principles of CCTs), given the nature of the investment sites in the project, and the activities supported, much of the detail around contributing to CCTs was likely to have been developed post project-approval. This point was raised in the June 2014 PIV which noted that the environmental sustainability CCT was considered at the planning and procurement stages.
- 9.33 The PIV also noted that equality of opportunity was '*not really relevant*' to the project. However, the evaluation has found that equality of opportunity was, where possible, adhered to by technical managers in terms of procurement activities across two of the three sites (Rhyd y Blew and Amazon Way Stage 2)¹²⁹. Evidence was provided on how technical managers followed Welsh Government's processes for procuring contractors.
- 9.34 Depending on the specific activities required, project circumstances and the value attached to the service required, these included open tender routes, existing Welsh Government framework agreements and short-listing in the case of expediency for lower value and specialist services (e.g. ecology). Most of these routes required contractors to demonstrate that they have the requisite policies on equality of opportunity that are in accordance with Welsh Government's requirements. The contracts issued as part of the projects also highlighted some specific references to equality of opportunity that contractors adhered to.
- 9.35 Turning to the environmental sustainability CCT, it is clear from evaluating the Rhyd y Blew site that this investment project was shaped

¹²⁹ At Parc Bryn Cegin, we understand that no new procurement was required for the project as it was set up as a variation on the existing contract with delivery partner Scottish Power. As a result there was no requirement to set out the means through which cross-cutting themes would be addressed. We understand that Scottish Power operate under their own equal opportunities and environmental sustainability policies.

by the importance of this CCT. Given the recognised importance of the ecological state of the site, the development of the masterplan was informed by ecological and environmental considerations. SESIF project funding was used to survey and implement a series of important ecological activities and works to mitigate the impact of the development on the ecology of the site. The works that were undertaken have been continually monitored and assessed by Welsh Government. A further independent assessment by Acer Ecology as part of this evaluation has found that there *were 'no significant ecological impacts arising as a result of the development'* as a result of the mitigation strategy deployed.

- 9.36 For the Amazon Way Stage 2 project the contractor was required to follow environmental clauses in the construction contract (e.g. ecology of the site, dealing with waste) which were adhered to. The contractor also undertook regular liaison with businesses and local community groups affected by the works, while they also abided by the Considerate Contractors Scheme. The project specifically included the provision of 1.5km of new footpaths and cycle ways within an employment area. However, it seems that this was a missed opportunity for the project to have claimed an additional ERDF Programme output.
- 9.37 While the SESIF project has demonstrated that it has, where possible, contributed to the Programme's CCTs it is not clear whether there was a process in place which tracked and monitored CCT performance. The 2014 PIV makes reference to the project's monitoring and evaluation plan in respect of CCTs. However, we have not had an opportunity to review this document as part of the evaluation. Given the nature of this being an infrastructure project, with contributions to CCTs varying across sites, it would be helpful if the monitoring of the project's contributions to CCTs could be better embedded throughout the process to ensure that progress can be tracked and contributions accurately documented. This is important given the time that passes

between project development and delivery, as well as the potential for officer changes during this period.

Addressing the Additional Questions

To what extent has the support genuinely enabled developers to provide land and property and better meet the property requirements of the local economy, including indigenous SMEs, inward investors and emerging sectors needs?

9.38 Given the progress made with the individual sites, there is no direct evidence on the ground at this stage (i.e. with the provision of premises and occupiers) to reference which demonstrates that the support provided through SESIF has led to developers being better able to meet the local economy's property requirements. The works undertaken as a result of SESIF have been public sector led, with the aspiration that once completed the private sector will take forward developments. Nonetheless, despite the progress made using SESIF to remove site specific constraints, there is evidence in many cases that further public sector funding is required to support construction build costs.

9.39 Taking each site in turn:

- When completed, the Rhyd y Blew site investment will have addressed a number of development constraints which were prohibitively costly and which prevented the private sector from taking forward the site for development (i.e. viability of schemes). However, the SESIF funded infrastructure works have enabled inward investors and developers to now be more confident in Ebbw Vale as a potential development location and for the opportunities that this site offers. This is because the site is now developer ready and has outline planning consent, helping to reduce lead in times. It also offers opportunities for bespoke developments, as well as a flexible configuration that provides opportunities for a sole operator (i.e. inward investor) or a mixture of larger and SME opportunities for indigenous businesses.

Nonetheless, further public sector funding is likely to be required, as part of an inward investment package from the Welsh Government, to contribute towards the inward investor's build costs.

- The development sites included for the Amazon Way Stage 2 investment will either not be developed in the short to medium terms (e.g. the 2ha Welsh Government site which is not being actively marketed given the prominence of other government owned development sites in the locality), or were not contingent on the project investment (e.g. the 12ha of St Modwen land at Coed Darcy). While the road infrastructure will play a supporting role in the development of Coed Darcy, the Amazon Way Stage 2 project will most likely support the provision of business accommodation and workspace at a number of other sites which are adjacent to, and served by the new road. While these land-holdings were not included within the Business Plan for outputs or results purposes, there is already evidence that the SESIF investment has improved the market attractiveness of these sites and encouraged further private and public sector investment (e.g. with Welsh manufacturer Trojan electronics relocating to Fabian Park). The road infrastructure has also been cited as an important addition and contributor to the potential growth of the Bay Studios.
- Once completed, Parc Bryn Cegin will provide a fully serviced large employment site. It has a flexible masterplan to suit a range of future requirements, including large or small inward investors or providing development plots for indigenous businesses who want to undertake design and build opportunities. The evidence on market demand and alternative supply in the wider area all point to this site's business accommodation being developed over a longer time horizon. While the site also provides opportunities for developers who wish to undertake speculative

development opportunities, these are expected to be very limited in scope.

To what extent and in what manner has the investment helped (or has the potential to) enhance the areas as an investment location?

- 9.40 We conclude that the implementation of the SESIF project, with the inclusion of ERDF grant assistance has, in the cases of the Rhyd y Blew site and Amazon Way (Jersey Marine area), already proved to be a major factor in enhancing these areas as investment locations. The SESIF investments have removed a series of development constraints at both sites, which have now enabled inward investors, the developer community and other landowners to readily see the opportunity at or in close proximity to the site¹³⁰, rather than constraints. The result of this, to varying extents, has meant that these sites are now much better positioned and attractive propositions in the market for investment.
- 9.41 Taking the Rhyd y Blew site first, consultations with a range of stakeholders (Enterprise Zone Executive members, local authority officers, Welsh Government inward investment officers, manufacturing sector leads) have all pointed to the step change in interest received for the site as a result of the SESIF funded works that are nearly completed. There had only previously been limited and tentative interest in the site, even during more buoyant economic periods, given the lengthy development timescale required to bring the site forward, allied with the significant costs associated with site remediation and infrastructure works.
- 9.42 Given the SESIF investment, as well as other strategic investments/interventions locally and the availability of further public sector financial assistance to support property development, the uplift in enquirers/interest received by the Welsh Government regarding the site certainly reflects the SESIF funded enhancements to de-risk the site

¹³⁰ For example, the site owner at Bryn Serth opposite Rhyd y Blew is waiting to see the outcome of the project completion and any development interest that arise. .

and in aiding inward investors to see the potential to develop bespoke facilities. Importantly, the infrastructure works that have been completed have also made a significant difference to the viability of future investment projects. While that is not to say that the potential end value generated by a future development will be greater than the total costs, the SESIF project has dealt with a significant level of cost and associated risks which make the site a much more attractive development proposition.

- 9.43 Turning to Amazon Way, several consultations have confirmed that other landowners have already begun to benefit from the new road infrastructure, with formerly vacant plots and buildings receiving greater interest in the market given the improved accessibility the project has delivered (e.g. Gracelands with the attraction and redevelopment of a factory for Trojan Electronics – albeit Welsh Government property development grants have also played a role here in improving the buildings). The development and future growth of The Bay Studios will also be supported by the improved access provided by Amazon Way Stage 2.
- 9.44 Finally, at Parc Bryn Cegin SESIF investment has meant that the upgraded electricity sub-station will be completed by August 2015. As a result, the scope to fully develop the site has been secured, providing a flexible employment site which can meet the needs of office and industrial occupiers with a mix of requirements. While this site now provides Bangor with a major employment site, with all of the relevant infrastructure, the state of market demand and scale of alternative land and premises supply in the locality make it difficult to be certain about the development and investment prospects. While the prospects for Parc Bryn Cegin are likely to be much longer term, SESIF investment has aided the completion of a strategic employment site to add to the North Wales portfolio. Looking longer term, the site may also be an attractive location proposition for supply chain companies supporting Energy Island related activities on Anglesey (e.g. nuclear new build).

To what extent could the interventions have been delivered in a more effective and efficient way, including the use of different funding mechanisms or different types of interventions?

- 9.45 In terms of improvements to how the project in its current form was delivered, it would have benefited from a better integration of the financial and performance management functions. We have noted the good project management systems in place, particularly of financial control, financial and output monitoring, and reporting of progress to WEFO. However, there would have been benefits, from a project delivery perspective, if a project manager had this integrated role. It would have provided a comprehensive overview of the whole project, including a clearer overview of the progress and performance of each investment site and associated delivery risks. The issue of better integration was also highlighted in the June 2014 PIV report.
- 9.46 Consultations with the technical managers delivering the site investment projects point to a potential issue around their understanding and knowledge regarding ERDF guidance, regulations and compliance procedures as part of an ERDF contract. We understand that there are already processes in place to ensure that the Welsh Government adheres to the rules regarding the administration and delivery of ERDF funded projects, as well as an officer in post to support delivery managers with these issues and to provide guidance/training. Nonetheless, it would appear that there could be a knowledge gap to fill or at the least to refresh. This would help to ensure that technical managers/delivery officers receive the appropriate level of training, guidance and on-going support to deliver and administer their projects effectively throughout the delivery phase.
- 9.47 With regard to the grant funding approach used to deliver site infrastructure works to de-risk the sites and prepare them for private sector development, we conclude that there is still a clear strategic and economic case for this approach. The evidence from consultations, including public sector partners, property agents, developers and inward investment advisors consistently pointed to the need, in some

areas of Wales, where the market failure arguments remain particularly strong, for a grant funding approach to be maintained in the future.

- 9.48 Abnormally high costs associated with the types of infrastructure and construction required allied with the residual development value generated at some sites, mean that development appraisals are often unviable. While SESIF investment has helped to alleviate a large proportion of these up-front site infrastructure costs (which also take considerable time to implement), developers often still require further public sector financial support (e.g. through property development grants available in Assisted Areas) to aid the development of premises. This issue is at the heart of the wider negotiations that are currently on-going regarding the inward investor at Rhyd y Blew and the financial package that is being considered.
- 9.49 Nevertheless, SESIF funding, including ERDF grant assistance, has been a critical factor in removing a considerable set of barriers at each of the three sites. This has enabled developers and inward investors to readily see the opportunity at the site, rather than constraints. The result of this, to varying extents, has meant that the three sites are now much better positioned in the market for investment.
- 9.50 Although it was probably not feasible within the current SESIF project to have included a direct call for private sector sites, the Welsh Government may want to give further thought to private sector land owners and developers to bid into the project to support schemes they wish to take forward. If this approach was undertaken, there could be merit in the Welsh Government exploring combining a grant and loan based approach for SESIF. The grant could continue to be used to assist with the high costs of site infrastructure works, while the loan could be used to assist with the development of accommodation. This approach, if successfully deployed, could provide a clearer route to market for the site and give greater re-assurance that results and economic benefits will be realised within a reasonable timeframe.

What are the best predictions of the overall lifetime economic impact of the project?

9.51 The SESIF sites have no occupiers and the predicted results, albeit many beyond the lifetime of the Programme, have not yet arisen. However, given the nature of the investments made, the SESIF project is in a reasonable position to deliver economic impact over the short, medium and longer term for two out of the three sites (Rhyd y Blew and Parc Bryn Cegin). Given the issues cited with the Coed Darcy site for the Amazon Way Stage 2 investment, while the project cannot claim results and impacts arising from this, the project will deliver a series of wider benefits to the area.

- For the Rhyd y Blew site, there is an extremely strong prospect of securing a major manufacturing inward investment. If this proceeds, around 400 jobs could be created in the next two years, rising to 500-550 jobs if the facility grows in short to medium term (3-5 years). The potential net additional employment impact could be potentially in the region of 320-440 direct jobs, rising to 900-1,360 jobs once indirect and induced employment is included.
- While the gross direct on-site employment is expected to be significantly lower than stated in the Business Plan (1,500 jobs), this is judged to be a positive outcome for the SESIF project and for the use of ERDF and Welsh Government resources. Not only does this investment potentially lead to a major new employer locating to Ebbw Vale, it also potentially stimulates and embeds supply chain activity in the economy over the longer term. If this investment did not arise, the potential impacts for the site may take a longer period to emerge. However, given the alternative inward investment interest in the site, allied with a flexible masterplan which can accommodate a range of SME and larger business requirements, it is expected that economic impacts would steadily arise over the medium to longer term as the

economy further improves, albeit not to the scale stated in the Business Plan.

- While challenging to predict, we anticipate the development of the Parc Bryn Cegin site to be over the longer term. This is based upon an economic recovery from recession in this part of North Wales which has been relatively moderate, a significant number of alternative sites and land, and moderate demand levels. Nonetheless, with the investment project the scope to fully develop the site has been secured, providing a flexible masterplan to meet a mix of requirements. Bangor now has a major developer ready employment site within its site portfolio. It is estimated that if the masterplan were to proceed over the longer-term around 1,585 FTE gross jobs or around 975 net additional FTE jobs could be created.
- In headline output and results terms it is judged that the Amazon Way Stage 2 project will not deliver any significant results for the SESIF project and nor economic impacts. Nonetheless, the SESIF investment is considered a qualified success given the delivery of the new road infrastructure, and that the project has already started to contribute towards a number of important indirect and wider benefits for the Fabian Way Corridor area. These include supporting the growth of the Bay Studios and the Creative sector more widely, improving the market appeal of other adjacent sites and helping to alleviate congestion on Fabian Way and other local roads. The strategic contribution that the project has made to the economic development potential and regeneration of the area is clear, with a number of alternative and more contingent sites and private sector interests benefiting from the SESIF investment that, perhaps surprisingly, were not included within the project Business Plan for outputs or results.

What lessons can be learnt for the next programme period and similar initiatives funded in other ways?

9.52 The following are some key lessons emerging from the SESIF evaluation:

- The SESIF project was developed and then implemented during a period of profound economic change in the UK and Wales's economic cycle. It is understood that the sites that were selected for investment had been identified for a number of years as requiring public sector funding support to pump-prime development. Nonetheless, it would be beneficial if all sites coming forward for future funding initiatives had a strong evidence base and documentary background that better articulated the market evidence available at that time (e.g. detailed development appraisals; market assessments which included demand/enquiries/take-up and supply analysis) and which demonstrated the need for grant funding. This evidence base is particularly useful to examine when a project evaluation is undertaken.
- Given the investments undertaken by SESIF, as well as the longer term nature of the results that arise, there is a need to improve the testing of dependence regarding the need for investment and the output and results that are estimated to arise once the project has been completed. This point applies to the project development team at Welsh Government to accurately articulate this dependence in the Business Plan, while it also applies to the WEFO appraisal team to rigorously test and challenge the dependency case to minimise Project and Programme risk. This type of approach would help to avoid a similar situation to Amazon Way Stage 2 occurring in the future.
- One of the key factors which has hampered the implementation of aspects of the SESIF project has been the period of time remaining for delivery. While some of the circumstances which

led to this were beyond the control of Welsh Government project officers (e.g. match funding decisions), with hindsight, a near three year period for project development contributed toward the delay in overall project completion, given the implementation challenges that subsequently emerged at some sites. Allied to this was the amount of time taken to then undertake further analysis and gain approvals. In light of the work that was undertaken during the project development period, an indicative 12 month period (deadline) should be worked towards by all partners to provide focus and to ensure all necessary stakeholder engagement has taken place.

- While each of the three investment sites were delivered by their respective managers, at the overarching SESIF project level, a detailed implementation plan with timescales and milestones which could monitor progress and risks on an on-going basis would have been beneficial, particularly given the impact some risks have had on overall project delivery and completion. While we understand that the SESIF project manager had a financial management role, this post did not include a performance management responsibility.
- Consequently, projects of this nature would, in our view, benefit from the integration of the financial project management function with the overall performance management functions of the individual investment sites. Given the importance of ERDF project completion deadlines and adherence to regulations to ensure that ERDF investments deliver maximum benefit (as intended), a project manager that could combine these skills as well having a clear overview of the progress and performance of each investment site would be a particularly beneficial structure to implement in the future.
- Given the nature of SESIF being an infrastructure project, with contributions to CCTs varying across sites, it would be helpful if the monitoring of the project's contributions to CCTs could be

better embedded throughout the process. This would ensure that progress can be tracked and contributions accurately documented. This is important given the time that passes between project development and delivery, as well as the potential for officer changes during this period.

10. Recommendations

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

Project Design and Approval

- **1. Shorter and focused project development activity and timelines:** Evidence from the SESIF investments has demonstrated that the delivery of some quite challenging site infrastructure requirements was severely constrained by protracted project development and business planning periods. For future SESIF projects it is recommended that a 12 month period is adhered to for project concept/development activities, while a 6-12 month period is used to further develop individual site proposals. This approach would provide greater focus, instil momentum into the process, ensure that necessary stakeholder engagement has been undertaken, and enable contingency time to be built in.
- **2. Stronger articulation of the market evidence/justification for site interventions:** The SESIF Business Plan relied upon the 2007 DTZ report and analysis of the property market within the wider spatial plan areas to justify SESIF investment decisions. While the evidence was referred to in the Business Plan, there was insufficient articulation of the market evidence to underpin the eventual investment decisions to proceed with specific sites. Future SESIF project development (and its subsequent evaluation) would benefit from the use of more timely (i.e. the prevailing economic and market conditions altered significantly from 2007) and, importantly, localised/sub-regional property market analysis to justify investment decisions. As well as commissioned property market reports from consultants, a greater integration and use of Welsh Government and local

authority held property market data would strengthen the evidence base and investment cases for individual sites.

- **3. Improved recording and storing of project documentation:**

The evaluators sought to review several important documents to better understand:

- the timeline of project design/development activity (e.g. minutes of meetings which underpinned the decision making behind the site selection process)
- the initial site development appraisals (which considered viability)
- project appraisals that were undertaken to assess value for money and project outputs and results delivered for the ERDF Programme (e.g. assumptions under-pinning the targets).

As a result of staff changes and internal departmental reorganisation these documents were not available to us and could not be located. For example, the project appraisals of potential outputs and results for Amazon Way stage 2 would have been extremely useful to see, in light of the outcome for this project, to understand the appropriateness of what was proposed. For future projects Welsh Government officers should develop processes that improve the recording and storing of such documents from the project outset to enable effective review and evaluation. If the design of new SESIF investments are already progressing there is an immediate requirement to begin applying these principles. This is important given the clarity required in understanding original project timescales, how the investment was envisaged to genuinely enable development, and the scale of economic benefits expected to arise.

- **4. More robust internal appraisal of target outputs and results:** We are aware of the systems in place within Welsh Government for appraising project proposals and accompanying

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

Project Delivery

- **5. Develop an overarching and detailed SESIF implementation plan:** Each of the three SESIF investment projects was managed by an individual Welsh Government technical manager. However, given the breadth and complexity of the site investments, the next SESIF project would benefit from the development of a detailed and overarching Project Implementation Plan. This plan would set out, for all investment sites, the key deliverable activities, milestones, overall timescales and risks. It should be used as a 'live' project management tool, helping Welsh Government officers monitor progress and manage risks (e.g. delays with utility providers) within the context of the overall ERDF Programme, as well as for individual investment sites.
- **6. Regular and comprehensive engagement between Welsh Government and utility companies:** While Welsh Government officers did engage with utility providers regarding their requirements arising from the SESIF investment, future SESIF

projects would benefit from being able to bring on board utility providers at the earliest possible opportunity. This could be in a consultative role even during project design stage, where necessary, through to direct consultation and engagement during the technical planning and option development stages. This approach would tie in effectively with an Implementation Plan approach, and help Welsh Government to better understand capacity constraints within the wider utilities networks. It should also contribute towards reducing lead in times for utility requirements.

- **7. A programme manager with responsibility for both financial and performance management:** Projects of this nature would benefit from the integration of both the financial project management function and the performance management functions for all of the individual investment sites. The evaluation highlighted the importance of ERDF project completion deadlines and the requirement to adhere to regulations to ensure that ERDF investments deliver their intended maximum benefit. Consequently, a project manager that combines these skills, alongside a clear overview of the progress and performance of each investment site, would ensure that an individual has responsibility for all aspects of project and can effectively drive it forward and address issues, alongside technical managers, as they arise.
- **8. Encourage greater private sector engagement with the project:** The Welsh Government should encourage private sector land owners and developers to either bid into a future SESIF project to directly support schemes they wish to take forward, or to collaborate on projects where new infrastructure can help to open up/enhance sites. If this approach was undertaken, there could be merit in the Welsh Government exploring a combined grant and loan based approach for SESIF. The grant could continue to be used to assist with the high costs

of site infrastructure works, while the loan could be used to assist with the development of accommodation. This approach, if successfully deployed, could provide a clearer route to market for the site and give greater re-assurance that results and economic benefits will be realised within a reasonable timeframe.

- **9. Ensure officers receive regular updates and training to deliver ERDF programme investments:** There are already processes in place to ensure that Welsh Government adheres to the rules regarding the administration and delivery of ERDF funded projects. However, the evaluation has pointed to a potential knowledge gap that needs refreshing regarding technical managers' understanding/interpretation of ERDF guidance, regulations and compliance procedures. The Welsh Government should ensure that all officers receive the appropriate level of training, guidance and on-going support to deliver and administer their projects effectively throughout the delivery phase. This is particularly important when staff changes occur and officers are required to get to grips with projects and issues under tight timescales.
- **10. Require officers to actively record the wider benefits of projects and to monitor contributions to ERDF Programme Cross Cutting Themes (CCTs):** Officers were able to convey to the evaluators how their respective projects also delivered a series of wider benefits (a mix of intended and unintended benefits). Officers should be required to periodically record these. This is also an important process in light of any staff changes that could occur and helps with the retention of project knowledge/insight. Contributions to ERDF Programme CCTs also vary across SESIF investments. However, the periodic recording of contributions to CCTs by officers should be better embedded throughout the delivery phase. This would ensure CCT progress can be tracked and contributions accurately documented. These

measures would help in the promotion of the schemes, as well as in contributing toward future evaluation evidence.

Appendix A – Acer Ecology Report



Rhyd-y-Blew
Blaenau Gwent

Preliminary Ecological Appraisal
&
Assessment of recent development impacts

August 2015

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Document Verification Table

Revision	Date	Prepared by	Verified by
1.0	23/06/2015	Daniel Seaward Ecologist 	Paul Hudson MCIEEM Principal Ecologist 

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Executive Summary

Site Location	Acer Ecology Ltd was commissioned by Regeneris Consulting to conduct a preliminary ecological appraisal of land at Rhyd-y-blew SINC, NP23 6PY (Ordnance Survey Grid Reference centred at: SO15378 11183). The site is located within the boundary of Blaenau Gwent County Borough Council. The location of the site is shown on Plan 1.
Development Proposals	<p>The main focus of this study is to assess the level of ecological impact upon the site given the implemented mitigation/ compensation strategies, to allow the recent installation of site services (i.e. road, water, telephone, street lighting, sewage, electrical and gas).</p> <p>The future development proposals of the site comprise a large industrial development. Exact details of the development are unknown; however, the development will result in the complete loss of habitats lying within the development area. The boundaries of the development area and wider area of Rhyd y Blew SINC are provided in Plan 2: Development boundary.</p>
Statutory and non-statutory nature designations	The site proposed for development lies within a portion of Rhyd y blew Site of Importance for Nature Conservation (SINC) which comprises a mosaic of habitats, mainly consisting of a large area of marshy grassland together with ponds, ditches, semi-improved grassland and scrub. Rhyd y blew SINC measures approximately 26.0ha at an elevation of 370m.
Impacts to habitats of value	The site lies within Rhyd y blew SINC and therefore considered to have district value for wildlife.
Impacts to protected and notable species	<p>The proposed development could potentially have adverse impacts in varying degrees on a range of legally protected species including common reptiles, amphibians, invertebrates, nesting birds and to a lesser extent foraging bats.</p> <p>It is therefore considered essential that appropriate mitigation measures are set in place to avoid or minimise impacts to these species (see section 5.0)</p>
Invasive Non-native Species	None recorded.
Requirements for Additional Survey	None required.
Licensing Requirements	None required.
Recommendations	<p>Appropriate mitigation and compensatory measures are recommended including:</p> <ul style="list-style-type: none"> • Repair/ upgrade of reptile & amphibian exclusion fencing & updated translocation • Enhancement and management of existing ponds in Rhyd y blew • Lapwing & nesting birds • Future development – habitat loss mitigation <p>Details of mitigation are outlined in detail in Section 5.0.</p>

1.0 Introduction

1.1 Brief

Acer Ecology Ltd was commissioned by Regeneris Consulting to conduct a preliminary ecological appraisal of land at Rhyd-y-blew SINC, NP23 6PY (Ordnance Survey Grid Reference centred at: SO15378 11183). The site is located within the boundary of Blaenau Gwent County Borough Council. The location of the site is shown on Plan 1.

The focus of this study is to assess the level of ecological impact arising from the installation of essential site services infrastructure at the site under the EU funded SESIF project, having due regard to the ecological status of the site known prior to the project start and the mitigation / compensation strategies adopted.

1.2 Site description

The site under consideration lies between the two small towns of Tredegar and Ebbw Vale. The site lies within a portion of Rhyd y blew Site of Importance for Nature Conservation (SINC) which comprises a mosaic of habitats, mainly consisting of a large area of marshy grassland together with ponds, ditches, semi-improved grassland and scrub. Rhyd y blew SINC measures approximately 26.0ha at an elevation of 370m. Rhyd y blew consists of a larger western and a small, lower lying eastern plateau. Bryn Serth road runs adjacent to the southern boundary of the SINC. Embankments surround the western and northern sides, with a footpath running along the top of the northern embankment. A belt of scrub vegetation runs through the middle of the site, separating the western and eastern plateaus. The eastern plateau continues on to a supermarket site.

The site proposed for development lies on the western plateau, measuring approximately 11.5ha lying on broadly flat land, consisting exclusively of marshy grassland and a series of drainage ditches surrounded by an existing reptile exclusion fence and an encircling drainage ditch.

1.3 Site history

Rhyd y blew was a former open-cast coal mine, however, the site was levelled in 1999/ 2000 to create one large plateau and seeded with grass. The site has naturally regenerated since this time and was designated as a SINC in 2008, due to the presence of breeding lapwing (*Vanellus vanellus*).

The site proposed for development has previously undergone numerous ecological surveys by Mr. Chris Hatch (see Appendix 1 A-D). Furthermore, subsequent mitigation/ compensation

measures have already been put in place under strategies implemented as part of the SESIF project.

Mitigation/ Compensation strategies previously implemented include:

- Erection of reptile exclusion fencing around the boundaries of the development area (January 2013);
- Translocation of reptiles and amphibians found within the exclusion fencing to the eastern plateau of Rhyd y Blew (2013);
- Continued monitoring of reptile exclusion fencing and subsequent repair of damaged fencing (2013-present); and
- Breeding lapwing have since been discouraged from the site. A Lapwing mitigation area is currently being constructed at the western end of the Rassau Industrial Estate, near Wells Farm. This is intended to compensate for Lapwing breeding sites likely to be lost as a result of the dualling of the A465 Heads of the Valleys Trunk Road. It has been agreed with the RSPB that this should provide adequate mitigation for any Lapwings lost from the Rhyd y Blew site as a result of development.

1.3 **Future development proposals**

The site is proposed for a large industrial development. Exact details of the development are unknown; however, the development will result in the complete loss of habitats lying within the development area. The boundaries of the development area and wider area of Rhyd y Blew SINC are provided in Plan 2: Development boundary.

1.4 **Scope of the study**

The study comprised the following:

- A review of previous ecological reports for the site;
- A Phase 1 Habitat Survey of the site, extended to search for evidence of, and potential for, protected fauna; and
- Identification of potential ecological constraints to the proposed works at the site and assessments of impacts including appropriate mitigation measures where necessary.

1.5 **Reporting**

This report aims to:

- Outline the methodology used during the survey;
- Present the results of the survey;

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- Provide an ecological evaluation of on-site habitats, including an assessment of the potential for protected species;
- Provide an assessment of the potential impacts of the development proposals on ecological receptors identified through the desk and field study;
- Provide an assessment of the impacts upon the biodiversity of the site before and after works;
- Provide an assessment whether mitigation works have been sympathetic to the ecological status;
- Provide an assessment of the potential ecological constraints to the proposals; and
- Provide recommendations for further survey, avoidance, mitigation and enhancement where appropriate.

2.0 Methods

The survey was undertaken following standard methods as described in the Chartered Institute of Ecology and Environmental Management (CIEEM) Preliminary Ecological Appraisal 2012 guidelines and the Phase 1 Habitat Survey methodology (Joint Nature Conservation Committee, 2010). The methodology utilised for the survey work comprised a desk study, a habitat survey and a survey of protected and notable species.

2.1 Desk study

Protected sites, habitats and species

Previous survey information of the Rhyd y blew SINC and the site proposed for development was obtained from Mr. Chirs Hatch (ecologist). Previous baseline ecological reports and subsequent recommendations for mitigation/ compensation written by Mr. Chris Hatch are provided in Appendix 1 A-D.

2.2 Field survey

2.2.1 Personnel

The field survey was undertaken in good weather on 11th June 2015 by Daniel Seaward¹.

2.2.2 Vegetation and habitats

The vegetation and habitat types present within the site were categorised and mapped in accordance with the standard Phase 1 Habitat assessment methodology (Joint Nature Conservation Committee, 2010). Dominant and conspicuous plant species were recorded for each habitat. Target notes were used to record information on features of ecological interest, such as evidence of, or habitats with potential to support, protected species. Following the completion of the survey a colour coded habitat plan was digitised using Corel Draw 12 to show the extent and distribution of the different habitat types present within the site (Plan 3).

The presence of invasive plant species listed on Schedule 9 of the Wildlife and Countryside Act (1981), as amended, such as Himalayan balsam (*Impatiens glandulifera*) and Japanese knotweed (*Fallopia japonica*) was also noted during the survey, if present.

¹ Daniel is employed with Acer Ecology and is an experienced botanical and protected species ecologist. He graduated with a degree in Zoology from Cardiff University and has 2 years postgraduate experience. He has undertaken extensive training in protected species assessment, phase 1 habitat surveys and botanical surveying.

2.2.3 Protected and notable species

During the survey, emphasis was placed on searching for evidence of, and habitats with potential to support protected or notable species, especially species meeting any of the following criteria:

- Listed under the Conservation of Habitats and Species Regulations 2010 (as amended), the Wildlife and Countryside Act 1981 (as amended);
- Listed under the Natural Environment and Rural Communities (NERC) Act 2006 Section 42 Habitats or Species of Principle Importance for Conservation of Biological Diversity in Wales;
- UK Biodiversity Action Plan (UK BAP) priority species or Local BAP (LBAP) priority species;
- Nationally rare or nationally scarce species; and
- Species of Conservation Concern (e.g. JNCC Red List, RSPB/BTO Red or Amber Lists).

It should be noted that only those species with potential to be present on site are mentioned within this report. The range of methods used were as follows:

Birds

Any birds observed during the field survey were recorded, in addition to features capable of supporting nesting birds (e.g. trees, hedgerows, buildings, bramble, ruderal vegetation and rough grassland etc). The site was also assessed for its actual and potential suitability to support Wildlife and Countryside Act 1981 (as amended) Schedule 1 species.

A comprehensive bird survey such as a breeding bird survey was not undertaken as this was beyond the scope of the assessment.

Bats - inspection and assessment of tree roost potential

A ground-level visual inspection of the trees was undertaken to search for bats and evidence of bats (i.e. droppings, feeding remains, urine staining, scratch marks). All aspects of the trees were observed with the intention of trying to detect the presence of any of the 'potential roost features'² identified within the Bat Tree Habitat Key (Andrews 2013).

The trees were subsequently appraised for their potential to support roosting and hibernating bats with reference to best practice guidance³. The trees were assigned to the following categories:

² Woodpecker-holes; knot-holes; flush-cuts; tear-outs; double-leaders; wounds & cankers; butt-rot; hazard-beams; frost-cracks; subsidence, shearing and helical-splits; lightning strike; impact shatters; desiccation fissures; transverse snaps; lifting bark; unions; and ivy.

³ Hundt, L. (2012) Bat Surveys: Guide to Good Practice. 2nd Edition. Bat Conservation Trust

- Known or Confirmed Roost - signs of bats (droppings, feeding remains, urine staining, and scratch marks) or actual bats recorded; or previous records of bats in tree;
- High (Category 1*) – tree with multiple, highly suitable features capable of supporting large roosts;
- Medium (Category 1) – tree with definite bat potential; fewer features than category 1* or potential for single bats;
- Low (Category 2) – No obvious potential, although tree of size and age that elevated surveys may result in cracks/crevices being found; or tree has some features which have limited potential to support bats; or
- Nil (Category 3) – no potential to support bats.

A high powered torch (Clulite) and binoculars were used as appropriate during the survey.

There are no buildings present within the survey area therefore a building assessment was not carried out.

Dormouse

The scrub on site was assessed for its suitability to support dormice (*Muscardinus avellanarius*) with reference to guidance such as The Dormouse Conservation Handbook (Bright, Morris & Mitchell-Jones, 2006). The structure and composition of the scrub within the site was assessed with respect to the presence of flower, fruit or nut-bearing food-plants such as hazel (*Corylus avellana*), (a favoured food-plant of dormice) honeysuckle (*Lonicera periclymenum*), common hawthorn (*Crataegus monogyna*), blackthorn (*Prunus spinosa*), bramble (*Rubus fruticosus* agg.) and sycamore (*Acer pseudoplatanus*). In addition, connectivity to other areas of suitable habitat in the wider landscape, such as hedgerows and woodland, was also assessed.

A search for hazelnuts which had been opened by dormouse was undertaken to aid in the determination of their presence.

A full nest tube/box survey was not undertaken as this was beyond the scope of the assessment.

Great crested newts

The site was appraised for its suitability to support Great Crested Newts (*Triturus cristatus*). The assessment was based on guidance outlined in the Joint Nature Conservation Committees' published Herpetofauna Workers' Manual (Joint Nature Conservation Committee, 2003) and the Great Crested Newt Conservation Handbook (Langton, Beckett & Foster, 2001).

Ordnance Survey maps and aerial images of the land surrounding the site were consulted to determine if any ponds are present in the vicinity of the site. A total of seven ponds were

identified during the survey. The locations of the ponds are provided on plan 4 and numbered 1 - 7.

Reptiles

An assessment of the suitability of onsite habitats to support reptiles was made based upon the presence of suitable habitats. Reptiles require a diverse range of habitats to meet their needs, such as, hedgerows, scrub, rough grassland, wood piles, rubble, banks and compost heaps. The potential of the site to provide hibernation opportunities and spring/summer/autumn habitat was also assessed with reference to guidance provided in the *Herpetofauna Workers' Manual* (Joint Nature Conservation Committee, 2003), the *Reptile Management Handbook* (Edgar, Foster & Baker 2011) and the *Reptile Mitigation Guidelines Technical Note TIN 102* (Natural England 2013) taking into account the following factors: vegetation type and structure; insolation (sun exposure); slope aspect; topography; surface geology; habitat connectivity; habitat size; prey abundance; refuge opportunity; hibernation opportunity; egg-laying potential (grass snakes); public pressure; % shade; levels of disturbance and management regime.

A targeted presence/absence reptile survey was not undertaken as this was beyond the scope of the assessment.

Other species

General habitat suitability and incidental sightings of other animal species were also noted.

2.3 Assessment of ecological value

The value of the habitats and features of the site have been provisionally evaluated and graded in accordance with a geographical frame of reference as detailed in *Guidelines for Ecological Impact Assessment in the United Kingdom* (IEEM 2006). The level of value of specific ecological receptors is assigned using a geographic frame of reference, i.e. international value being most important, then national, regional, county, district, local and lastly, within the immediate zone of influence of the site only. Brief descriptions of how Acer Ecology interprets these categories are set out in Appendix 4.

2.4 Constraints and limitations

A biological data trawl from SEWBReC has not been carried out as part of the current study. A data trawl is not considered necessary due to the large amount of baseline data already collected.

3.0 Results

3.1 Habitats and vegetation

The results of the general survey of the habitats and vegetation are shown on Plan 3. A botanical species list is given in Appendix 3.

3.1.1 Summary of habitats present within the site proposed for development and the wider area of Rhyd y Blew SINC

The site consists of 10 elements which are described in detail below. These comprise:

- Dense scrub;
- Scattered scrub;
- Semi-improved grassland;
- Marshy grassland;
- Standing water/ pond;
- Ditch;
- Disturbed/ bare ground;
- Hard standing; and
- Reptile exclusion fencing/ Development area.

3.1.2 Dense scrub

This habitat lies outside of the site proposed for development. Dense scrub surrounds the boundaries of the wider site. Also, a belt of dense scrub runs through the middle of the site, separating the upper western plateau of the lower eastern plateau. In addition there are three discrete pockets of dense scrub lying within the eastern plateau. The scrub canopy is dominated by alder (*Alnus glutinosa*) and goat willow (*Salix caprea*), which are indicative of the wet underlying substrate. Other species recorded within the canopy include rowan (*Sorbus aucuparia*), pedunculate oak (*Quercus robur*), osier (*Salix viminalis*), willow sp. (*Salix sp.*), hawthorn (*Crataegus monogyna*), larch sp (*Larix sp*), scots pine (*Pinus sylvestris*), ash (*Fraxinus excelsior*), horse chestnut (*Aesculus hippocastanum*), bramble (*Rubus fruticosus agg*) and gorse (*Ulex europaeus*).

3.1.3 Scattered scrub

There is a small stand of scattered scrub towards the south-west of the site. Species recorded include rowan and goat willow. This habitat lies outside of the area proposed for development.

3.1.4 Semi improved grassland

There are three discrete areas of semi-improved grassland. Two of these areas lie outside of the proposed development site. However, a small grassy verge lies adjacent to the newly built road. Grasses dominate the sward on this small verge, species recorded include rough meadow grass (*Poa trivialis*), annual meadow grass (*Poa annua*), sweet vernal grass (*Anthoxanthum odoratum*), soft brome (*Bromus hordeaceus*), Yorkshire fog (*Holcus lanatus*) and cocks foot (*Dactylis glomerata*). Herbaceous species recorded include common chickweed (*Stellaria media*), common mouse ear (*Cerastium fontanum*), red clover (*Trifolium pratense*), sticky mouse ear (*Cerastium glomeratum*), broad leaved dock (*Rumex obtusifolius*), bulbous buttercup (*Ranunculus bulbosus*), yarrow (*Achillea millefolium*), common sorrel (*Rumex acetosa*), charlock (*Sinapis arvensis*), cut leaved cranesbill (*Geranium dissectum*), wild carrot (*Daucus carota*), ribwort plantain (*Plantago lanceolata*) and bluebell (*Hyacinthoides non-scripta*).

The small verge supports 2 species indicative of lowland meadow (red clover; bulbous buttercup). This habitat also supports 2 species indicative of calcareous grassland (bulbous buttercup; wild carrot).

The area of grassland towards the south of Rhyd y blew lies outside of the proposed development area. Grasses, sedges and rushes dominate the sward. Species recorded include crested dogs tail (*Cynosurus cristatus*), red fescue (*Festuca rubra*), soft rush (*Juncus effusus*), Yorkshire fog, oval sedge (*Carex leporina*), compact rush (*Juncus conglomeratus*), cocks foot, hairy sedge (*Carex hirta*), tufted hair grass (*Deschampsia cespitosa*), rough meadow grass and smooth meadow grass (*Poa pratensis*). Herbaceous species recorded include red clover, meadow buttercup (*Ranunculus acris*), field horsetail (*Equisetum arvense*), common vetch (*Vicia sativa*), ribwort plantain, willowherb sp (*Epilobium sp*), ragwort (*Senecio jacobaea*) common knapweed (*Centaurea nigra*), comfrey (*Symphytum officinale*), creeping thistle (*Cirsium arvense*), yarrow, sheep's sorrel (*Rumex acetosella*), tormentil (*Potentilla erecta*), lesser trefoil (*Trifolium dubium*), daisy (*Bellis perennis*), common cats ear (*Hypochaeris radicata*), heather (*Calluna vulgaris*), creeping buttercup (*Ranunculus repens*), cuckooflower (*Cardamine pratensis*), common sorrel, cut leaved cranesbill, meadow vetchling (*Lathyrus pratensis*), birds foot trefoil (*Lotus corniculatus*), germander speedwell (*Veronica chamaedrys*).

This habitat supports 5 species indicative of lowland meadow (red clover; common knapweed; cuckooflower; birds foot trefoil; tormentil). This habitat also supports 3 species indicative of lowland dry acidic grassland (sheep's sorrel; heather; tormentil).

The area of grassland was recorded towards the east of Rhyd y blew. This habitat lies outside of the site proposed for development. Grasses dominate the vegetation here, the sward was dominated by Yorkshire fog, sweet vernal and crested dog's tail. A large mat of tormentil and heath bedstraw was also recorded in this habitat.

This habitat supported tormentil and heath bedstraw which are indicative of lowland dry acidic grassland.

3.1.5 **Marshy grassland**

This habitat makes up the entirety of the site proposed for development and the majority of Rhyd y blew SINC. The sward is dominated by soft rush and compact rush. Other species recorded include sweet vernal grass, common sorrel, creeping buttercup, ragged robin (*Silene flos-cuculi*), timothy (*Phleum pratense*), daisy, marsh speedwell (*Veronica scutellata*), cuckooflower, willowherb sp, creeping thistle, crested dogs tail, oval sedge, lesser spearwort (*Ranunculus flammula*), Yorkshire fog, square stemmed St. Johns wort (*Hypericum tetrapterum*), meadow buttercup, sheeps sorrel, mugwort, common knapweed, heather, broadleaved dock, tormentil, marsh thistle (*Cirsium palustre*), hairy sedge, foxtail (*Alopecurus pratensis*), heath bedstraw (*Galium saxatile*), common sedge (*Carex nigra*) carnation sedge (*Carex panicea*), marsh bedstraw (*Galium palustre*), self heal (*Prunella vulgaris*), brooklime (*Veronica beccabunga*), southern marsh orchid (*Dactylorhiza praetermissa*), hairy tare (*Vicia hirsuta*), creeping forget me not (*Myosotis secunda*), mouse ear hawkweed (*Pilosella officinarum*), common spike rush (*Eleocharis palustris*), silverweed (*Potentilla anserina*), fleabane (*Pulicaria dysenterica*) and common cottongrass (*Eriophorum angustifolium*).

This habitat supports 15 species indicative of rush pasture.

3.1.6 **Standing water/ pond**

There were seven ponds recorded during the survey. However, all of the ponds lie outside of the site proposed for development.

P1 lies to the south-west of the site, just outside of the development area, and is connected to the drainage ditches which cross through the site. Species recorded include soft rush and lesser spearwort.

P2 lies to the east of the site, just outside of the development area. Species recorded include common spike rush, yellow iris and soft rush.

P3-P7 form a series of ponds along the eastern boundary of Rhyd y blew SINC. Species recorded include yellow iris (*Iris pseudacorus*), common spike rush, bulrush (*Typha latifolia*), cuckooflower, lesser spearwort and willow sp. scrub.

3.1.7 **Ditch**

A series of ditches cross through and encircle the site proposed for development. The ditches were dry during the survey. The ditches supported a similar composition of species to that recorded in the surrounding marshy grassland.

3.1.8 Disturbed/ bare ground

There is an area of disturbed/ bare ground around the newly built road towards the south of the site. Vegetation is sparse in this habitat. Species recorded include bristly ox-tongue (*Helminthotheca echioides*), common field speedwell (*Veronica persica*), creeping buttercup, soft rush, salad burnett (*Poterium sanguisorba*), black medick (*Medicago lupulina*), smooth meadow grass, wild carrot, creeping thistle, annual meadow grass, common vetch, rough meadow grass, tare sp, common fox tail, lesser spearwort, ribwort plantain, common chickweed, charlock and black mustard (*Brassica nigra*).

3.1.9 Hard standing

There is a newly built access road running from Bryn Serth road to the south of the site, towards the middle of the site.

3.1.10 Reptile exclusion fencing/ Development area

Reptile exclusion fencing completely surrounds the development area. However, a number of breaks in the fence were recorded during the survey (TN1, TN2). Also, there is an open drainage pipe at TN3 where the reptiles could re-colonise the development area.

3.2 Protected and Notable Species

3.2.1 Birds

Previous survey results

The previous surveys undertaken by Chirs Hatch identified a number of species present on site. The following table shows nesting birds recorded during the previous surveys and their conservation status:

Species	Schedule 1	NERC S42	UK BAP	LBAP	Red list
Barn owl <i>Tyto alba</i>	Yes				
Skylark <i>Alauda arvensis</i>		Yes	Yes	Yes	
Tree Pipit <i>Anthus trivialis</i>		Yes	Yes	Yes	
Common Linnet <i>Carduelis cannabina</i>		Yes	Yes	Yes	
Reed Bunting <i>Emberiza schoeniclus</i>		Yes	Yes	Yes	
Kestrel <i>Falco tinnunculus</i>		Yes			
Grasshopper Warbler <i>Locustella naevia</i>		Yes	Yes		Yes
Hedge Accentor <i>Prunella modularis</i>		Yes	Yes		
Common Starling <i>Sturnus vulgaris</i>		Yes	Yes		Yes
Song Thrush <i>Turdus philomelos</i>		Yes	Yes		

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Lapwing <i>Vanellus vanellus</i>		Yes	Yes	Yes	Yes
Common snipe <i>Gallinago gallinago</i>				Yes	
Sedge warbler <i>Acrocephalus schoenobanus</i>					
Stonechat <i>Saxicola torquata</i>					
Short eared owl <i>Asio flammeus</i>				Yes	
Sparrowhawk <i>Accipiter nisus</i>					
Mistle thrush <i>Turdus viscivorus</i>					
Redstart <i>Phoenicurus phoenicurus</i>					
Lesser black-backed Gull <i>Larus fuscus</i>					
Willow warbler <i>Phylloscopus trochilus</i>					

The following list notes what each species was doing on site, during these previous surveys undertaken by Chirs Hatch i.e. breeding, foraging, wintering etc:

- Lapwing; 2 pairs displaying on central plateau during survey
- Skylark: 8+ pairs breeding on site, mainly on central plateau.
- Common Snipe: Birds drumming and birds flushed. 6+ pairs breeding on central plateau.
- Tree Pipit: 2 males heard singing throughout survey period. Probable breeding on embankments.
- Common Grasshopper Warbler: 1 male heard 'reeling' on three separate occasions during survey period, suggesting probable breeding on eastern plateau.
- Common Linnet: 6+ pairs breeding in areas of scrub
- Reed Bunting: 8+ pairs breeding on central plateau and eastern plateau.
- Mistle Thrush: 2 males heard singing, indicating probable breeding.
- Willow Warbler: 15 to 20 pairs breeding within plantations and areas of scrub.
- Dunnock: 4+ pairs breeding.
- Song Thrush: 2 pairs breeding.
- Barn owl: Previous records and pellets found. Freshness of pellets suggests that site is used as a regular foraging area during the breeding season and during the winter months.
- Short-eared Owl: Previous records and pellets found suggest site is used as a regular foraging area during winter months.
- Kestrel: Uses site for foraging.
- Sparrowhawk: Uses site for foraging.
- Stonechat: Winters on site.
- Common Starling: Birds using site for foraging.
- Redstart: Breeding in scrub
- Lesser black backed gull: Foraging

Field survey results

A small amount of birds were recorded during the survey including skylark, greenfinch (*Chloris chloris*), crow (*Corvus corone*) and swallow (*Hirundo rustica*).

The disturbed/ bare ground is considered to be suitable for breeding lapwing. In addition, a local dog walker anecdotally said there was a lapwing nest present on the disturbed/ bare ground of the site. However, I could not locate it.

Furthermore the site proposed for development is suitable for ground-nesting birds such as breeding skylark, common snipe, reed bunting and grasshopper warbler.

3.2.2 **Bats**

Previous survey results

Previous surveys undertaken show that lesser horseshoe and common pipistrelle bats use the site for foraging.

Field survey results

The trees forming the dense scrub recorded throughout the site provide no roosting opportunities for bats due to the absence of suitable roosting features. However, the scrub edge and marshy grassland provides ample commuting and foraging opportunities for bats.

3.3.3 **Dormouse**

Previous survey results

Dormice are not mentioned in the previous ecological reports.

Field survey results

The dense scrub found on site is structurally suitable for supporting dormice and contains some plants which form part of the dormouse diet/ attract insects prey. These include hawthorn, bramble, willow sp, pedunculate oak and ash. However, no hazel was recorded on site which is a primary food source for dormice and essential for them in preparing for hibernation. Furthermore, the site is isolated from areas of woodland and other suitable habitat (i.e. hedgerows) in the local landscape. In addition, the scrub lies outside of the site proposed for development and are therefore unlikely to be encountered during works. This species is not mention further in this report.

3.3.4 **Great Crested Newt and other amphibians**

Previous survey results

Previous ecological surveys undertaken recorded palmate newts, common toads and common frogs within the area proposed for development. However, all individuals were translocated to the existing ponds in the lower, eastern plateau of the site. Enhancement and management of these ponds was recommended in the previous mitigation/ compensation report – Chris Hatch, January 2013 (see Appendix 1).

Field survey results

No incidental observations of great crested newt or any other amphibians were made during the survey.

No ponds were recorded within the site proposed for development, however the drainage ditches, which were dry at the time of survey, provide suitable amphibian habitat during wetter weather. Although a translocation exercise was undertaken on the site proposed for development, a number of breaks in the fence were recorded during the survey (TN1, TN2), which may allow amphibians to re-colonise the area proposed for development. There is also an open drainage pipe which runs underneath the exclusion fencing which may allow amphibian's access in to the area (TN3) (see photos 6, 7 and 9).

The ponds (P1-P7) lying outside of the site proposed for development were assessed for their suitability to support amphibians. Ponds P1-P6 all held water at the time of the survey and have potential to support amphibians. Pond P7, held no water at the time of survey and is therefore unsuitable for breeding amphibians. After a site meeting with Chris Hatch, it is understood that the ponds in the lower eastern plateau have been unmanaged since the initial surveys and have begun to scrub over with vegetation becoming less and less suitable for amphibians.

3.3.5 **Reptiles**

Previous survey results

Previous surveys undertaken recorded slow worm, common lizard, grass snake and adder on site. Since then, reptile exclusion fencing has been erected and individuals translocated to the lower, eastern plateau of Rhyd y blew.

Field survey results

No incidental observations of reptiles were made during the survey. However, the whole of the site is considered to be suitable for all reptiles. Although an exclusion fence was erected and translocation exercise undertaken on the site proposed for development, a number of breaks in

the fence were recorded during the survey, which may allow reptiles to re-colonise the area proposed for development. There is also an open drainage pipe which runs underneath the exclusion fencing which may allow reptile's access in to the area (see photos 6, 7 and 9).

3.3.6 **Invertebrates**

Previous survey results

A large number of invertebrates were recorded during these previous surveys. A full list can be found in Appendix 1. The site was identified as an important area for dragonflies and damselflies.

Field survey results

A number of invertebrates were recorded on site including common blue (*Polyommatus icarus*), small white (*Pieris rapae*), orange tip (*Anthocharis cardamines*), black darter (*Sympetrum danae*), common hawker (*Aeshna juncea*) and brown hawker (*Aeshna grandis*). The majority of the invertebrate activity was recorded around the ponds on site.

The whole site, including the site proposed for development, is likely to be utilised by a range of invertebrates during wetter weather, when the drainage ditches and the marshy grassland are saturated.

4.0 Ecological evaluation, legislation and assessment of development impacts

The ecological value of the in-situ habitats and the potential presence of protected species are discussed in this section, along with a summary of relevant legislation and planning policies relating to habitats and species. Potential impacts arising from the proposed development upon protected sites, in-situ habitats and protected or notable species are identified including both direct and indirect impacts, and those associated with construction and operational stages.

The focus of this study is to assess the level of ecological impact arising from the installation of essential site services infrastructure at the site under the EU funded SESIF project, having due regard to the ecological status of the site known prior to the project start and the mitigation / compensation strategies adopted.

4.1 Statutory and non-statutory sites

Legislation / policy relating to SINCs

SINCs are one of a class of nature conservation designations collectively referred to as 'Wildlife Sites'. Wildlife Sites are so-called 'third tier' sites, generally ranked below sites which are of international (first tier) or national (second tier) biodiversity significance, but which are considered to have substantive nature conservation value at the regional or district level. They are usually designated at the county or county borough level by the relevant local planning authority, and are recognised as a planning constraint in the relevant statutory development plan. The framework for the identification and designation of 'Wildlife Sites' is set out in various Government documents, and is referred to in *Planning Policy Wales* (2014) and *Technical Advice Note (Wales) 5: Nature Conservation & Planning*.

In Blaenau Gwent County Borough, SINCs are also afforded protection under Policy DM14 of the Adopted County Borough Local Development Plan.

4.2 On-site habitats

On-site habitats comprise those habitats lying within the development boundary.

The habitats, features and species of the site have been provisionally evaluated and graded in accordance with the categories set out in Appendix 2.

4.2.1 Marshy grassland

Assessment of ecological value

The site proposed for development is almost entirely made up of marshy grassland which also forms the majority of the wider site of Rhyd y blew SINC. Mitigation/ compensation measures

have been previously implemented to exclude reptiles, amphibians and breeding lapwing from the site proposed for development. The marshy grassland is considered to be of district value for wildlife due to the botanical richness of the area. A total of 15 rush pasture indicator species were recorded during the current survey. This does not come as a surprise considering that the site is already classified as a SINC.

The marshy grassland qualifies as a 'Priority Habitat' of the UK Biodiversity Action Plan (Biodiversity Reporting & Information Group, 2007). In addition, the marshy grassland is priority habitats on the Blaenau Gwent Local Biodiversity Action Plan (LBAP).

Assessment of post-development impacts

The construction of the road has resulted in the loss of approximately 0.2ha of marshy grassland. This habitat is abundant within the site and the wider area it is therefore likely to have resulted in minimal impacts.

4.2.2 **Ditch**

Assessment of ecological value

The series of ditches which cross through the site proposed for development supports a similar species-rich composition to that found in the surrounding marshy grassland. Also the ditches are likely to provide suitable habitat for amphibians and reptiles (especially grass snake), which may have re-colonised the site due to breaks in the exclusion fencing (TN1, TN2) and open access drainage pipe (TN3). Furthermore, the ditches provide suitable habitat for a range of invertebrates (i.e. butterflies, dragonflies and damselflies)

Assessment of post-development impacts

The construction of the road to the south of the site has resulted in a small portion of ditch being culverted underneath it. However, due to the abundance of ditches on site and off-site, the small loss of this habitat is unlikely to have resulted in significant impacts.

4.3 **Off-site habitats**

After a site meeting with Chris Hatch, it is understood that the remaining habitats in the wider area of Rhyd y blew SINC remain unaffected by the installation of site services.

However, it should be noted that the ponds (P3-P7) in the lower eastern plateau of Rhyd y blew have been left unmanaged and have begun to scrub over, becoming less and less suitable for amphibians. Therefore, ecological management of the ponds is recommended to enhance and sustain the carrying capacity of the area for invertebrates and amphibians which were previously translocated to these ponds.

4.4 Protected and notable species

4.4.1 Birds

Assessment of ecological value of site for birds

The site proposed for development provides suitable nesting habitat for a range of ground nesting birds such as skylark (UKBAP; NERC S42; LBAP), common snipe (LBAP), reed bunting (UKBAP; NERC S42; LBAP) and common grasshopper warbler (UKBAP; NERC S42; Red list).

Legislation

All wild British birds (while nesting, building nests and sitting on eggs), their nests and eggs (with certain limited exceptions) are protected by law under Section 1 of the Wildlife and Countryside Act 1981 (as amended) and the Countryside and Rights of Way Act 2000. Included in this protection are all nests (at whatever stage of construction or use) and all dependent young until such time as the nest is abandoned and the young have fledged and become independent. Particularly rare species such as barn owls are listed on Schedule 1, which gives them extra levels of protection to include protection from disturbance whilst nest building; or near a nest with eggs or young, or disturbing the dependant young of such a bird. Following recent revisions, fifty-nine species are listed on the UK BAP.

Assessment of post-development impacts on birds

The construction of the road towards the south of the site has resulted in the loss of approximately 0.2ha of marshy grassland, therefore resulting in the loss of potential nesting habitat for the species mentioned above. However, as this habitat is abundant in the wider Rhyd y blew site and the local landscape, no significant impacts to nesting birds are likely to have occurred.

However, the construction of the road has resulted in the creation of bare/ disturbed ground around it, which is suitable for breeding lapwing. A local dog walker, anecdotally said they had seen an active lapwing nest on this habitat recently. However, the nest could not be located. That being said, the loss of lapwing breeding grounds has already been compensated for by the construction of a nearby RSPB reserve adjacent to Rassau industrial estate.

Any future developments should consider the potential impacts to nesting birds.

4.4.2 Bats

Assessment of ecological value of site for bats

The site and wider area of Rhyd y blew is utilised by foraging lesser horseshoe and pipistrelle bats.

Legislation

All species of bats and their roosting sites are protected under the Wildlife and Countryside Act 1981 (as amended) and the Conservation (Natural Habitats etc.) Regulations 1994, updated and consolidated by the Conservation of Habitats and Species Regulations 2012. All species of UK bats are designated as 'European protected species'. Some species, such as pipistrelle bats (*Pipistrellus* sp) remain relatively common and widespread in the UK, while others, such as greater horseshoe bats (*Rhinolophus ferrumequinum*), have an extremely restricted distribution. Seven of the UK species of bat (soprano pipistrelle, barbastelle, Bechstein's, noctule, brown long-eared, lesser horseshoe and greater horseshoe bats) have been listed on the UK Biodiversity Action Plans (2007) as conservation priorities. These species, in addition to common pipistrelle are also listed as species of principal importance for the conservation of biodiversity in Wales under the Natural Environment and Rural Communities (NERC) Act 2006.

Assessment of post-development impacts on bats

The construction of the road towards the south of the site has resulted in the loss of a small area of marshy grassland, approximately 0.2ha. Therefore, resulting in the loss of a small area of foraging habitat for bats, however, as this habitat is abundant in the local landscape, no significant negative impacts are likely to have occurred.

The installation of street lighting may have resulted in light disturbance to bats, restricting their movements across the site.

4.4.3 Great Crested Newt and other amphibians

Assessment of ecological value of site for great crested newt and amphibians

No great crested newt were recorded during the previous surveys undertaken by Chris Hatch however, palmate newt, common toad and common frog were present. Also, no ponds were recorded within the site proposed for development during the survey, however the ditches and marshy grassland provides suitable breeding/ foraging habitat for amphibians.

Legislation

Great Crested Newt is a 'European protected species' afforded full protection under both UK and European legislation. This protection extends to the habitats which support great crested

newt and it is generally assumed that the species might be present in terrestrial habitats up to 500m of a breeding pond, depending on habitat quality, connectivity and population size. The great crested newt is a priority species and subject to its own Biodiversity Action Plan and is included in the Blaenau Gwent County Borough Council Local Biodiversity Action Plan.

Assessment of post-development impacts on amphibians

The construction of the road towards the south of the site has resulted in the loss of approximately 0.2ha of marshy grassland and a small stretch of ditch, therefore resulting in the loss of suitable amphibian habitat. However, as this habitat is abundant in the wider Rhyd y blew site and the local landscape, no significant impacts to amphibians are likely to have occurred.

Erection of exclusion fencing and a translocation exercise was undertaken as part of the mitigation strategy. However, a number of breaks in the exclusion fencing were recorded during the current survey (TN1, TN2) and an open access drainage pipe at TN3. Therefore, there is potential for amphibians to re-colonise the area proposed for development.

4.4.6 **Reptiles**

Assessment of ecological value of site for reptiles

During the previous ecological surveys undertaken by Chris hatch, slow worm, common lizard, grass snake and adder were recorded on site. The site proposed for development supports marshy grassland and ditches considered to be suitable reptile habitat, especially for grass snake.

Legislation

Reptiles are protected under the Wildlife and Countryside Act 1981 (as amended) and the Countryside and Rights of Way Act 2000. They are given so called 'partial protection', which prohibits the deliberate killing or injury of individuals. The habitats of common reptiles are not specifically protected. These species are listed as priority species in the UK Biodiversity Action Plan and as species of principal importance for the conservation of biological diversity in Wales under Section 74 of the Countryside and Rights of Way (CRoW) Act 2000.

Assessment of post-development impacts on reptiles

The construction of the road towards the south of the site has resulted in the loss of approximately 0.2ha of marshy grassland and a small stretch of ditch, therefore resulting in the loss of suitable reptile habitat. However, as this habitat is abundant in the wider Rhyd y blew site and the local landscape, no significant impacts to reptiles are likely to have occurred.

Erection of exclusion fencing and a translocation exercise was undertaken as part of the mitigation strategy, the adjacent area of the wider Rhyd y Blew SINC was used as a receptor site for the translocated individuals. However, a number of breaks in the exclusion fencing were recorded during the current survey (TN1, TN2) and an open access drainage pipe at TN3. Therefore, there is potential for reptiles to re-colonise the area proposed for development.

4.4.7 **Invertebrates**

Assessment of ecological value of site for invertebrates

The site proposed for development supports marshy grassland and a series of ditches which provide suitable habitat for a wide range of invertebrates recorded during the previous surveys and current surveys.

Assessment of post-development impacts on invertebrates

The construction of the road towards the south of the site has resulted in the loss of approximately 0.2ha of marshy grassland and a small stretch of ditch, therefore resulting in the loss of suitable invertebrate habitat. However, as this habitat is abundant in the wider Rhyd y Blew site and the local landscape, no significant impacts to invertebrates are likely to have occurred.

4.5 **Summary of post-development impacts**

The report has provided a focussed assessment of the scope and outcome of the mitigation implemented. In Acer Ecology's professional and independent opinion, the mitigation works implemented are considered to have been sympathetic to the biodiversity and wildlife value of the site. The following points summarise the post-development impacts resulting from the installation of site services:

- The construction of the road towards the south of the site has resulted in the loss of a relatively small area of marshy grassland and ditch. These habitats are suitable for supporting a wide range of protected/ priority species such as ground nesting birds, invertebrates, reptiles, amphibians and foraging bats. However, the relatively small area lost and abundance of these habitats in the wider area of Rhyd y Blew and local landscape means that no significant ecological impacts are likely to have arisen as a result of the development;
- The erection of reptile exclusion fencing and translocation of reptiles and amphibians to the lower eastern plateau of the site formed part of the mitigation strategy prior to the development of the site services. However, during the current survey a number of

breaks in the fence were recorded (TN1, TN2) as well as an open access drainage pipe (TN3). Therefore, reptiles and amphibians may have re-colonised the area proposed for development;

- Lapwing have been discouraged from the site proposed for development since 2013 and a compensatory breeding site has been constructed in a nearby area. However, the construction of the road towards the south of the site has resulted in the creation of bare/ disturbed ground which may be utilised by breeding lapwing once more;
- The remaining habitats within the boundary of Rhyd y blew SINC have been unaffected by the installation of site services to date. However, the ponds present on the lower, eastern plateau are beginning to scrub over and become less and less suitable for amphibians translocated to these areas. Management of these ponds is necessary to enhance and sustain the carrying capacity for breeding amphibians.

5.0 Recommendations for further work, mitigation and enhancements

The following recommendations are made to avoid or minimise adverse impacts to wildlife features and protected species:

5.1 Repair/ upgrade of reptile & amphibian exclusion fencing & updated translocation

It is recommended that the reptile exclusion fencing is repaired to continue to keep reptiles/ amphibians from re-colonising the area proposed for development.

If the project is to go on for some years then it is also recommended that the existing exclusion fencing should be upgraded and constructed from more robust materials to ensure that no breaks in the fencing occur again. Such fencing is available from The Reptile Fencing Company⁴.

Furthermore, the exclusion fencing should be fitted around the open access drainage pipe (TN3) to stop reptiles/ amphibians re-colonising the area.

Finally, to ensure that an offence is not committed and that no reptiles are accidentally killed or injured during future development works. An updated translocation exercise should be undertaken with individuals moved to the lower eastern plateau of Rhyd y blew.

5.2 Enhancement & Management of existing ponds in Rhyd y blew

It is recommended that the existing ponds are managed at least once every two years to enhance the area for amphibians which have been previously translocated there. This will increase the carrying capacity of the habitat making it possible to accommodate the translocated individuals.

Also, additional ponds could be created on site to further increase the carrying capacity of the area. This will also have a positive impact on grass snake and adder due to the increase in amphibian prey.

5.3 Lapwing & nesting birds

The creation of bare ground and anecdotal sightings of breeding lapwing within the development boundary means that development works should not be undertaken during the bird breeding season (March-August inclusive). This will also work for other species of ground nesting bird recorded on site such as common snipe, skylark, common grasshopper warbler and reed bunting.

⁴ <http://www.reptilefencingco.co.uk/services>

5.4 **Future developments**

Future developments will result in the complete loss of habitat lying with the site proposed for development. Compensatory measures should be implemented for the loss of habitat. These should follow the recommendations previously stated in the Mitigation/ Compensation report by Chris Hatch (January 2013).

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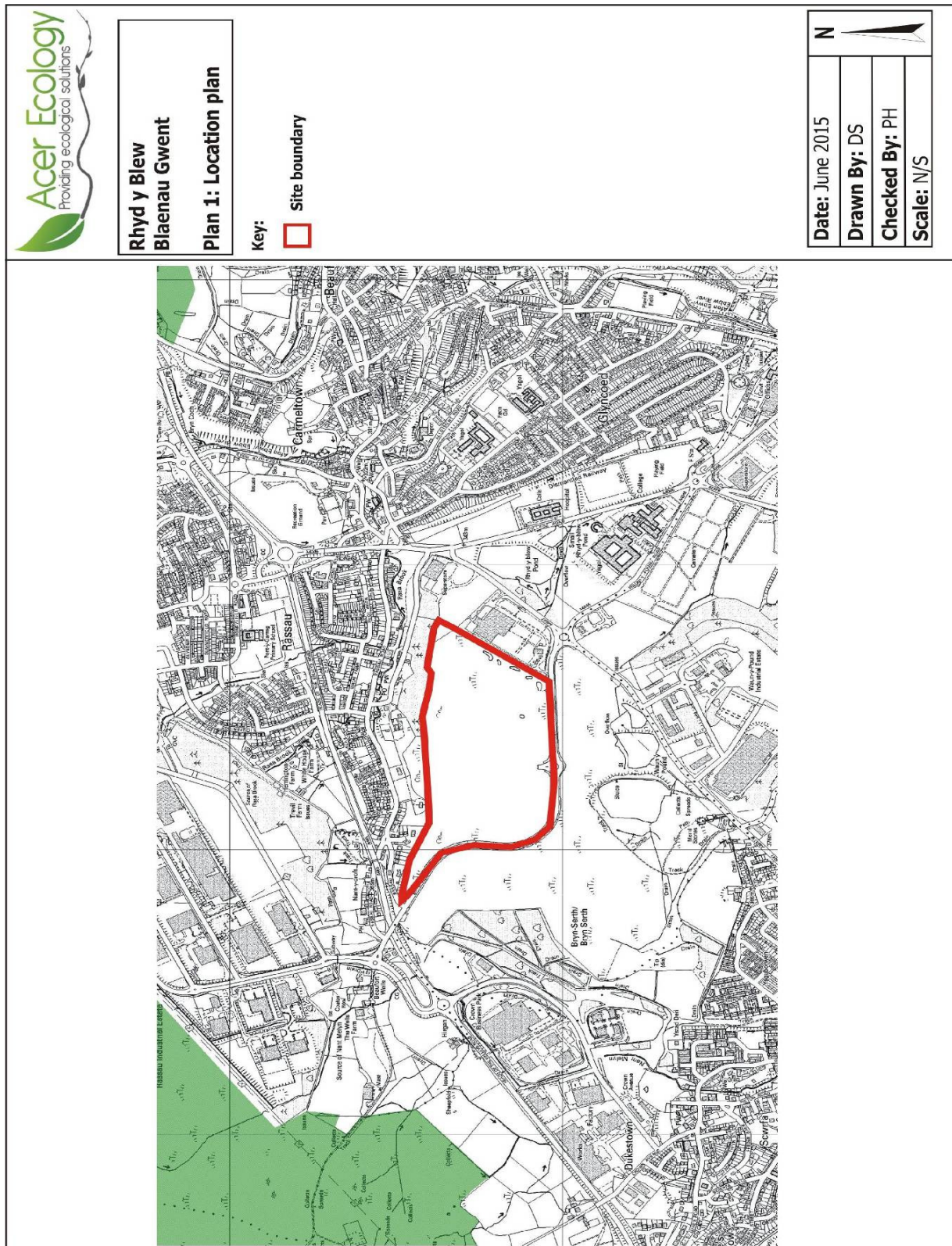
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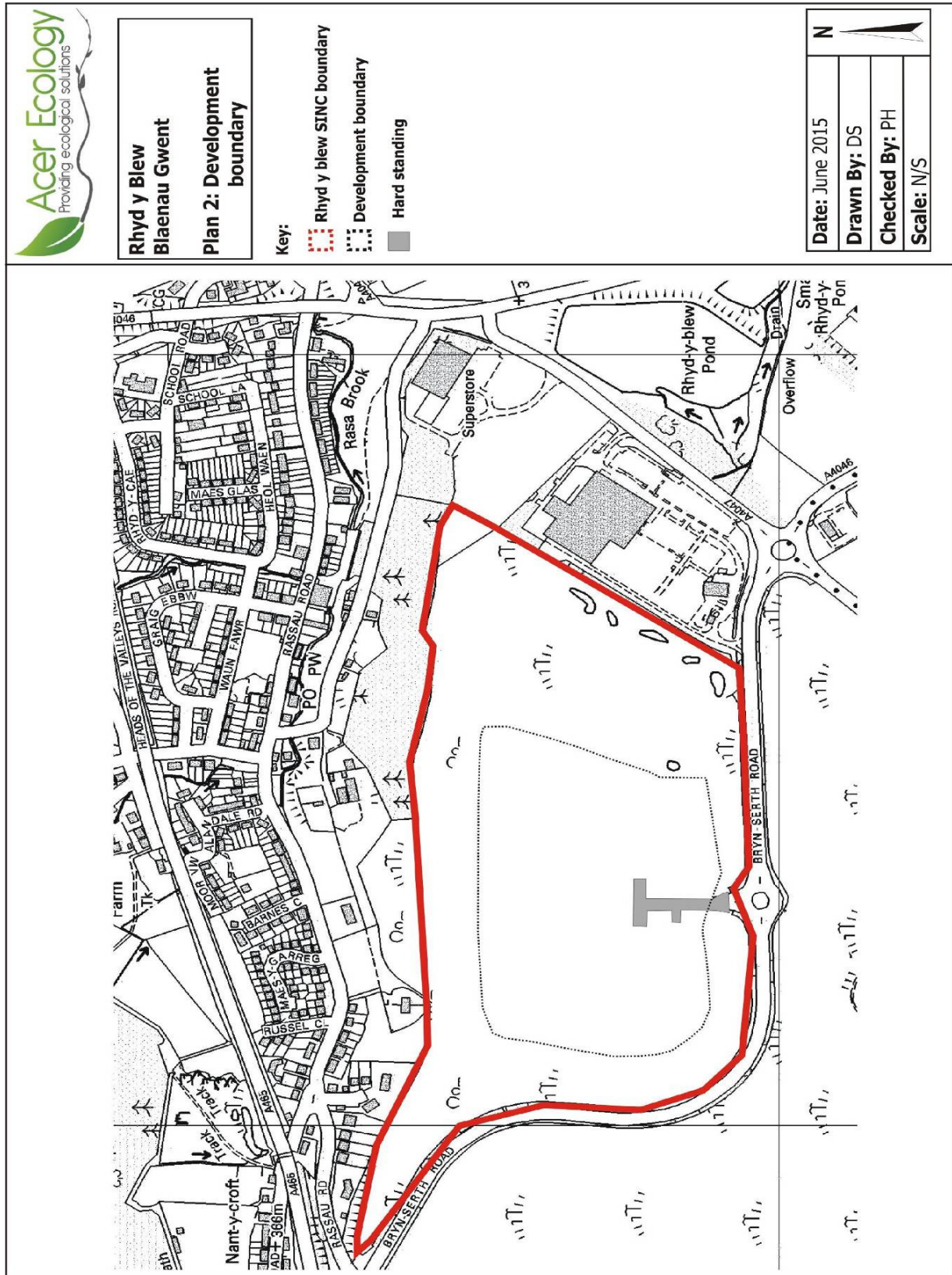
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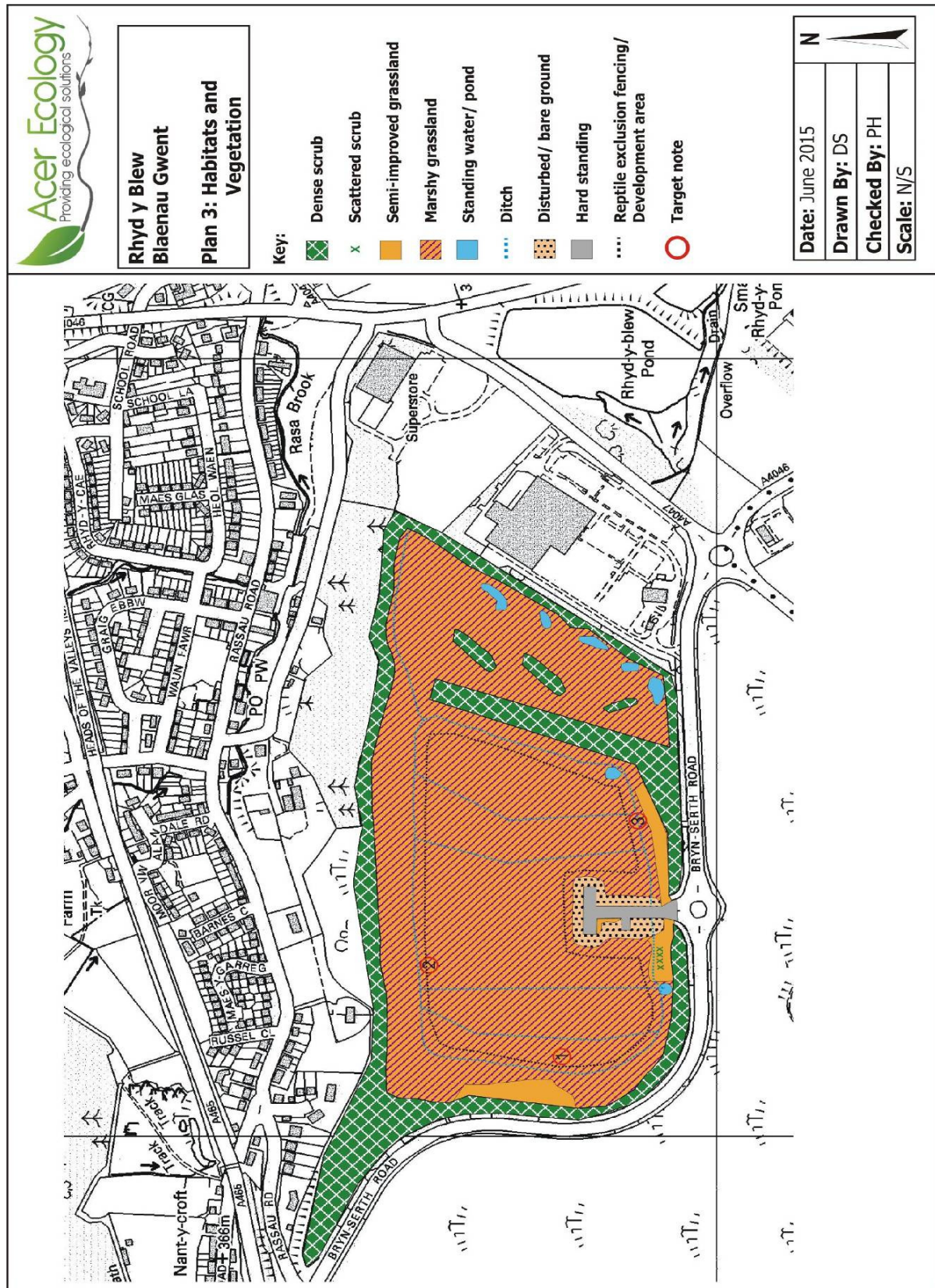
Plan 1: Location plan



Plan 2: Development boundary



Plan 3: Habitats and vegetation



Appendix 1 A-D: Previous ecological reports by Mr. Chris Hatch

1A: Rhyd y blew, Ebbw Vale – Ecological Survey - 23/04/2009

Rhyd y Blew, Ebbw Vale

Ecological survey

1. Background

The Rhyd y Blew site (SO113155) is located within the County Borough of Blaenau Gwent in south-east Wales and comprises of an area of approximately 26 hectares of open space lying to the south of the A465 Heads of the Valleys road and north-west of Ebbw Vale. (A site location plan can be found in **Appendix 1**)

The site is bounded by a large supermarket development to the east, Bryn Serth Road to the south and west and by housing, industrial development and a plantation to the north. A public footpath runs along the eastern edge and informal paths exist around the edge of the site. The paths are used extensively by dog walkers, with significant additional use by horse riders. There is also evidence that the site is used by off-road motor cycles and mountain bikes and for the training of horses.

The site is enclosed mainly by post and wire fencing, although small areas of this are in a state of disrepair, particularly along the northern boundary. Hawthorn hedges run along the northern edge and the south eastern boundary. Small areas of dry-stone wall are present in the north western and south eastern corners. Raised embankments are present on the northern and western sides and these have been planted with trees and shrubs on the upper slopes. A number of ponds are present along the eastern and southern edges.

The site was formerly an open cast coal mine with four large terraces. These were levelled in 1999/ 2000, with a large central plateau, a smaller lower eastern plateau, and embankments all being created. The levelling work was carried out in anticipation of future industrial/ commercial development, although to date, no development has occurred.

Drainage channels exist around the perimeter and across the site. These vary in construction and form.

The site is of historical importance for breeding Lapwing (*Vanellus vanellus*) and was formerly one of the most important breeding sites in Wales for the species, holding up to 55 pairs, prior to reclamation work being carried out on the site.

The site still holds breeding Lapwing, albeit in much smaller numbers and part of the site is managed to encourage the birds to breed. The presence of Lapwing on the site in addition to the presence of a number of other bird species qualifies Rhyd y Blew as a candidate SINC (Site of Importance for Nature Conservation). SINC's are recognised as sites of substantive biodiversity value within the County Borough of Blaenau Gwent and are covered by policy EN12 in the Boroughs UDP.

There are a number of proposals being considered which have the potential to affect the biodiversity of the Rhyd y Blew site. The most contemporary of these is a proposal to develop the site, together with associated infrastructure as a car park for visitors to the National Eisteddfod of Wales which will be located to the south of Ebbw Vale in August 2010. This would involve the stripping of vegetation and humus from a large area of the central plateau, stockpiling the material at a suitable location and replacing it at a later date.

Prior to any final decision being made regarding development and change of land use at Rhyd y Blew a decision was made to carry out an ecological survey of the site.

This took the form of :-

- An extended Phase 1 habitat survey as recommended by the Institute of Environmental Assessment (IEA 1995)
- A desktop review of existing ecological information.
- Recommendations for future surveys etc.

2. Methodology

The site was visited on six separate occasions between 1.4.2009 and 21.4.2009. A Phase 1 habitat survey (as per JNCC Handbook for Phase 1 habitat survey – a technique for environmental audit) was undertaken, together with additional botanical surveys.

Evidence for mammal activity was searched for, bird sightings and bird songs logged, searches for reptiles and amphibians were carried out, invertebrate species noted and pond dipping undertaken.

A desktop review of existing ecological information was carried out:- ref. cSINC notification form, Rhyd y Blew Management Plan (RSK 2003) Rhyd y Blew development environmental statement (Austin-Smith Lord) and lapwing breeding reports (G. Howells) Meetings were held with Claire Pooley (Ecologist BGCC) and Camilla Smith (RSPB Lapwing Conservation Officer).

3. Results

Rhyd y Blew consists primarily of an artificial landscape created as a result of past open cast coal mining and subsequent regrading and land reclamation work. Natural regeneration of the site has however created a wide mosaic of habitats with a high biodiversity value.

For the purpose of this report, the area can be roughly divided into four sections:-

1. The main central plateau, comprising 65% of the site and consisting of dry and damp grassland and rushes, with a few ponds. The eastern part is managed for breeding Lapwing by maintaining a short sward through cutting.
2. Grass raised embankments on north and west sides with areas of mixed tree and shrub planting
3. Lower eastern plateau, consisting of a mosaic of dry and damp grassland, mixed planted trees, willow scrub, ponds and wet areas.
4. North-west spit consisting of tussock semi-improved grassland and mixed trees.

Phase 1 habitats

A Phase 1 habitat map can be found in **Appendix 2**.

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The following Phase 1 habitats were present on site:-

A. Woodland and scrub

A1.3.2 Mixed plantation (NVC W8-11, W14-18)

A2.2 Scattered scrub (NVC W1-3)

Target note: Mixed plantation on north and west embankments, upper eastern plateau and south east of central plateau.
Willow scrub south east of central plateau and on eastern plateau.

B. Grassland and marsh

B1.2 Acid semi-improved grassland (NVC U4 etc.)

B5 Marshy grassland (NVC MG8, MG10, M22-28)

B6 Poor semi-improved grassland (NVC MG6 etc)

Target note: Central plateau and most of eastern plateau dominated by marshy grassland. Acid semi-improved grassland on embankments and south of site. Areas of poor, tussocky semi-improved grassland in north-wet spur, together with small area along northern boundary.

Heathland

D1.1 Dry dwarf shrub heath (acid) (NVC H1)

Target note: small area of *Calluna* along northern edge.

G. Open water

G1.3 Standing water-oligotrophic (NVC No match)

G2.3 Running water-oligotrophic (NVC No match)

Target note: Series of mature ponds along eastern boundary of lower eastern plateau.

Single ponds either side of southern main site access and at south-east corner of central plateau. Small ponds on area managed for lapwing.

Standing and running water contained within drainage ditches. Ditches generally poorly vegetated, but some support rushes, together with *Cardamine pratensis*, *Epilobium spp.*, *Ranunculus flammula*, *Veronica beccabunga*, mosses and filamentous algae.

I. Rock exposure and waste

I2.3 Artificial-mine waste (NVC No match)

Target note: areas of exposed spoil on central plateau, south facing slopes and lower eastern plateau.

J. Miscellaneous

J2.1.2 Hedges intact-species poor

J2.4 Fence

J2.5 Wall

J2.6 Dry ditch

J2.8 Earth bank

(NVC No matches)

Target note; Planted hedges comprise of single species-Hawthorn

Post and wire fence around site

Small areas of drystone wall in north west and south east corners

Drainage ditches dry on occasions

Earth embankments on north and west sides now well vegetated.

Botanical survey

Due to the timing of the survey, the majority of this information is based on work carried out for the cSINC survey work

Species	Common name	Area 1 Central plateau	Area 2 Embankments	Area 3 Eastern plateau	Area 4 North west spit
Herbs					
<i>Achillea millefolium</i>	Yarrow			O	F
<i>Artemis vulgaris</i>	Mugwort	R			

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<i>Bellis perennis</i>	Daisy			O	
<i>Calluna vulgaris</i>	Heather		O		O
<i>Cardamine pratensis</i>	Cuckoo flower	F	F	F	F
<i>Centaurea nigra</i>	Common Knapweed		R		O
<i>Cerastium holosteoides</i>	Common Mouse-ear	O	R	O	
<i>Cirsium arvense</i>	Creeping thistle		O	O	F
<i>Cirsium palustre</i>	Marsh thistle		R		
<i>Cirsium vulgare</i>	Spear thistle		R		
<i>Dactylorhiza praetermissa</i>	Southern Marsh orchid	R			
<i>Daucus carota</i>	Wild carrot	R			
<i>Dipsacus fullonum</i>	Teasel		R		
<i>Epilobium spp.</i>	Willowherb spp.	O	O	O	
<i>Epilobium hirsutum</i>	Great willowherb	O			
<i>Galium palustre</i>	Marsh bedstraw	R			
<i>Hypericum maculatum</i>	Imperforate St, John's wort			O	
<i>Hypericum spp.</i>	Hawkweed spp.			R	
<i>Hypochoeris radicata</i>	Common cat's ear	O	R	O	R
<i>Lathyrus pratensis</i>	Meadow vetchling				
<i>Leontodon autumnalis</i>	Autumn hawkbit				O
<i>Lotus corniculatus</i>	Bird's foot trefoil	O	O	O	R
<i>Melilotus sp.</i>	Melilot sp.				
<i>Odonites verna</i>	Red bartsia		F		
<i>Plantago lanceolata</i>	Ribwort plantain	O		O	O
<i>Plantago major</i>	Greater plantain				
<i>Picris echoides</i>	Bristly oxtongue				
<i>Potentilla anserine</i>	Silverweed				
<i>Potentilla reptans</i>	Creeping cinquefoil				
<i>Pulicaria dysenterica</i>	Fleabane				
<i>Prunella vulgaris</i>	Self heal	O		O	
<i>Ranunculus acris</i>	Meadow buttercup	F	O	F	
<i>Ranunculus flammula</i>	Lesser spearwort	O		O	
<i>Rubus fruticosus</i>	Bramble		R		
<i>Rumex acetosa</i>	Common Sorrel	O	O	O	O
<i>Rumex acetosella</i>	Sheep's sorrel	O		O	
<i>Rumex obtusifolius</i>	Broad-leaved dock	O	O	O	
<i>Senecio jacobea</i>	Ragwort	O		O	
<i>Scutellaria galericulata</i>	Skullcap				
<i>Stachys sylvatica</i>	Hedge woundwort	R		R	
<i>Stellaria graminea</i>	Lesser stitchwort			R	O
<i>Taraxacum officinale</i>	dandelion			O	
<i>Trifolium pratense</i>	Red clover	O	O		
<i>Trifolium repens</i>	White clover	O	O	O	O
<i>Trifolium sp.</i>	Trefoil sp.				
<i>Tussilago farfara</i>	Coltsfoot	O	O	O	
<i>Urtica dioica</i>	Common nettle				

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<i>Vicia sp.</i>	Vetch sp.	R	R	R	
Vicia sativa	Common vetch				R
Grasses, rushes, sedges					
<i>Agrostis stolonifera</i>	Creeping bent	F	F	O	
<i>Agrostis tenuis</i>	Common bent	A		A	F
<i>Alopecurus geniculatus</i>	Marsh foxtail	R			
<i>Anthoxanthum odoratum</i>	Sweet vernal		O		
<i>Arrhenatherum elatius</i>	False oat grass				A/F
Carex ovalis	Oval sedge	O		O	
<i>Carex spp.</i>	Sedge spp.		R		
Carex panicea	Carnation sedge	O	O	O	O
<i>Cynosurus cristatus</i>	Crested dog's tail	F	A	F	
<i>Dactylis glomerata</i>	Cock's foot		O		O
<i>Danthonia decumbens</i>	Heath grass				R
Deschampsia caespitosa	Tufted hair grass	F/O	O	O	O
Deschampsia flexuosa	Wavy hair grass				R
Eleocharis palustris	Common spike rush			R	
Festuca rubra	Red fescue	O		O/F	F
Holcus lanatus	Yorkshire fog	F		F	O
Holcus mollis	Creeping sweet grass				A/F
Glyceria fluitans	Floating sweet grass	R		O	
<i>Juncus atriculatus/ acutifloris</i>	Jointed/ sharp-flowered rush	O		O	
Juncus bufonius	Toad rush	O			
Juncus conglomeratus	Compact rush	O			
Juncus effusus	Soft rush	D	A	A	O
Juncus squarrosus	Heath rush	R			
Lolium perenne	Perennial rye grass				
Molinia caerulea	Purple moor grass				R
Nardus stricta	Mat grass				R

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Phleum pratense	Timothy		O		
Typha latifolia	Reedmace	R		O	
Other					
Equisetum arvense	Field horsetail	R	F	O	R
	Mosses	F	F	F	O
	Filamentous algae			O	
Trees	<i>Salix</i> spp., sessile Oak, Rowan, Ash, Common Alder, <i>Pinus</i> spp., Hawthorn, <i>Betula</i> spp. Hazel.		A	A	A

DAFOR abbreviations refer to the relative abundance of individual species:-
D =Dominant; A=Abundant; F=Frequent; O= Occasional; R=Rare.

European protected species present : Conservation (Natural habitats &c) Regs. 1994, as amended in 2007.

Bats: likely to be using the site for foraging. Further survey work required.

Species present protected under the Wildlife and Countryside Act 1981

Barn Owl ; *Tyto alba* (Schedule 1)

Slow Worm; *Anguis fragilis*

Common Lizard; *Lacerta vivipera*

Adder ; *Vipera berus*

Grass Snake; *Natrix natrix*

Common Frog (*Rana temporaria*), Common Toad (*Bufo bufo*) and Palmate Newt (*Triturus helveticus*) also receive limited protection. All birds, their eggs and nests are also protected.

Natural Environment and Rural Communities Act 2006

Section 42: List of habitats and species present of principle importance for conservation of biological diversity in Wales

Habitats

Dwarf shrub heath

Ponds

Open mosaic habitats on previously developed land

Species

Bat spp.

Western European Hedgehog (*Erinaceus europaeus*)

Brown Hare (*Lepus europaeus*)

Skylark (*Alauda arvensis*)

Tree Pipit (*Anthus trivialis*)

Common Linnet (*Carduelis cannabina*)

Reed Bunting (*Emberiza schoeniclus*)

Kestrel (*Falco tinnunculus*)

Common Grasshopper Warbler (*Locustella naevia*)

Hedge Accentor (*Prunella modularis*)

Common Starling (*Sturnus vulgaris*)

Song Thrush (*Turdus philomelos*)

UK BAP Priority habitats and species present

Habitats

Ponds

Species

Bat spp.

Western European Hedgehog

Brown Hare

Skylark

Tree Pipit

Common Linnet

Reed Bunting

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Common Grasshopper Warbler
Hedge Accentor (Dunnock)
Common Starling
Song Thrush
Lapwing

Habitats and species present which contribute to SINC designation

Habitats

Marshy grassland
Standing open water
Mineral spoil tips and other post-industrial land
Mosaic habitats

Species

Mammals
Brown Hare
Breeding birds List A
Lapwing
Common Snipe (*Gallinago gallinago*)
Grasshopper Warbler
Breeding Birds List B
Reed Bunting
Linnet
Tree Pipit
Skylark
Song Thrush
Sedge Warbler (*Acrocephalus schoenobaenus*)

Wintering and passage birds List A

Barn Owl
Short-eared Owl (*Asio flammeus*)
Wintering and passage birds List B
Reed Bunting
Kestrel
Lapwing
Linnet
Skylark
Common Snipe
Stonechat (*Saxicola torquata*)
Song Thrush
Reptiles
Slow Worm
Common Lizard
Adder
Grass Snake
Amphibians
Common Frog
Common Toad
Palmate Newt
(All supporting species)
Invertebrates
Dragonflies/ Damselflies
The following species are considered as likely to be present:-
Emerald Damselfly (*Lestes sponsa*)
Black Darter (*Sympetrum danae*)
Common hawk (*Aeshna juncea*)

Habitats and species present listed within the Blaenau-Gwent LBAP

Habitats

Ponds
Open mosaic of post-industrial land

Species

Eurasian Sparrowhawk (*Accipiter nisus*)
Skylark
Tree Pipit
Short-eared Owl
Common Linnet
Reed Bunting
Common Kestrel
Snipe
Barn Swallow (*Hirundo rustica*)
Grasshopper Warbler

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Willow Warbler (*Phylloscopus trochilus*)
Dunnock
Stonechat
Song Thrush
Mistle Thrush (*Turdus viscivorus*)
Barn Owl
Lapwing
Common Hawker
Emerald damselfly
Black Darter
Bat spp..
West European Hedgehog
Brown Hare
Slow worm
Common Toad
Common Lizard
Grass snake
Common frog
Palmate newt
Adder

UK Red and amber listed bird species present

Red listed

Lapwing
Grasshopper Warbler
Starling

Amber listed

Barn Owl
Short-eared Owl
Common Snipe
Reed Bunting
Lesser black-backed Gull (*Larus fuscus*)
Kestrel
Linnet
Redstart (*Phoenicurus phoenicurus*)
Skylark
Stonechat
Song Thrush

Other species found during survey

Red fox (*Vulpes vulpes*)
Rabbit (*Oryctolagus cuniculus*)
Field vole (*Microtus agrestis*)
Bank vole (*Clethrionomys glareolus*)
Wood mouse (*Apodemus sylvaticus*)
Common shrew (*Sorex araneus*)
Buzzard (*Buteo buteo*)
Meadow Pipit (*Anthus pratensis*)
Goldfinch (*Carduelis carduelis*)
Greenfinch (*Carduelis chloris*)
Robin (*Erithacus rubecula*)
Magpie (*Pica pica*)
Jackdaw (*Corvus monedula*)
Carrion Crow (*Corvus corone*)
Raven (*Corvus corax*)
Grey Heron (*Ardea cinerea*)
Goldcrest (*Regulus regulus*)
Orange tip (*Anthocharis cardamines*)
Small white (*Pieris rapae*)
Peacock butterfly (*Inachis io*)
Pond skater sp.

Corixa punctata
Leech spp
Flatworm spp.
Snail spp.
Slug spp.
Craneflies (*Tipula spp.*)

Notes on species

Mammals:

Bat species: none seen, but the number of Swallows seen hawking insects above the central plateau would suggest an abundance of winged insects, making the site a good foraging area for bat species.

Brown Hare: 1 animal flushed from central plateau. Historical records of animals regularly using the site.

Fox scats and smells on site

Dead Hedgehog and dead Common shrew found

Remains of Field vole, Bank vole and Wood mouse found in owl pellets on site. Runs of Field voles and evidence of Bank vole feeding also found.

Birds:

Lapwing; 2 pairs displaying on central plateau during survey

Barn Owl: Previous records and pellets found. Freshness of pellets suggests that site is used as a regular foraging area during the breeding season and during the winter months.

Short-eared Owl: Previous records and pellets found suggest site is used as a regular foraging area during winter months.

Skylark: 8+ pairs breeding on site, mainly on central plateau.

Common Snipe: Birds drumming and birds flushed. 6+ pairs breeding on central plateau.

Tree Pipit: 2 males heard singing throughout survey period. Probable breeding on embankments.

Common Grasshopper Warbler: 1 male heard 'reeling' on three separate occasions during survey period, suggesting probable breeding on eastern plateau.

Common Linnet: 6+ pairs breeding in areas of scrub

Reed Bunting: 8+ pairs breeding on central plateau and eastern plateau.

Willow Warbler: 15 to 20 pairs breeding within plantations and areas of scrub.

Dunnock: 4+ pairs breeding.

Song Thrush: 2 pairs breeding.

Kestrel: Uses site for foraging.

Sparrowhawk: Uses site for foraging.

Stonechat: Winters on site.

Mistle Thrush: 2 males heard singing, indicating probable breeding.

Common Starling: Birds using site for foraging.

Reptiles and amphibians:

Common Frog: Breeding in ponds and drainage channels.

Common Toad: Breeding in ponds and drainage channels

Palmate Newt: Breeding in ponds and drainage channels

Slow worm: 1 adult male seen under piece of flat plastic

Grass Snake: 1 adult seen near ponds on eastern plateau

Adder: 1 female seen basking on rock on eastern plateau

Common Lizard: 3 individuals seen basking on bare ground to southeast of central plateau.

All the above are likely to use suitable hibernacula on the site.

Invertebrates:

The range of habitats on site makes it ideal for a wide range of invertebrates. The structure and chemistry of the ponds on site would suggest that they are suitable for a range of upland Dragonfly and Damselfly species.

4. Conclusions

The Rhyd y Blew site contains a mosaic of habitats with a high biodiversity value. Many of the species present are of national, regional or local importance. The site is therefore of significant value. Additionally, the proximity the Bryn Seth site allows the interchange of species between both sites, particularly with regard to mammals and birds.

5. Recommendations for further survey work

- Given the presence of 4 reptile species at Rhyd y Blew, the site should be surveyed to assess the population size and distribution of reptiles.
- The site would appear to be an ideal foraging area for bats. A bat survey should therefore be carried out to determine the species using the site.
- A dragonfly/ damselfly survey should be carried out during the relevant emergence periods to determine whether Common Hawker, Black Darter and Emerald damselfly are present. Brown Hawker (*Aeschna grandis*) has been recorded at a nearby location, so it is possible that this species is also present at Rhyd y Blew.
- The ponds on site should be surveyed for the presence of Great-crested Newts, as many of them provide suitable habitat for this species.

6. Recommendations for site management

It is difficult to see how any development of the site would not impact on its high biodiversity value. Whereas some species e.g. Lapwing might experience a short-term gain, due to suitable breeding habitat increasing as a result of the creation of areas of bare soil, there would be a loss of breeding, foraging and wintering habitat for a wide range of species, some of which feature in the UK, Wales and BGCBC biodiversity action plans. Furthermore, the area suitable for breeding Lapwing could be increased by extending the areas of short sward on the central plateau through cutting, with the arisings being removed and possibly composted on site. Removal of the vegetation from the central plateau is likely to cause increased flows of water within the drainage ditches, making them unsuitable as breeding habitats for amphibians.

Many of the habitats on site are still maturing and developing. This can only lead to the already significant biodiversity value of the site increasing in the future, although some positive management may be required e.g. the areas of poor semi-improved tussocky grassland to the north and north west of the site could eventually provide nesting habitat for the Harvest mouse (*Micromys minutus*).

7. References

CSINC notification form: BGCBC

Rhyd y Blew Management plan (RSK 2000)

Rhyd y Blew development environmental statement (Austin-Smith: Lord)

Rhyd y Blew Lapwing monitoring reports 2004 to 2007 (G. and R. Howells)

8. Appendices

Appendix 1. Site location map

Appendix 2. Phase 1 habitat map

Chris Hatch

23.4.2009

1B: Rhyd y blew – Mitigation & Compensation – 15/05/2009

Rhyd y Blew: Mitigation and compensation

If the construction of a car park is to proceed, the following mitigation/ compensation work will be required

Great Crested Newts

If it is found that Great Crested Newts are found on the site, then no work can be carried out without consent being obtained from CCW. If GCNs are found to be using the central plateau e.g. the small ponds for breeding, or the surrounding area for refuges or hibernacula, then the animals will need to be captured, translocated to a suitable receptor site and excluded from the development area using appropriate fencing. This work would need to be carried out late August / September, consent permitting.

Reptiles

The four species of reptiles found on site are all protected by law. Penalties for breaking the law can include large fines, imprisonment and seizure of equipment. If reptiles are found on the central plateau, they will need to be caught, translocated to a suitable receptor site and excluded from the development area by the use of suitable amphibian/ reptile fencing.

Capture would be carried out by the use of a high concentration of artificial refugia (mats) within the development area, assuming that these would remain undisturbed by members of the public. This would need to be carried out after breeding and before hibernation: preferably late September. Even then, species such as common lizards are likely to be missed using this method and it may be necessary to carry out a destructive search under the supervision of an ecologist whilst development work is taking place, a necessary pain-taking process.

It should be noted that any receptor site e.g. the eastern plateau should be deemed as suitable for the reptiles caught: it may be necessary to carry out habitat enhancement work prior to translocation; e.g. hibernacula and refugia constructed, suitable additional habitat provided etc..

Other amphibians

As all the amphibians present on site are LBAP species, the same capture and translocation methods should be used and precautions taken should be used as for GCNs and Reptiles.

Invertebrates

Depending on survey results, it should be established that suitable alternative habitats for species found are present, or can be constructed on areas adjacent to the site prior to development work being carried out. It may be necessary to create additional ponds, wetland areas, reed beds etc., particularly for dragonfly and damselfly species.

Bats

Depending on survey results, it needs to be established that suitable alternative foraging areas are present adjacent to the site prior to development. If not, then habitat enhancement work must be considered.

Other mammals

As for bats, but also suitable breeding areas need to be present on adjacent sites.

Birds

Lapwing breeding and foraging needs are well known: indeed, there may be some short to medium term gain for this species following development work and car park construction. It must be established prior to development however, that suitable foraging areas and breeding habitat for other bird species are present in areas adjacent to the site prior to any development work being commenced. Snipe in particular are likely to be displaced as a result of the proposed development and it may be necessary to incorporate wetland habitat enhancement work in suitable areas as part of the scheme.

Chris Hatch

15.5.2009

1C: Rhyd y blew – Survey Update – 07/07/2009

Rhyd y Blew

Survey update: 7.7.2009

* Signifies Section 42 species

Bats

Lesser Horseshoe* and Common Pipistrelle* using site for foraging.

Further survey to be carried out

Great-crested Newt

None found, but good population of Palmate Newts found in all water bodies on site.

Reptiles

Adder*: Low population. Found on eastern plateau and on embankments bordering central plateau.

Grass Snake*: Low population. Found on central plateau, eastern plateau and on embankments bordering central plateau

Slow Worm*: Good population. Found on eastern plateau, embankments bordering central plateau and north-west corner.

Common Lizard*: Good population. Found on eastern plateau and northern embankment.

Population criteria (Froglife). Maximum number of adults seen per day.

Low <5

Good 5-10

Exceptional >10

Further surveys to be carried out.

Dragonflies/ Damselflies

The site supports the following breeding species:-

Emerald Damselfly

Large Red Damselfly

Common Blue Damselfly

Azure Damselfly

Blue-tailed Damselfly

Scarce Blue-tailed Damselfly

Common Hawker

Four-spotted Chaser

Broad-bodied Chaser

Common Darter

Black Darter

Other species seen on site, but breeding not proved:-

Golden-ringed Dragonfly

Emperor Dragonfly

Further surveys to be carried out.

Butterflies and Moths

Butterflies:

Large Skipper

Dingy Skipper*

Large White

Orange-tip

Common Blue

Painted Lady

Marbled White

Grayling*

Meadow Brown

Small Heath*

Ringlet

Moths:

Ghost Moth*

Fox Moth

Drinker

Peach Blossom

Silver-ground Carpet

Garden Carpet

Common Marbled carpet

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Grey Pine Carpet
Common Pug
Brown Silver-line
Brimstone
Bordered White
Common Wave
Light Emerald
Heart and Dart
Flame
Flame Shoulder
True Lover's Knot
Shears
Pale-shouldered Brocade
Bright-line Brown-eye
Broom
Campion
Shoulder-striped Wainscot*
Rustic Shoulder-Knot
Dark Brocade*
Angle Shoulder
Dark Arches
Clouded-bordered Brindle
Dusky Brocade*
Middle-barred Minor
SilverY
Beautiful Golden Y
Burnet Companion
Straw Dot

Further surveys to be carried out

Section 42 species

Chris Hatch

1D: Rhyd y blew – Mitigation Strategy – January 2013

Rhyd y Blew Mitigation Strategy

Introduction

The Rhyd y Blew site (SO113155) is located within the County Borough of Blaenau Gwent in south-east Wales and comprises of an area of approximately 26 hectares of open space lying to the south of the A465 Heads of the Valleys road and north-west of Ebbw Vale.

The site is bounded by a large supermarket development to the east, Bryn Serth Road to the south and west and by housing, industrial development and a plantation to the north. A public footpath runs along the eastern edge and informal paths exist around the edge of the site. The paths are used extensively by dog walkers, with significant additional use by horse riders. There is also evidence that the site is used by off-road motor cycles and mountain bikes and for the training of horses.

The site is enclosed mainly by post and wire fencing, although small areas of this are in a state of disrepair, particularly along the northern boundary. Hawthorn hedges run along the northern edge and the south eastern boundary. Small areas of dry-stone wall are present in the north western and south eastern corners. Raised embankments are present on the northern and western sides and these have been planted with trees and shrubs on the upper slopes. A number of ponds are present along the eastern and southern edges.

The site was formerly an open cast coal mine with four large terraces. These were levelled in 1999/ 2000, with a large central plateau, a smaller lower eastern plateau, and embankments all being created. The levelling work was carried out in anticipation of future industrial/commercial development, although to date, no development has occurred.

Drainage channels exist around the perimeter and across the site. These vary in construction and form.

The site holds one or two pairs of breeding Lapwing and part of the site is managed to encourage the birds to breed. The presence of Lapwing on the site in addition to the presence of a number of other bird species qualifies Rhyd y Blew as a SINC (Site of Importance for Nature Conservation). SINC's are recognised as sites of substantive biodiversity value within the County Borough of Blaenau Gwent and are covered by policy EN12 in the Boroughs UDP.

There is a proposal to develop the central plateau area of the Rhyd y Blew site which has the potential to affect its biodiversity. Previous ecological survey work has been carried out on the site to assess the range of habitats and species present.

This report details mitigation work which should be undertaken prior to development commencing in order to compensate for the loss of biodiversity.

Reptile Mitigation

The following mitigation strategy is proposed to address the issue of reptiles which are known to occur on the Rhyd y Blew site. The mitigation strategy mainly comprises of a method statement for the safe prior removal of reptiles from the area of the proposed development.

Receptor area:

Suitable receptor area for reptiles have been identified: these consist of the eastern lower plateau area of the site, outside the proposed development footprint which is mainly confined to the central plateau, together with the Local Nature Reserve at Garden City. The former will be used as a receptor area if only small numbers of reptiles are found. The latter site will be used additionally if larger numbers are present.

Programme:

Mitigation operations for reptiles will be undertaken from January onwards, with trapping and translocation commencing in April.

Species Deterrence Measures

The surface vegetation on the central plateau area of the site will be cut during late January/ February 2013 to a height of 50mm. The timing of the cut will allow breeding Lapwings (*Vanellus vanellus*) to return to the site in late February. All arising should be collected and either removed from site or composted outside the development area. All potential refugia for reptiles such as pieces of metal, timber, plastic sheet, rubble etc., should be removed from the site.

Once cut, the site should be maintained in a cleared condition.

Fencing and trapping

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Reptile exclusion fences should be installed around the boundary of the development area as soon as possible after the above work has been completed. Installation of the fences is likely to involve the use of a mini-digger. Vehicle movement across the site should be kept to a minimum, particularly if breeding Lapwing are present, when vehicles should only be allowed to move around the perimeter of the site.

Following the installation of reptile exclusion fences artificial refugia will be placed on site. These refugia will consist of squares of roofing felt with dimensions of 1 metre by 0.5 metres, distributed at a maximum density of one per 10m² in areas thought likely to hold reptiles.

The refugia will be allowed to bed in for at least two weeks, after which reptile collection and removal will take place at intervals of 3-5 days and will continue until 10 clear days have been obtained without any reptiles being found. Clearance visits will take place on warm, dry days with minimal wind and air temperatures of 10 degrees C or higher.

Once the 10-day threshold has been reached, construction work may commence. The integrity of the reptile exclusion fencing should be maintained throughout the construction period and any damage repaired immediately.

Building of refugia/ Hibernacula

Prior to the commencement of reptile trapping and translocation, refugia/ hibernacula should be constructed on the receptor sites. These will consist of stone piles and log piles and will be constructed at a density to be agreed with the County Ecologist.

Monitoring

A monitoring scheme should be put in place, to commence in 2014 to assess the effectiveness of the translocation.

Amphibian Mitigation

The ponds and ditches on the plateau are known to contain Palmate Newts (*Triturus helveticus*), Common Frog (*Rana temporaria*) and Common Toad (*Bufo bufo*). These species should be netted from the water bodies on the central plateau area and translocated to the ponds situated on the lower eastern plateau. Netting should commence as soon as the reptile exclusion fences have been installed, but should preferably commence in late February, when amphibians begin to return to water bodies to breed.

Lapwing mitigation

A Lapwing mitigation area is currently being constructed at the western end of the Rassau Industrial Estate, near Wells Farm. This is intended to compensate for Lapwing breeding sites likely to be lost as a result of the dualling of the A465 Heads of the Valleys Trunk Road. It has been agreed with the RSPB that this should however provide adequate mitigation for any Lapwings lost from the Rhyd y Blew site as a result of development. The mitigation site should be completed prior to the start of the 2014 breeding season.

Mitigation for other species

The site provides breeding and wintering habitat for Snipe (*Gallinago gallinago*) and contains a small population of Brown Hares (*Lepus europaeus*). The site also holds a number of other breeding passerine bird species and provides foraging habitat for birds such as Barn Owls (*Tyto alba*) and Short-eared Owls (*Asio flammeus*) as well as for bat species.

It is difficult to see how the loss of habitat for these species can be mitigated for, since suitable adjacent sites are also scheduled for development.

The site also holds a number of invertebrate species, in particular, Lepidoptera and Odonata. It is to be hoped that some of these species can disperse to other sites.

Habitat loss mitigation

Habitats likely to be lost from the site includes Ponds, Scrapes, Ditches, Marshy grassland, and Rush pasture. Areas which can be used for mitigation work include the eastern slopes of Rhyd y Blew, Garden City Local Nature Reserve and Rose Heyworth Community Woodlands Local Nature Reserve. It is unlikely, however that the total area of habitat lost from Rhyd y Blew can be mitigated for at these sites. As compensation, therefore, management and improvement of additional habitats should be undertaken.

Habitat management and creation work should therefore consist of the following:

Eastern slopes, Rhyd y Blew

- Management of existing ponds on a rotational basis.

Garden City Local Nature Reserve

- Creation of two new ponds 15 metres long by 10 metres wide and 1.5 metres deep at the deepest point
- Use of spoil from pond construction to create 'beetle banks' and basking areas for reptiles
- Management and clearing of existing ditches, streams and ponds

Rose Heyworth Community Woodlands Local Nature Reserve

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- Creation of four new ponds 15 metres long and 10 metres wide and 1.5 metres deep at the deepest point
- Use of spoil from ponds to create 'beetle banks' and basking areas for reptiles
- Management of existing ponds on a rotational basis to improve biodiversity
- Partial blocking of ditches to slow flow from wet areas and create additional wetland habitat
- Additional management of 'sink' area to provide a diverse wetland habitat
- manage the areas of acid and marshy grassland in order to promote extent and species diversity
- Promote diversification of scrub habitats and expansion of dwarf shrub heath
- Manage the areas of mature woodland to promote structural diversity and use by
- Protected species such as birds and bats
- Manage the areas of young plantation woodland in order to create stable and joined up areas of broadleaved woodland
- Control invasive and non-native species

Monitoring

Monitoring of the success of habitat creation and management should commence in 2014 and be ongoing.

Timetable for mitigation work

Date	Task
Late January/ February 2013	Cut plateau area
February 2013	Install reptile fencing
February/ March 2013 onwards	Commence amphibian netting and relocation
March 2013	Lay reptile mats
March 2013	Commence construction of reptile refugia off site
April 2013 onwards	Commence reptile trapping and translocation
July 2013	Commence control of invasive species at Rose Heyworth
September 2013	Commence construction of ponds and management work on ditches and wetland areas. Use spoil to create banks etc.
October 2013 onwards	Commence additional management work at Rose Heyworth
April 2014 onwards	Monitor success of reptile and amphibian translocation and estimate population sizes Monitor colonisation of new ponds and wetland areas.

References

Rose Heyworth Ecological Management Plan 2009: Blaenau Gwent County Borough Council 2009.
 Rhyd y Blew: Various ecological survey reports: Chris Hatch: 2008 Onwards
 Countryside Council for Wales 2005: Mitigation guidelines for Common Reptiles
 Natural England 2004: Reptiles: Guidelines for Developers.
 Froglife Advice Sheet 10: Reptile Survey

Chris Hatch: B.Sc. C.Sci. C. Env. C.Biol. MSB. C.WEM. MCIWEM. MIEEM.

January 2013

Appendix 2: Photographic record June 2015

Photo 1: Newly constructed road



Photo 2: Bare/disturbed ground



Photo 3: Semi-improved grassland



Photo 4: View of site from western embankment



Photo 5: Dry ditch and reptile exclusion fencing



Photo 6: Break in fencing (TN1)



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Photo 7: Break in fencing (TN2)



Photo 8: Pond (P2)



Photo 9: Open access drainage pipe (TN3)



Photo 10: Pond (P3)



Photo 11: Pond (P4)



Photo 12: Pond (P5)



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Photo 13: Pond (P6)



Photo 14: Pond (P7) – dry



Photo 15: View of site from north-eastern corner



Appendix 3: Species recorded

All species recorded by Acer Ecology 2015

Species	Common name	W	LM	CG	LDA	PMR	PIL	TF	Status
Trees and shrubs									
<i>Aesculus hippocastanum</i>	Horse chestnut								
<i>Alnus glutinosa</i>	Common alder								
<i>Crataegus monogyna</i>	Common hawthorn								
<i>Fraxinus excelsior</i>	Ash								
<i>Larix sp</i>	Larch sp								
<i>Pinus sylvestris</i>	Scot's pine								
<i>Quercus robur</i>	Pedunculate oak								
<i>Rubus fruticosus agg</i>	Bramble								
<i>Salix caprea</i>	Goat willow								
<i>Salix sp.</i>	Willow sp								
<i>Salix viminalis</i>	Osier willow								
<i>Sorbus aucuparia</i>	Rowan								
<i>Ulex europaeus</i>	Common gorse								
<i>Achillea millefolium</i>	Yarrow								
<i>Alopecurus pratensis</i>	Meadow foxtail								
<i>Anthoxanthum odoratum</i>	Sweet vernal-grass								
<i>Artemisia vulgaris</i>	Mugwort								
<i>Bellis perennis</i>	Daisy								
<i>Brassica nigra</i>	Black mustard								
<i>Bromus hordeaceus</i>	Soft brome								
<i>Calluna vulgaris</i>	Heather	W			LDA		PIL		
<i>Cardamine pratensis</i>	Cuckooflower		LM			MG			
<i>Carex hirta</i>	Hairy sedge								
<i>Carex nigra</i>	Common sedge		LM			MG			
<i>Carex leporina (ex C ovalis)</i>	Oval sedge					MG			
<i>Carex panicea</i>	Carnation sedge		LM			MG			
<i>Centaurea nigra</i>	Common knapweed		LM	CG					
<i>Cerastium fontanum</i>	Common mouse-ear								
<i>Cerastium glomeratum</i>	Sticky mouse-ear								
<i>Cirsium arvense</i>	Creeping thistle								
<i>Cirsium palustre</i>	Marsh thistle								
<i>Cynosurus cristatus</i>	Crested dog's-tail								
<i>Dactylis glomerata</i>	Cock's-foot								
<i>Dactylorhiza praetermissa</i>	Southern marsh orchid		LM			MG			
<i>Daucus carota</i>	Wild carrot			CG					
<i>Deschampsia cespitosa</i>	Tufted hair-grass								
<i>Eleocharis palustris</i>	Common spike-rush					MG			
<i>Epilobium sp</i>	Willowherb species								

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<i>Equisetum arvense</i>	Field horsetail					
<i>Eriophorum angustifolium</i>	Common cottongrass					MG
<i>Festuca rubra</i>	Red fescue					
<i>Galium palustre</i>	Marsh bedstraw					MG
<i>Galium saxatile</i>	Heath bedstraw			LDA		
<i>Geranium dissectum</i>	Cut-leaved crane's-bill					
<i>Holcus lanatus</i>	Yorkshire fog					
<i>Hyacinthoides non-scripta</i>	Bluebell	W				
	Square stemmed st					
<i>Hypericum tetrapterum</i>	john's-wort					MG
<i>Hypochaeris radicata</i>	Common cat's-ear	LM				
<i>Juncus conglomeratus</i>	Compact rush					MG
<i>Juncus effusus</i>	Soft rush					
<i>Lathyrus pratensis</i>	Meadow vetchling	LM				
	Common bird's-foot-					
<i>Lotus corniculatus</i>	trefoil	LM	CG			PIL
<i>Silene flos-cuculi</i> (<i>Lychnis flos-cuculi</i>)	Ragged-robin					MG
<i>Medicago lupulina</i>	Black medick		CG			
<i>Myosotis secunda</i>	Creeping forget-me-not					MG
<i>Phleum pratense</i>	Timothy grass					
<i>Helminthotheca echioides</i>	Bristly oxtongue					PIL
<i>Pilosella officinarum</i>	Mouse-ear hawkweed	LM	CG	LDA		PIL
<i>Plantago lanceolata</i>	Ribwort plantain					
<i>Poa annua</i>	Annual meadow-grass					
<i>Poa pratensis</i>	Smooth meadow-grass					
<i>Poa trivialis</i>	Rough meadow-grass					
<i>Potentilla anserina</i>	Silverweed					
<i>Potentilla erecta</i>	Tormentil	LM		LDA		MG
<i>Prunella vulgaris</i>	Self-heal					
<i>Pulicaria dysenterica</i>	Common fleabane					MG
<i>Ranunculus acris</i>	Meadow buttercup					
<i>Ranunculus bulbosus</i>	Bulbous buttercup	LM	CG			
<i>Ranunculus flammula</i>	Lesser spearwort					MG
<i>Ranunculus repens</i>	Creeping buttercup					
<i>Rumex acetosa</i>	Common sorrel					PIL
<i>Rumex acetosella</i>	Sheep's-sorrel			LDA		
<i>Rumex obtusifolius</i>	Broad-leaved dock					
<i>Poterium sanguisorba</i> (<i>Sanguisorba minor</i>)	Salad burnet	LM	CG			
<i>Senecio jacobaea</i>	Common ragwort					
<i>Sinapis arvensis</i>	Charlock					
<i>Stellaria media</i>	Common chickweed					
<i>Symphytum officinale</i>	Common comfrey					
<i>Taraxacum officinale agg</i>	Dandelion					
<i>Trifolium dubium</i>	Hop trefoil		CG			PIL

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<i>Trifolium pratense</i>	Red clover	LM					
<i>Urtica dioica</i>	Common nettle						
<i>Veronica beccabunga</i>	Brooklime				MG		
<i>Veronica chamaedrys</i>	Germander speedwell						
<i>Veronica persica</i>	Common field speedwell						
<i>Veronica scutellata</i>	Marsh speedwell				MG		
<i>Vicia hirsuta</i>	Hairy tare						
<i>Vicia sativa</i>	Common vetch						
<i>Iris pseudacorus</i>	Yellow flag-iris				MG		
<i>Typha latifolia</i>	Greater reedmace						

WBP 2008 'indicator species' totals

	13	8	5	18	6	
W	LM	CG	LDA	PMR	PIL	TF

Key to indicator species (WBP 2008)

W - Woodland, LM – Lowland meadow, CG - Calcareous Grassland, AG – Lowland dry acidic grassland, PMR – Purple moor-grass and rush pasture, PIL – Post Industrial Land, TF Species-rich Tillage Fields and Margins

Appendix 4: Definitions of site value

International value

Internationally designated or proposed sites such as Ramsar Sites, Special Protection Areas, Biosphere Reserves and Special Areas of Conservation, or non-designated sites meeting criteria for international designation. Sites supporting populations of internationally important species or habitats.

National value

Nationally designated sites such as Sites of Special Scientific Interest (SSSIs), or non-designated sites meeting SSSI selection criteria (NCC 1989), National Nature Reserves (NNRs) or Nature Conservancy Review (NCR) Grade 1 sites, viable areas of key habitats within the UK Biodiversity Action Plan. Sites supporting viable breeding populations of Red Data Book (RDB) species (excluding scarce species), or supplying critical elements of their habitat requirements.

Regional value

Sites containing viable areas of threatened habitats listed in a regional Biodiversity Action Plan, comfortably exceeding Site of Importance for Nature Conservation (SINC) criteria, but not meeting SSSI selection criteria. Sites supporting viable populations of Nationally Scarce species or those included in the Regional Biodiversity Action Plan on account of their rarity, or supplying critical elements of their habitat requirements.

District value

Site identified as a Site of Importance to Nature Conservation (SINC) at the district level; meeting SWWSP 2004 published designation criteria, but falling short of SSSI designation criteria, whether designated as a SINC or not. Large or strong populations or communities of nationally rare or protected species (other than badger), or of species which are rare in the county and uncommon nationally.

High local value

Habitats which just fail to meet Regional value criteria, but which appreciably enrich the ecological resource of the locality. Sites supporting species which are notable or uncommon in the county; or species which are uncommon, local or habitat-restricted nationally, and which might not otherwise be present in the area.

Local value

Undesignated sites or features which appreciably enrich the habitat resource in the context of their immediate surroundings, parish or neighbourhood (e.g. a species-rich hedgerow). Rare or uncommon species may occur but are not restricted to the site or critically dependant upon it for their survival in the area.

Site value (within the immediate zone of influence)

Low-grade and widespread habitats.

Negligible

No apparent value.