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# Ex Ante Assessment of the Objective 1 Strategic Economic Zones Integrated Development Plans (IDPs) - Part Bs

A Report to the Objective 1 Programme Directorate

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## **1.0 EXECUTIVE SUMMARY**

This draft report highlights the emerging headline issues following an initial appraisal of the SEZ IDPs (Integrated Development Plans) for Priority 5. More detail comments will be provided in the final report once all the appraisal submissions have been received. The ex ante assessment may also alter following receipt of the revised Part As which were not available at the time of the appraisal.

Our initial observations are as follows:

Most importantly the SEZs are very solid, well worked up documents which are fine as a way forward – the great strength of the Part Bs is the specific advice that they offer on the development of individual sites and the practical delivery solutions offered. There are some significant downside risks – notably in relation to the difficulties of the market context, the potential reactions of the Commission to funding package proposed and the Highways Agency. However the key assumptions of the plan are clearly spelled out.

There are some spatial issues:

- The wider overall spatial planning strategy for area is not clear at this stage – the plans provide a detailed focus on specific sites and selection criteria.
- Linked to this there is a risk that the approach within the region as a whole will tend to become essentially project led unless clear zone specific management responsibilities are developed – though the new Steering Groups should be helpful in this context which be able to steer the package of development. Management arrangements within the plan could be ‘firmed up’ as issues become resolved.
- An overall assessment of whether sufficient demand exists for the scale of development envisaged may need to be considered at the wider programme level – the approach of ‘proceeding with hope’ will anyway require regular review (monitoring is addressed below).
- In some instances a simple explanation of the assumptions behind the calculations would be helpful to the lay reader (e.g. take-up).

The plans also raise several cohesion issues:

- How much P1 and P2 targeting can be achieved in practice is debatable - this may in part be reliant on the strength of the cluster plans in identifying spatial and physical demands and subsequently helping to bring these forward – more explicit linkages could be made here (e.g. in the section on the provision of premises).
- It is still unclear how much funding will be required under other priorities – though we understand that further details of the expected outputs involved have been specified in the

revised part As. We think anyway that measure 30 impact needs to be dealt with in more detail (e.g. within the annex).

- There are issues of overlaps with the Urban Centres.
- A short statement on recommended monitoring and evaluation criteria and procedures would be extremely helpful for the programme wide evaluation and the on-going implementation of the plans (e.g. within the management arrangements section where a process of formal annual review could be built in with annual delivery plan priorities).
- The Driver 5 partnership and Yorkshire Forward need to decide whether they are comfortable with this recommended Integrated Implementation Plan (IIP) approach for thematic aspects – and whether this is sufficient for handling zone wide thematic issues. For instance how will the overall thematic targets specified in Part A be assessed other than on a site by site basis?
- Further detail on the likely timing of transport infrastructure (vis-à-vis development) would be helpful (in the transport infrastructure section).

#### Property Issues

- The issue of Clawback is considered and recognised within in risks section - the sums involved are also estimated - however some indication of how this could occur in practice would be useful.
- More details of how projected land up take has been calculated would be helpful (a simple statement under the ‘stimulating demand’ section would suffice).
- A clear statement of which sites should come forward first and why would also be helpful.
- Specifically what should the marketing and promotion campaign consist of and who should undertake this (e.g. on the South Yorkshire wide basis)?
- Further detail on how institutional investors and the private sector will be engaged would be beneficial – again what measures should be undertaken and who should do these? (e.g. under the stimulating demand section)

The plans could usefully conclude with a short section on future priorities – a short action plan setting what is required over the coming months – with roles and responsibilities clearly specified.

## **2.0 INTRODUCTION AND APPROACH**

ECOTEC Research and Consulting Limited in association with Weatherall, Green and Smith were appointed to conduct an independent appraisal of the Objective 1 IDPs. This report involves an overall appraisal of the quality of the key elements outlined in the IDP template both for Parts B (Part A was reviewed in February 2001). Briefly the two parts comprise of:

- An assessment of the strategic context, objectives, impacts and links to other parts of the programme (Part A)
- A more detailed appraisal of delivery aspects (Part B).

The report contains the following:

- A thematic review covering, equality and inclusion and ICT and sustainability and transport issues;
- An economic appraisal of delivery aspects, funding and outputs; and,
- Comments on property aspects.

As the Part A assessment acknowledged, the plans have substantial areas of overlap and their formats are common. This is reflected in the structure of the appraisal which is organised as follows:

- Section 3 sets out some overall comments about the delivery aspects of the plans and relationship to the wider themes of the SPD;
- Section 4 consider more specific aspects of each of the IDPs.

We have set out our key recommendations in italics throughout the text. Appendix 1 sets out the minimum requirements for Part B plans. Broadly speaking the plans provide some detail about the actions required to delivery the objectives of the IDP and do contain a detailed schedule of projects. Some of the other requirements have also been provide including a plan of the IDP area, and project site plans. At this stage sketch schemes and illustrations, photographs and publicity material have not been provided.

### **3.0 THE SEZS AND THEIR ROLES – A SUMMARY OF DELIVERY ASPECTS**

The Part As set out coherent strategies for the three SEZs (Dearne Valley, M1 and M18). We had some concerns about Part As – limited quantification of costs and outputs (whilst recognising that this was primarily a Part B task); limited amounts of baseline data; and overly similar strategies for all three IDPs. This raised the danger of excessive competition between zones for similar projects and a failure to exploit their distinctive advantages.

The Part Bs are also identically structured. First there is an introduction and an overview, and at the end there are sections on management arrangements and on outputs and impacts. But the core of each plan are four strategies:

1. Stimulating demand for property
2. Facilitating the supply of property (including transport infrastructure measures)
3. Embedding companies into the local economy
4. Securing benefits for local communities.

The part Bs concentrate overwhelmingly on the property strategies (1 and 2). For instance the Dearne Valley Part B devotes 18 pages to strategies 1 and 2, but only three pages to strategies 3 and 4. The great strength of the Part Bs is the specific information and advice that they offer on the development of individual sites.

#### **3.1 Strategic Overview**

Our initial impressions are that the SEZs are very solid, well worked up documents which are fine as a way forward. Some of the main issues reflect points discussed in the context of the Part As:

- *This is essentially a site/criteria led approach – without much in terms of guiding overall spatial strategy – and the potential issues this raises in terms of the sustainability debate;*
- *The underlying concern about whether the demand will be there for the scale of development proposed – to which the answer must be that we should proceed with hope but include a process of regular review;*
- The ‘long term aims’ set out in section 2 of the Part Bs offer some scope for differentiation between the three SEZs, but the supporting text continues to imply – especially between the M1 and M18 corridors – that each is seeking a wide range of investment types with very large overlaps. This is perhaps inevitable. After all, to outsiders, the two corridors have far more similarities than differences.

- *The issue about the possibly limited extent of the targeting on the P1/P2 sectors<sup>1</sup> which is likely to be achieved in practice (this may in part be reliant on the strength of the cluster plans in identifying spatial and physical demands) ;*
- *The problem of overlaps with the Urban Centre IDPs with some sites – e.g. Doncaster Lakeside – appearing in both;*
- *The – presumably still unresolved – questions around issues such as gap funding and uncertainties about how the Commission will react to some other aspects as discussed below;*
- *The risk that the approach within the region as a whole will tend to become essentially project led unless clear zone specific management responsibilities are developed – though the new Steering Groups which are referred to in the text should be helpful in this context.*

*The issue of the division of resources between zones – and thence districts – is bound to be a matter of lively debate. At present the Plans over allocate the available resources by some 30%. Bearing in mind the risks of slippage this does not seem unreasonable but it at least warrants discussion as an issue within the partnership. The proposals to hold back some resources from the Measure for overarching initiative is reasonable – though the provision for ‘one off’ gap funding could be allocated on at least an indicative basis. The issue about the acceptability of the funding package to the Commission which is discussed further below is a key issue for discussion. The response of the Highways Agency is also crucial.*

The output and impact targets are projected to be exceeded by varying degrees. We would welcome clarification/discussion on the following issues;

- How the totals in Table 11.3 have been built up from the site level analyses. (For example, in the case of the M18 SEZ the m<sup>2</sup> of floorspace figure appears to be the sum of the total figures in Table A.3). However, the ha of land developed projection in Table 11.3 is much smaller than even the sum of the product of the site areas and the probabilities that they will be developed in the programme period in Table A3 – though the figure which emerges from the latter calculation is close to the abnormal site preparation output in Table 11.2;
- Confirmation that the floorspace outputs are the sum of direct provision through Objective 1 and provision on sites brought forward with Objective 1 resources.
- Although there is no systematic baseline, much more baseline data on property is now provided. The crucial land take-up figures do, however, have two weaknesses. First, the data is weak, especially for Sheffield (as the Part B authors recognise). Second the

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<sup>1</sup> Though Part A does now specify that 70% of space is expected to be occupied by Priority One sectors, some discussion about how this will be brought about would be useful.

intention of Objective 1 is to break with the past, so past demand figures are of limited value.

- The plan Bs start in effect with past demand, hypothesise some expansion (in accordance with Strategy 1), review the potential supply of land and property, and prioritise sites to meet that demand. *This is a reasonable approach, but it would be helpful to lay readers to see it set out a straightforward manner – in the stimulating demand section.* For instance “our best estimate of land take up was XXX ha a year in the period XXX-XXX. Through Objective One we aim to raise demand by xx % to xx ha a year on average. The supply will be .....” and so on.
- Data on the outputs and costs is now provided and appears to be generally soundly based. On one specific point the private sector leverage to be achieved seems very high. For instance the M1 SEZ (para 6.18) envisages the public sector (mainly through Objective One) providing £22.6m towards private investment of £420m excluding land costs. With this kind of leverage it becomes questionable whether public intervention is required at all. The answers are buried in the text – different sites require different degrees of subsidy, the need for initial pump-priming etc – but as with some other topics a short summative explanation would be helpful.
- *A short statement on recommended monitoring and evaluation criteria would be extremely helpful for the programme wide evaluation and the on-going implementation of the plans.*

The need for plans to be flexible ‘living’ documents is accepted. For instance the continuing development led by Boeing and Sheffield University at the Waverley site raise questions about how the plans will ensure a flexible response to such major opportunities. It might, for instance, turn out to be right to spend a significant proportion of the whole budget at Waverley with obvious knock-on effects elsewhere<sup>2</sup>. Clearly the uncertainty about details becomes greater for the latter parts of the plan period. *The inclusion of sites which are not allocated for employment uses under the current UDPs is a particular issue (and will no doubt give rise to criticisms by some interest groups!).* However, we believe that the way that the inevitable uncertainties have been dealt with is entirely reasonable.

Whilst Measure 30 is covered at a strategy level, there is little detail. *The prospective spend, outputs and impacts under each Plan need to be set out – at least in the annex (we have yet to clarify whether the revised Part As contain this information).* The issue of the detail of what needs to be done under other priorities to deliver the strategy is also largely left on one side to be resolved by other studies and plans (though the outputs have now been provided for other measures on a largely pro-rata basis in the revised Part As). The lack of detail here may well reflect the consultants’ brief but *it places a substantial responsibility on the other Driver Partnerships to develop and take forward the necessary linking initiatives.*

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<sup>2</sup> This is purely an illustrative example. We do not know what is or might be needed at Waverley. But the general point is that flexibility is required in the long term and sometimes even in the short term.

#### **4.0 PROPERTY DIMENSIONS – INITIAL OBSERVATIONS**

The following observations provide a ‘snapshot’ of our initial impressions for discussion – these will be elaborated upon once we have looked at the revised Part As and received further detailed comments.

##### **4.1 Overall**

Overall, the IDP part B proposals for SEZ’s have been well researched, thought out and presented from the property point of view. Our initial impressions are that plans appear more skewed towards the *process* of developing the plan rather than the detailed content associated with the implementing development activities and site specific issues. On reading the documents the scale of the challenge in achieving the ‘step change’ in performance of the area inherent in the Objective 1 programme does not ‘jump out’ for the lay reader – *this could be rectified with a simple statement up front*. The property focus is especially apparent in Part B where few substantive comments are made on non-property issues.

The tone of the documents is that Priority 5 that if lots of serviced sites and a portfolio of buildings are provided then the occupiers will come! This to some degree may be true. Against this however there needs to be some consideration as to whether the development plans can be varied to meet various demands, and the overall development priorities could be stated more explicitly.

##### **4.2 The Market**

It is clear that the main issue of bringing sites forward for development – to meet demand – is that actual demand during the Programme lifetime is difficult to forecast. Demand will be a function of general economic activity in the UK, within the region / sub-region, and may be influenced by marketing the concept of marketing South Yorkshire as an attractive and sustainable proposition for relocation and growth of business. The plans however appear to some degree appear driven by historic land supply – *the link between this and the anticipated uptake could be more clearly specified (e.g. in the stimulating demand section)*.

The majority of the site led activity, for example in the M1 SEZ, focus on the need for gap funding either for:

- up front extraordinary development costs or
- the funding of construction of speculative units to ‘kick start’ the market – i.e. fund the initial cash flow short-fall associated with speculative units, or

- funding the gap in residual costs of building incubator and small / intermediate industrial units as opposed to the opportunity to build large scale industrial / distribution that have a ready market.

The assumption is that the state aid rules will be resolved and these forms of intervention approved.

We assume that the development appraisals done to date are ‘cost’ based rather than based on the investment value. None of the plans appear to challenge and engage the property investment market i.e. if the investors are prepared to commit investment to the area the ‘gap’ in cost based funding is reduced and so the degree of public intervention reduced. This is not straight forward – *some consideration of this would be useful.*

### **4.3 Delivery**

The form of delivery still appears to be the subject of debate, the SEZ documents set out a number of options for implementation and clearly Yorkshire Forward and the Driver 5 Partnership have to complete further the thinking process.

The initial stages of delivery appear to be focused on producing IIPs on an individual site basis, documents that will in turn inform further thinking of development priorities. We understand the risk analysis and positive and negative features (VfM etc) of each site but would welcome further clarification in relation to the order of priority. *That is, in the consultants view which sites should come forward first and why? (This data may be hidden within the text but we would welcome some clarification here).*

Central to the success of these plans would seem to be the marketing and promotion of the area. *The plan all covers this aspect by saying what needs to be done in a general sense – but we would welcome some clear measures that need to be taken here with more emphasis on the specific challenges to be addressed.* The reason for this is that unless the plans are taken up by individuals and organisations, with the ability to deliver, they are unlikely to work.

### **4.4 Finance**

The plans have made clear assumptions over state aid rules that will need to be explored in more detail. One particular issue is the role of what are effectively ‘rolling funds’ created by actively clawing back grant against completed development values.

*The summary financial tables do not appear to consistently add up and these could do with checking.* The summary tables on job impacts appear not to deal with indirect jobs or the issues around displacement from other parts of the programme area – *some discussion of these issues would be helpful.* The programme guidance on Job Density calls for density of

between 1 person per 20-30 sq.m. The plans recognise that this is an increasingly difficult assumption to make as the density is driven by the end use of the building rather than the generic design criteria. The density figures therefore vary relative to the amount of office space, production space and warehousing. The IDPs have all adopted generic figures for budget purposes based as set out below, but overall appear inline with guidance figure.

Offices – about 20 sq.m per employee

Hybrid or Office / production space – about 30 sq.m per employee

Production / warehousing – 50 – 60 sq.m per employee

#### **4.5 Other Property Issues**

##### *4.5.1 Selection Of Sites*

There may be changes required to the selection of sites e.g. where sites are now more fully developed / prepared, or where changing circumstances dictate some sites now to be unsuitable e.g. Babbie Report identified M1 J34 restrictions. To balance these ‘losses’ (above) there may be opportunities to look at new ‘windfall’ sites – especially major / strategic property.

##### *4.5.2 Understanding Of Proposed Uses (Strategy 2)*

There is a question about how flexible or restrictive Objective one might be in terms of actual uses – restrictive covenants, clawbacks, etc. The plans could usefully cross reference with existing planning consents - market perception of, or demand for, ‘specialist’ sites may not accord with restrictions.

##### *4.5.3 Valuation Issues*

There are several points to note here:

- The proposed values (rentals / yields / land values) require closer examination in some instances – almost on a site specific issue.
- Market demand is substantially focussed on freehold acquisitions – this has implications for take up, land tenure, developer/funding aspirations etc.
- Freehold occupiers, in particular, will be sensitive to long-term value sustainability – i.e. poorly located sites may/will depreciate more than better located sites.

- Lease length / occupier covenant will have a significant bearing on yields, future rental income etc to property investors. Better quality developments in good locations will be much more attractive to good quality tenant companies.
- Enterprise Zones are still regarded as ‘artificial markets’ possibly leading to loss of occupiers after EZ benefits run out – i.e. economic sustainability. Initially, occupational costs of EZ / non EZ locations will be scrutinised by potential occupiers

#### *4.5.4 Demand / Supply Analysis*

Our initial analysis of demand and supply issues raises the following points:

- IDP’s suggest a ‘flat’ take up curve, over life of Programme. This is not borne out in real conditions – a rising curve graph is usually factored in to development appraisals.
- A new development will stagnate if not fully prepared – certain sites already recognised in this respect (market failure), whereas ‘pump-priming’ necessary infrastructure and possibly limited advance development will accelerate initial take up. Subsequent take up can be expected to grow – in equal market conditions – so long as development well managed and remains competitively priced. We note that market failure is an express criterion in Part B (see Table 5.2).
- Artificial take up calculations may mislead actual space take up / jobs created potential, leading to inappropriate grading of viability/gap-funding requirement.

#### *4.5.5 Deliverability*

In relation to deliverability our initial observations are:

- Timing of any development is substantially affected by market fluctuations. The present market is reasonably strong – and cannot be relied upon to continue (back to flat take up curve).
- Early start opportunities should be encouraged wherever possible / viable, subject to closer scrutiny of neighbouring / competing sites relative to overall market demand. NB: many good quality sites even in West Yorkshire have suffered initial delays in excess of 5 years.
- Conversely, longer term sites should only be considered by balancing location/pre-development costs/official delays issues. Is Obj1 funding justifiable towards schemes which will/may not deliver before expiry of Programme?



## **5.0 SPECIFIC COMMENTS ON ECONOMIC ASPECTS**

### **5.1 M18 SEZ**

#### *5.1.1 Preliminary Points*

We would make two preliminary points about the plan.

First, the plan is fundamentally sound. It proposes a reasonable programme of property development, and this is needed to under-pin Objective One in the M18 Corridor. We support the plan as a suitable basis for action.

Second, although the plan purports to cover the wide field of economic endeavour represented by the four strategies (see main text below) it is essentially a plan for property development. The non-property elements amount to no more than exhortations to act, and the plan should be read in that context.

At a broad level the intended focus of the Plan is clear enough. *The main issue – no doubt reflecting patterns of market interest – is the extent to which take up is likely to be by distribution activity and general manufacturing – rather than the P1/P2 sectors envisaged in the SPD*, a point made in our comments on the Part A strategy. Now that the projected Technology Park has been put back to beyond the objective 1 period there is no strong specific focus on technology sectors and presumably no developments to which entry restrictions will be applied. Thus almost the whole weight of achieving the P1/2 sector cluster focus falls on actions outside the Plan.

Assuming the Plan can be delivered it will, of course, make a major general contribution to job creation and to an extent diversification.

#### *5.1.2 Links to the Wider Policy Context and Appropriateness of the Economic Activities*

These are dealt with in Part A. The key link here is with the UDP and in this case the current planning policy status of sites is highlighted. The distribution/logistics focus clearly builds on established strengths and patterns of specialisation. The extent to which the area has competitive advantages in relation to advanced manufacturing is less clear.

### *5.1.3 The Rationale for Intervention and ERDF/ESF Linkages*

The whole issue of market failure is mostly very clearly dealt with and linked through to the types of intervention planned (in contrast to the Urban Centre IDPs!). *The issue is least clear/convincing in relation to B1 developments where the implication is that returns/end values are sufficient to support development and the case for intervention – and the type of intervention which is appropriate- perhaps warrant more discussion/debate.*

The potential linkages are highlighted but, as noted, are largely left to be dealt with through actions led through other priorities. *In common with all of the IDPs we feel that the critical role of educational improvements and higher level skills in developing the P1/P2 sectors could be highlighted more.*

In relation to the supply chain the issue is dealt with but not really in any detail.

### *5.1.4 Financial and Output Appraisal*

Part B presents data on what is proposed. In summary, development of 328,000 sq m of property on 111ha of land is proposed accommodating some 7100 jobs at a cost to the Objective One programme of £10.5m within a development cost of £201m. This is broadly commensurate in scale with the needs of the area and represents very good value for money in terms of cost per job and a high private sector leverage.

It is worth noting at this stage that:

- As noted above there is a very high overall leverage of ERDF to private sector expenditure (1:20) which raises some issues both about whether ERDF will always be necessary and about the potential sensitivity of the Plan to changes in the property market (an issue which is acknowledged);
- The domestic public expenditure elements are relatively modest. The Plan is very explicit about its assumptions in relation to the acceptability of gap funding and the treatment of private expenditure for grant purposes. *However, there is clearly an issue of how the Commission will respond to this balance which is clearly at variance with Priority level figures in the Financial Table (and ultimately there may be major issues about how the Financial Table is to be balanced);*
- *Including private sector expenditure total spend under the Measure would vastly exceed the PC figure. If private sector spending is excluded spend will fall well short of the PC figure;*
- *It would be helpful to indicate the likely balance of sources for the domestic public expenditure counterpart - presumably the major spend will be by Yorkshire Forward.*

### 5.1.5 Links to Past EU Investment Level of Resources Allocated

*Links to past EU investment could be drawn out more explicitly - this is something the Commission is likely to want to see. As indicated, the Plans as a whole involve a significant overallocation. This has a logic to it but clearly means that the Driver Partnership will need to monitor levels of spend very closely.*

### 5.1.6 Outputs and Impacts

Issues of baseline data were highlighted in the comments on the Part As. The Part Bs – very reasonably – focus on projected outputs/results/impacts.

Subject to confirmation of the point about what is included in the projected floorspace outputs, the Plan is projected to deliver rather more than the proportion of the measure floorspace target that would be projected from its proposed EU funding allocation but to marginally underdeliver on other outputs. The presumption is that this reflects the preponderance of relatively lower employment density uses.

As noted, all of the outputs and impacts appear to relate to Measure 27 spend.

The proposals clearly have major potential to deliver employment. Whether they will deliver it within the target sectors is, as indicated, unclear.

The Plan seems to ‘stack up’. However, the balance of risks is clearly on the downside. Nevertheless, what is proposed is eminently reasonable.

The overall unit costs of development are within the P5 target level. The overall public sector cost per job accommodated even taking account of all expenditure on the Measures is only £4,016.

### ***Progress to Measure Level Targets***

<b>Example: Measure 5.27 Seizing the Opportunities of Strategic Economic Zones (ERDF)</b>						
<b>SPD Indicator Estimates</b>	<b>SPD Total</b>	<b>SEZ Total</b>	<b>DV</b>	<b>M1</b>	<b>M18</b>	<b>Variance (%)</b>
<b>Key Outputs</b>						
Hectares of Land Developed	330	360	54	195	111	+9%
Sq m of Floorspace Constructed	75,520	Included below				-
Km of Motorway	3	TBA	0	TBA	TBA	TBA
<b>Results</b>						
Sq. m of Floorspace Created	670,240	1,143,900	206,000	609,000	328,900	+71%
Gross Jobs Safeguarded	8,937	10,280	1,290	6,130	2,860	+15%
Gross Jobs Created	13,405	15,430	1,940	9,200	4,290	+15%

Impacts						
Net Jobs Safeguarded	4,204	4,827	607	2,880	1,340	+15%
Jobs Accommodated	22,341	25,706	3,230	15,330	7,146	+15%
Net Jobs Created	6,306	7,257	910	4,327	2,020	+15%
Net GDP Added	£170m	£195m	£25m	£116m	£54m	+15%
Net GDP Safeguarded	£144m	£130m	£16m	£78m	£36m	-10%

## 5.2 Dearne Valley

### 5.2.1 Economic Issues

#### 5.2.2 Preliminary Points

We would make several preliminary points about the plan.

First, the plan is fundamentally sound. It proposes a reasonable programme of property development, and this is needed to under-pin Objective One in the Dearne Valley. We support the plan as a suitable basis for action.

Second, the draft reviewed by ourselves is marred by arithmetical errors in the tables and text ranging from the merely irritating to gross errors. It is *essential* that the errors are corrected in the final version, especially as much of the analysis relies on figures that are apparently wrong, though we do not feel that correction of the errors would change the analysis in any fundamental way.

Third, we would ask the consultants to consider the following argument. The consultants' approach is to assess past demand for land and property, to compare it with supply and to provide for a supply that they judge sufficient. This methodology may fail to take account of the following:

- (a) the fact that Objective One aims to make a break with the past, and that even modified extrapolation may therefore be inappropriate
- (b) the dynamics of the property market under which owners' behaviour may constrain demand where supply is too limited – any danger of this should be averted

We are aware that the three SEZ IDPs are constructed so as to divide to best effect a fixed fund between the three SEZs. Nonetheless, we would ask the consultants to consider whether in the light of the above factors enough development is included in the Dearne SEZ.

Fourth, although the plan purports to cover the wide field of economic endeavour represented by the four strategies (see main text below) it is essentially a plan for property development. The non-property elements amount to no more than exhortations to act, and the plan should be read in that context.

In many ways this is the area of most uncertainties and difficulties because of the combination of the plethora of sites relative to demand, the prospective loss of EZ benefits, the uncertainties over Marners Broadfield, the end of SRB funding for the Dearne Valley Partnership and the enhanced competition from other sites, as set out in the Plan text.

### *5.2.3 Finance, Outputs and Baseline*

Part B presents data on what is proposed. In summary, development of 207,000 sq m of property on 74ha of land is proposed accommodating some 3200 jobs at a cost to the Objective One programme of £17m. This is broadly commensurate in scale with the needs of the area and in efficiency with the overall requirements of the Objective One programme.

The financial plan is fundamentally simple. £17m is sought from Objective One, and a further £11.6m from the public sector (mainly Yorkshire Forward), to support primarily premises construction, but also some site works. This investment is expected to induce £52.7m of private sector investment in premises. Assuming that Yorkshire Forward supports the plan, then match funding will be available.

We note that the cost of premises development is put at £76.6m for 206,900 sq m, or £370 per square metre. This is exceptionally low and is only half the norm established in the SPD. Our informal conversations with property developers suggest that it would be hard to contract for construction of even the simplest buildings at this rate. *We assume that the consultants have based their calculations on the requirement in the Dearne being primarily for low specification space, but it would be helpful to have some explicit justification for this figure.*

It is, however, a weakness of the plan that there is no systematic baseline. *The consultants might reasonably be expected, in the final version of the plan, to provide baseline, incremental and end-state values for key variables such as employment analysed by sector and the stock of property analysed by type.* Some of the data appears scattered throughout the plan, but there is a need, at least, for a summary table with explanatory comment.

### *5.2.4 Value for Money and Market Failure*

Objective One funding is about £5000 per job accommodated and about £11,000 per net additional job. These figures are worse than the Measure 27 average, ie worse than the figures for the M18 and M1 SEZs, but this is to be expected given the generally superior opportunities offered along the M1/M18. The plan is broadly commensurate with the target

ranges, with the major exception, already noted, that the assumed cost of premises construction is about half the figure of £750 per square meter quoted in the SPD.

#### *5.2.5 Other Comments*

Most other comments follow those for M18 SEZ, except as indicated.

Clearly recent developments in the Dearne have had a distinctive focus. As in the case of the M18 SEZ there are questions about the extent of the targeting on the P1/P2 sectors which is likely to be achieved in practice, although the Earth Centre and the proposed grants - to - specific categories of - end occupiers to develop their own premises (if acceptable to the Commission) would involve significant specific elements of targeting.

The Dearne clearly presents particular problems of skills availability in relation to efforts to develop higher value added activities and functions.

This Plan has the lowest proposed level of funding of the three. Similar comments to those made above in relation to the issue in the M18 Plan – such as the balance of the funding – apply.

Relative to the level of expenditure proposed it is expected to be the poorest performer in terms of the delivery of outputs and impacts. This clearly reflects the difficulties which are identified in stimulating activity outside the EZ.

### *5.3 M1 SEZ*

This is the largest and most complex of the zones as well as the zone which has the greatest potential to deliver the intended development of the P1/P2 target sectors, particularly through two proposed Technology Park developments, and service activities more generally.

In this case the need to alleviate constraints associated with the pressures on the M1 and the agreement of the Highways Agency that development can proceed in advance of the improvements are clearly particularly critical to the delivery of the Plan.

#### *5.3.1 Preliminary Points*

We would make three preliminary points about the plan.

First, the plan is fundamentally sound. It proposes a reasonable programme of property development, and this is needed to under-pin Objective One in the M1 Corridor. We support the plan as a suitable basis for action.

Second, although the plan purports to cover the wide field of economic endeavour represented by the four strategies (see main text below) it is essentially a plan for property development, supplemented by some substantive comments on transport infrastructure requirements. The non-property elements other than transport amount to no more than exhortations to act, and the plan should be read in that context.

Third, the Plan acknowledges the weakness of the land take-up figures for Sheffield presented in Table 3.1. It seems extraordinary that satisfactory data on this important variable are not available from the local authority. We have, however, assumed that the consultants have made use of all of the available data.

### *5.3.2 Finance, Outputs and Baseline*

The Plan is based on an assumed level of objective 1 funding which represents 55% of the available total and - subject to the clarification of the floorspace point - it is expected to deliver a marginally higher proportion of the hectares developed target and significantly higher proportions of the other main targets.

Similar points apply in relation to the balance of the funding package to those above. Assumptions for development costs are again within the P5 target range. The implied ERDF and total Public sector costs per job accommodated are only £2,146 and £2,955 respectively. In summary, development of 590,000 sq m of property on 190ha of land is proposed accommodating over 15,000 jobs at a cost to the Objective One programme of £32.9m (net of clawbacks of £14.6m) within a development cost of £461m. This is broadly commensurate in scale with the needs of the area and represents very good value for money in terms of cost per job and private sector leverage.

The financial plan is fundamentally simple. £32.9m is sought from Objective One, and a further £12.4m from the public sector (mainly Yorkshire Forward), to support, primarily, premises construction and 'abnormal' site works. The figure of £32.9m is net of £14.6m of 'clawbacks', so the gross Objective One expenditure proposed is £47.5m (this is the only one of the three SEZs with significant 'clawbacks'). This investment is expected to induce £416m of private sector investment in premises. Assuming that Yorkshire Forward supports the plan, then match funding will be available. Superficially, the amount of private investment seems high in relation to the Objective One and public investment, but we accept the consultants' reasoning that the generally favourable position of the M1 corridor will induce investment on this scale.

### *5.3.3 Value for Money and Market Failure*

Objective One funding is just over £2000 per job accommodated and under £5,000 per net additional job. These figures are better than the Measure 27 average, but this is to be expected given the generally superior opportunities offered along the M1.

## **6.0 OVERALL THEMATIC APPRAISAL**

The parts Bs consider all the thematic aspects in a general sense. For instance strategy 4 looks at securing benefits for local communities. The Part As now also contain targets for the cross cutting themes which is extremely helpful for on going evaluation purposes (essentially by scaling down the targets pro rata). The proposed IIPs (Integrated Implementation Plans) aim to offer a practical solutions here especially in relation to the environmental policy and the community development plan. In a sense this seems fine provided it is actually take forward - the Driver 5 partnership need to decide whether they are comfortable with this recommended approach. *It does not wholly resolve the issue however of how progress towards the thematic elements/targets will be considered/assessed on a zone wide basis. This could be addressed through the monitoring and evaluation of the IIPs.*

### **6.1 Equal Opportunities, Social Inclusion and Employability**

The Part Bs for the SEZs take a sensible approach towards equal opportunities, social inclusion and employability. They are integrated into both the text of the documents and the approaches suggested. The plans consider the need to meet the requirements of both companies and communities so that they can access the site-related opportunities (M 18 Section 2.3). Table 5.2 usefully demonstrates how social issues have been considered in the preliminary appraisal process when developing the 'lists'. It is reported that equal opportunities will need to form an important part of the Gateway Criteria at expression of interest stage.

The plans employ a strategy for ensuring the integration of social issues through the suggestion that Integrated Implementation Plans (IIPs) are prepared on a site by site basis. Provided that projects are required to develop and provide IIPs, this would seem to be an effective way to ensure that sustainability issues are taken forward. As with similar attempts, the challenge will be to ensure that these IIPs are developed and rigorously assessed for their contribution to the above issues. The piloting of community access plans for some areas such as Grimesthorpe would also appear to be an appropriate part of this process. It could be useful to explore further the capacity of communities to get involved in 'planning for real' activities as this is flagged up in the plans as an area for further development.

Our view is that if these plans are adopted the IIPs seem a sensible approach. However at this stage the plans really highlight principles for implementation rather than setting out concrete examples of the thematic aspects. It is a matter for debate as to whether this is reasonably as far as the plans can go at this stage.

The plans take a pragmatic approach, for example with specific discussion of the cost to developers of integrating equal opportunities aspects and the suggestion that some resource be set aside for this (M18 Section 6.15). Whilst we would prefer to see that developers were obliged to consider equal opportunities within their projects with extra cost subsumed into

their bids, the reality needs to be considered in relation to the need for incentives. This will be an issue that the Objective 1 Programme Executive needs to consider further.

## **6.2 ICT**

ICT is most frequently mentioned in relation to specific sites within the plans, for example within the Dearne Valley the aim is to develop a 'recognised knowledge economy location' (Section 2.6) and Waverley seeks to provide knowledge based and hi tec firms. As with equal opportunities, it is suggested that ICT is considered within the IIPs, specifically in relation to communities. This would appear to be a sensible approach. Within Section 13, the plans also include details of site review by BT to assess capacity for providing suitable connectivity to support advanced ICT applications. This states that connectivity is not an issue. The plans could be enhanced with further details about how advanced the sites are in relation to ICT and specific ICT activities to be developed within the site profiles.

## **6.3 Transport and Sustainability Issues**

The important transport issues covered in the Part Bs tend to focus on what is already known. This is not a criticism but does leave many of the key transport questions still open to debate.

The following transport and labour mobility, environmental and sustainability assessments of the Part B SEZ focus on those areas highlighted in the appraisals of the Part A documentation, which were highlighted as either:

- a) areas of weaknesses; or
- b) areas requiring further clarification in Part B.

Given the similar structure and contents of the three SEZ IDPs, many of the comments made are generic and apply to each of the plans. Where a specific comment relates to a particular plan this is identified separately.

The appraisal does not comment on those areas which were adequately addressed in Part A and are not considered to require additional coverage in the delivery plan.

### **6.3.1 Transport and Labour Mobility Assessment**

#### *Transport Bottlenecks*

The Part B documentation provides additional detail on the specific transportation investments required to overcome the bottleneck issues along the M1 through reference to the recommendations of the Babbie Study. It also provides a set of roughly costed schemes which will need to be taken forward through the LTP process, upon which the partners will

be reliant on for funding (except for some small scale community access schemes). The plan explicitly acknowledges the adverse implications of the failure to carry out the identified improvements for the achievement of the SPD targets. It is not clear how realistic the implementation of these schemes (total cost in excess of £150m) is in the context of previous LTP settlements for South Yorkshire within the period covered by the Objective 1 programme.

Both the M1 and M18 plans are based on the assumption that agreement will be reached between the Highways Agency and the Local Planning Authorities (LPAs) on Memoranda of Understanding (MoUs) for developments which contribute towards meeting the Objective 1 outputs ahead of infrastructure improvements. These agreements could have significant implications for short to medium term congestion and local air quality, depending on the detail of the MoUs. The MoUs should seek to ensure that any developments wishing to proceed in advance of required transport infrastructure improvements do so on the basis of an agreed schedule of committed investments.

### 6.3.2 Multi-Modal Access

#### *Dearne Valley SEZ*

Appraisal of Part A raised issues relating to:

- the uncertainty over the funding and time of identified transport investment requirements;
- the lack of clarity in relation to the role to be played by rail;
- the absence of any proposals for walking and cycling facilities.

Part B states that improvements to public transport links to the three groups of sites in the Dearne remain the most critical outstanding issue, and £0.5 million is allocated under priority 5 to address the issues. The Plan states that ongoing research will be utilised to inform a forthcoming review of public transport provision in the area. *However, no timescales are given for this process – this would be helpful in the strategy for transport infrastructure.* The acknowledgement of poor road access to the east and the south is also not fully addressed in the absence of inclusion within the LTP for 2000-2006. Consequently no provision for any transport projects (public transport or road improvements) is included in the plan. These issues should be clarified given the recognition in the plan of their ‘critical importance’. *At the very least a date for the completion of an appropriate review of public transport services and a decision on investment priorities should be included within the section discussing transport infrastructure.*

Consideration of the need for walking and cycling facilities is now encouraged through the development of an Integrated Implementation Plans (IIP) – see below.

## *M18 SEZ*

Part B analyses the alternative options for enhanced road and rail based access to Finningley Airport. In relation to road access it makes the assumption that the link will be developer funded (with Objective 1 support) and provisional timetables are provided. Rail links appear to be far more uncertain given the regulatory framework under which the network operates. *Consequently no timescales for the required investment are offered – again these could be provided within the transport infrastructure section. The Plan could usefully set out the authorities charged with ensuring that the alternative options are progressed, and the timescales over which progress could realistically be made.*

## **LABOUR MOBILITY AND EQUALITY OF ACCESS**

### **ACCESS TO EMPLOYMENT FOR TARGETED COMMUNITIES**

The proposals for community access plans as part of the Integrated Implementation Plan for each site is welcomed. It will be important for the development of these plans to be undertaken with the full involvement of the relevant targeted communities. Plans will need to distinguish between short term actions and those which might be achievable over the medium to long term in the light of successful future LTP submissions in relation to the transport infrastructure investments separately identified in each SEZ.

### **ENVIRONMENTAL SUSTAINABILITY**

### **CONTRIBUTION TO ENVIRONMENTAL PROTECTION AND SUSTAINABILITY**

All SEZ Part B plans set aside 5% of the total SEZ budget for an environmental best practice fund for innovative environmental measures on sites brought forward. It will be important to ensure that these resources are held back for genuinely innovative approaches and not simply to subsidise expected good practice. One way of ensuring this would be the use of quality benchmarks – as proposed in the Part A SEZs. These are not mentioned in Part B plans. A detailed explanation in Part B of their use as tools in guiding developers producing integrated implementation plans would be helpful.

The requirement for an integrated implementation plan would appear to be a good vehicle for ensuring that environmental actions are promoted through site reclamation and development. The proposed contents of an IIP would appear to adequately cover the full range of environmental issues which should be addressed in this respect. The requirement for all proposals for new strategic sites (in all SEZs) to incorporate a masterplan for the site itself and its relationship with local communities is particularly welcome.

Presumably, all developers will specify a wide range of environmental outputs within their IIP. However, none of the Part B plans include any environmental targets or monitoring indicators (with the exception of the % land developed which is brownfield). It would be helpful if these plans demonstrated their contribution to the SPD targets in this respect. The monitoring of these impacts should be undertaken on a consistent basis. At present the Part B plans provide no guidance on this issue.

### ***SUSTAINABLE DEVELOPMENT***

It may not be appropriate to place a requirement on a developer to complete a sustainability assessment of each IIP based on the RSDF. If such an assessment is considered beneficial (presumably in addition to an assessment against SPD environmental sustainability and sustainable development selection criteria) then this should be carried out by an independent appraiser working for the lead body or programme secretariat. It should also be undertaken in a very positive way (as part of the development of the IIP) and used as a tool for promoting sustainable ideas rather than as a negative tool for selection purposes. The project manager for each site will need to be able to draw upon specialist inputs from environmental agencies (e.g. Environment Agency, Groundwork Trust, English Nature, etc.) and others in this respect. A concordat between various agencies may be desirable to take this forward. This will also serve to minimise the identified risks of lack of time or awareness on the part of developers and support agencies to implement environmentally friendly solutions or embrace the cross cutting themes.

**ANNEX 1:**  
**PART B DELIVERY PLAN TEMPLATE**

## **Part B – Delivery Plan**

Actions to deliver the objectives of the IDP

Early public sector improvements/actions required

Identification of projects with key characteristics set out

Schedule of projects containing the following:

- Methodology and delivery vehicles
- Public sector partners
- Private sector partners
- Collaborative partners
- Activities
- Site identification
- Ownership issues
- Constraints
- ERDF funding required
- Public funding
- Private funding
- Phasing
- Relevant deliverability criteria e.g. requirement for planning consent
- Linkages for other priorities for grant
- Sustainability profile – economic and environmental
- Risk analysis

Other Requirements

Plan of IDP area

Project site plans

Sketch schemes and illustrations

Photographs

Publicity material e.g. posters

Capability to utilise software and electronic facilities