

Chapter 14. Supporting Our Economic Transformation

Introduction

- 14.1** The transformation of South Yorkshire's socio-economic structure is currently being led by the South Yorkshire Objective 1 Programme.
- 14.2** South Yorkshire was formally designated an Objective 1 Region on 1 July 1999. This meant that it became eligible to receive substantial new funding from the European Commission for the period 2000 to 2006. During this period it was anticipated that over £700 million of European grant would be made available to support appropriate regeneration activities in South Yorkshire. The funding provided by Europe has to be matched by public (including LTP) and private sources. The Objective 1 Programme requires contracts for projects to be supported by European grant to be committed by end of December 2006, and all funding to be taken up and accounted for by end of December 2008.
- 14.3** The rationale and aims of the Objective 1 Programme stem from an analysis of the root causes of the steep and relentless decline of South Yorkshire's economy from 1979 to 1995. The overall aim of the Objective 1 Programme has been to:-
- “Build a balanced, diverse and sustainable high growth economy, recognised as a growing European centre for high technology, manufacturing and knowledge based services, and offering opportunities to the whole community.”
- 14.4** Six Integrated Development Plans (IDPs) were developed and are being implemented to promote economic regeneration and specifically job creation in South Yorkshire. These IDPs cover a wide remit, building on the Objective 1 Priorities which include the development of emerging high growth employment sectors and the expansion of existing businesses; the supply of land and premises; lifelong learning and skills; access to jobs for local communities; and a range of transport improvements. The comprehensive programmes developed through the IDPs were to be linked by a network of sustainable transportation, bringing together the employment opportunities and target communities suffering high levels of unemployment. The IDPs were approved as the strategic frameworks for allocating Objective 1 funding in June 2001.
- 14.5** Priority 5, covering the funding for the development of new sites and premises to accommodate new jobs created or safeguarded by Objective 1, has become the focus for LTP support.
- 14.6** The first South Yorkshire LTP (2001-2006) was developed alongside the Objective 1 Single Programming Document but in advance of the development and endorsement of the IDPs. The LTP Partners anticipated and included a funding request for LTP support for Objective 1 schemes of £3 million per year for the life of the Objective 1 Programme. Following the production of the IDPs and the detailed analysis of the extensive market failure within the sub-region, further transport related schemes were identified which were not included in the initial submission and which the Objective 1 Programme would have difficulty in funding as part of their Programme. The combination of a very high priority to create jobs and the high levels of market failure due to the decline in the coal mining and steel industries meant that match funding from the Objective 1 Programme for investment not directly addressing these issues (eg transportation) became severely limited. In practice there have only been three exceptions where Objective 1 P5 funding has been made available to support schemes contributing to the wider economic regeneration of City and Urban centres as follows:-
- Doncaster Frenchgate Centre Interchange received £8.2M ERDF grant;
 - Sheffield Station Improvements & Gateway received £9.85M ERDF grant;
 - Sheffield Heart of the City Improvement Package received £4M ERDF grant.

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- 14.7** The key reason why South Yorkshire has had problems in attracting investment projects, particularly in the higher growth knowledge economy sectors, is because it has lacked the quality of serviced sites and advanced premises in prime locations compared to other parts of the UK. This has been due to a combination of infrastructure constraints and shortcomings of the property market. Private developers are reluctant to invest in new employment sites because the cost of reclamation and servicing often exceeds the market value of the land. The IDPs were introduced as part of the Objective 1 Programme to address these shortcomings.
- 14.8** The IDPs have been designed to be sustainable – to ensure a better quality of life for everyone now and for generations to come. Improved transport systems play a fundamental role in achieving this long term goal. Unfortunately, the transportation measures needed to meet IDP requirements were identified too late to be included in the main first LTP submission. An extensive programme of transportation interventions was identified. However, the scale of this intervention was too great to be covered by use of mainstream LTP resources without damaging our capacity to deliver the targets identified.
- 14.9** Instead, the Partners developed a case for seeking LTP Supplementary Funding for this extensive programme of Objective 1 IDP related transportation measures. These measures were seen as eligible for LTP Supplementary funding because they were entirely consistent with those aims of the first LTP in promoting the delivery of economic and social regeneration. This case was developed and submitted to DfT during 2001.
- 14.10** The DfT accepted the case for LTP Supplementary Funding of an agreed Objective 1 Programme of integrated transport measures. Since April 2002 the DfT has provided £25.2 million of LTP supplementary funding, in addition £1 million of performance funding has been used, to support specific programmes of Objective 1 led integrated transport measures in South Yorkshire. By March 2005 these transportation programmes had complemented £142.048 million of ERDF grants awarded to Objective 1 Priority 5 economic development projects. Together the investment made is supporting 2,129 jobs.
- 14.11** The details of each of the LTP Supplementary Bids submitted have been reported as part of each APR published since 2001.
- 14.12** For 2005/06, budget constraints forced the DfT to curtail the support given for the Objective 1 Programme. The DfT was not able to continue funding the agreed Programme but limited funding to “existing commitments from previously approved supplementary bids wherever possible” (*GOYH 19 January 2005*). It is anticipated that similar strictures may also, unfortunately, apply to the 2006/07 LTP settlement.
- 14.13** This has meant that the continued delivery of the identified Objective 1 Programme of transportation measures has been severely constrained. If the identified transportation needs of the IDPs are to be delivered by the time the Objective 1 Programme formally closes down (i.e. 31 December 2008) there is now a funding shortfall estimated at between £15 and £20 million. This cannot be covered from future block allocations without distorting the delivery of mandatory LTP2 targets.

On-going Costs Of Support For The Objective 1 Led Transportation Programme

- 14.14** The South Yorkshire LTP partners are seeking to complete a planned programme of LTP funded but Objective 1 led integrated transport measures. A key aim of this programme has been to ensure that as the Objective 1 Priority 5 supported developments are completed, South Yorkshire is not faced by growing Shared Priority problems of congestion, inaccessibility by public transport and sustainable modes, increases in casualties

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and deteriorating air quality. In particular the programme has sought to ensure that new development sites can be accessed without detriment to the safe operation of the existing transportation networks but are also accessible by public transport from economically isolated and deprived settlements.

Objective 1 Support Already Utilised

14.15 The Objective 1 Programme started in 2002/03. The South Yorkshire partners envisaged a five year programme, initially conceived to match the period of the first LTP. However, the period of the programme has progressively slipped as the start of the programme was delayed and the momentum of implementation has not been adequately maintained. In the last year the threat of the need to extend the duration of the programme has begun to emerge as the availability of funding needed to implement the programme has been reduced.

14.16 Table 14.1 below identifies what support has been provided for the planned Objective 1 Programme to date and how that has been taken up by each of the South Yorkshire Partners. This shows that after a sluggish start in 2002/03 spending has steadily picked up with any funding backlogs being picked up in subsequent years. The exception to this has been the funding for the Dodworth Bypass in Barnsley which was not picked up until February 2005 when work on the Bypass started. Barnsley will be taking up almost all of the funding made available for this scheme during 2005/06.

Partner	2002/03 Allocation (£M)	[all £s] Spend (£M)	2003/04 Allocation (£M)	Spend (£M)	2004/05 Allocation (£M)	Spend (£M)
Barnsley	0.28	0.13	1.724	0.455	1.700	0.703
Doncaster	0.15	0	*0.5	0.271	0.6	0.637
Rotherham	0.935	0.267	-0.5	1.144	2.215	2.066
Sheffield	2.14	0.892	2.035	3.408	3.040	3.260
SYPT	2.155	0.269	1.416	2.725	1.080	1.656
South Yorkshire	5.666	1.558	6.305	8.004	8.635	8.323

Table 14.1: Take Up of the Objective 1 Support for 2002/03 to 2004/05

On-going And Planned Support During LTP2

14.17 The Plans for 2006/07 and 2007/08 are dominated by the contractual commitments made during 2005/06. Rephasing of existing work programmes has allowed progress on key projects to be maintained and the funding to be accommodated within the reduced funding allocated. This has required spending on three key projects to be reprogrammed into 2006/07. For the remainder of the LTP2 period the proposed programme is broadly aimed at completing the plans identified in the IDPs. During these latter years of the programme there is more of an emphasis on improving public transport infrastructure and on installing journey planning and information management systems to encourage and reinforce more sustainable journey to work behaviour amongst those who will be working in the accommodation provided with Objective 1 support. This is a significant market as the Objective 1 Programme plans to create or safeguard over 31,600 jobs.

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- 14.18** In Barnsley the plans provided for the completion of the Dodworth Bypass during 2006/07 and for bus priority measures to improve access to the town centre. This includes a contribution to complement mainstream LTP funding of a scheme to improve public transport operations through an area currently suffering from congestion and associated poor air quality that is bad enough to warrant the declaration of a traffic related AQMA at the A61/Burton Road junction.
- 14.19** For Doncaster the plans simply roll forward schemes that remain unfunded from the 2004/05 bid. They provide for the completion of schemes for Middle Bank and Herten Way and to provide continuing funding for feasibility work for the White Rose Way proposals and support for public transport access to development sites.
- 14.20** Rotherham are looking for funding to complete the Highfield Lane and Dearne South QBC projects that were funded during 2005/06. The bulk of the plans for 2006/07 are schemes rolled forward from 2005/06. This includes the proposals for the B6463 Todwick Road and the rail overbridge on the main access from the A57 and M1 Junction 31 to the extensive area of the former Dinnington Colliery site and environs that have been earmarked for Objective 1 supported development. For 2007/8 the funding requested is that needed to complete schemes.
- 14.21** The most substantial plans are those for Sheffield where the focus is clearly to complete the implementation of projects that support the Sheffield Masterplan. The complexities of implementing schemes in a busy city centre environment with a complex web of utilities service ducts and interactions with other measures has required a significant amount of re-programming of the Objective 1 support plans.
- 14.22** For 2006/07 the bulk of Sheffield's plans are for the completion of schemes funded during 2005/06 (eg Arundel Gate – Norfolk Street and Heart of the City projects and Matilda Street). The key highlight of the plans for 2006/07 are proposals to progress onto the key works for the Furnival Square projects and to start and finish works at Charter Row (Phase 1b) and at Broad Lane that were not funded during 2005/06.
- 14.23** During 2007/08 Sheffield plan to complete the outstanding key works in the Sheffield Masterplan, the key feature being to progress onto the main works for the Granville Square scheme and to complete traffic management measures for Moorhead. The costs of the planned works at Granville Square have soared because of the scale of service diversions needed and the complexity of traffic management during works.
- 14.24** SYPTE plan to complete the development of the Park and Ride site at Malin Bridge and elsewhere to concentrate on the completion of a series of QBC schemes.

Progress Made By The Objective 1 Programme

- 14.25** By 1 March 2005, Priority 5 of the Objective 1 Programme had allocated £142.048 million of ERDF grants to approved schemes (ie in progress or contractually committed) worth a total of £585.274 million. This includes the Renaissance South Yorkshire Action Plan (Measures 27 and 29). At the same time there was an expectation that during 2005/06 a further £12.204 million of ERDF could be allocated towards projects worth up to £42.902 million for which Objective 1 Business Plans have been substantially completed but not yet approved. Bids for a further £26.5 million worth of ERDF grants towards schemes worth almost £67.97 million are still in active development with an expectation of being expended before the end of the Objective 1 Programme at the end of 2008.
- 14.26** **Table 14.2** provides a summary of the spending progress made and still planned under Priority 5 of the Objective 1 Programme. As can be seen 74% of the available ERDF grants have been approved and allocated to development projects. Overall the Objective 1 Programme is expected to support almost £1 billion of site and premises development in South Yorkshire.

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14.27 Table 14.3 summarises the key outputs and results, by March 2005, of the Priority 5 programme spending. The table highlights the fact that the bulk of the expected impact of Priority 5 funded site development and construction of new accommodation has yet to be felt. Considerable amount of development is under construction or still being planned.

14.28 Within these plans there have been only limited allocations specific to transportation interventions. For Measure 28, which is specific to Sheffield City Centre, approval has been given for £4.1 million of ERDF. Approval of £9.6 million has also been given to the Station Gateway Project to deliver improvements to Sheffield Rail Station, the local road network and pedestrian access as well as opening up significant development opportunities.

14.29 Measure 29 provides support for measures in Barnsley, Doncaster and Rotherham Urban Centres. It includes an approval for £8.209 million ERDF towards £61.35 million costs of redeveloping the Frenchgate Transport Interchange in Doncaster (a major LTP/PFI scheme). During the year, £2.5 million of ERDF from Priority 6 was allocated toward the cost of building the Remaking Barnsley Masterplan. proposals for the Barnsley Transport Interchanges (a major LTP scheme) during 2005-07.

14.30 Funding for transportation schemes of strategic economic importance has also been made available through Priority 6 of Objective 1. Up to £26.577M ERDF grant has been allocated to the following measures

- Barnsley Transport Interchange
- Sub Regional Transport Package
- South Yorkshire Intelligent Transport System (SYITS)
- M1 Waverley /Catcliffe Junction
- Yorcard

14.31 Of the available funding £2.94M remains to be committed. As LTP Partners we have been successful in matching the P6 funding against external (non LTP) funding (particularly Highways Agency and Yorkshire Forward sources) or on a “virtual” basis against earlier SYLTP1 spending. At present the partners do not expect a need for anything other than minor levels of support from the LTP funds to support Objective 1 to contribute to P6 measures (mainly limited to the SYITS scheme).

Measure	Status	ERDF (£M)	Total Cost (£M)
Strategic Economic Zones	Approved	87.666	375.498
	Advanced	10.45	31.722
	Prioritised	5.00	29.170
Sheffield City Centre	Approved	30.133	93.497
	Advanced	1.985	13.125
	Prioritised	8.301	193.417

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Measure	Status	ERDF (£M)	Total Cost (£M)
Barnsley, Doncaster and Rotherham Urban Centres	Approved	25.570	133.445
	Advanced	10.036	35.290
	Prioritised	13.443	45.982
Totals	Approved	143.369	602.440
	Advanced	22.471	80.137
	Prioritised	26.743	268.569

Table 14.2: Summary of Objective 1 Allocations Supported by the LTP Supplementary Programme

Approved - In progress or contractually committed
 Advanced - Business Plan completed but not yet approved
 Prioritised - Business Plan development in progress

Outputs/Results	SEZs		Sheffield		Other Urban Centres	
	Progress	Planned	Progress	Planned	Progress	Planned
Land Developed	35.3ha	292.1.3ha	1.09	3.53	10.14	15.12
Floorspace built (sq m)	57,055	184.646	1,795	35,632	38,064	62,354
Floorspace accommodated (sq m)	801	151.102	1,360	27,645	0	44,043
Jobs created	1,603	22,428	177	1,736	47	1,997
Jobs safeguarded	147	3,162	107	1171	48	1,110

Table 14.3: Outputs and Results of the Priority 5 Programme by March 2004

Progress – to be achieved by projects completed by or in progress at end March 2004.

Funding

14.32 Within the Plans for 2006/07 there are schemes worth £3.29 million for which LTP support was provided during 2005/06. Similarly for the plans for 2007/08 about £3.12 million of expenditure carries through from 2005/06 (88% of this is for the Granville Square scheme in Sheffield).

14.33 At present the indicative Planning Guideline for South Yorkshire makes insufficient provision for such continuation funding nor does it make provision for the funding shortfall for the completion of the planned Objective 1 led programme before the Objective 1 Programme closes down on 31 December 2008.

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14.34 Without the completion of the planned Objective 1 led programme of integrated transportation measures during the early years of LTP2 our attempts to deliver the transport Shared Priorities in South Yorkshire will be considerably frustrated by the arrival of almost 32,000 new or safeguarded jobs, required for the economic and social transformation of South Yorkshire but for which inadequate transportation provision will have been made. Elsewhere economic development without adequate transportation infrastructure and service provision has given rise to growth in car traffic leading to problems of congestion, poor accessibility, deteriorating air quality and road safety. As LTP Partners we would view such an outcome in our sub-region as a clear failure to integrate economic, land use and transportation planning, but an avoidable one given our commitment to land use and transport integration and the availability of resources through the Planning Guideline on a scale sufficient to address transport barriers to transformational growth.

Objective 1 Transitional Arrangements

14.35 In December 2005 the EU budget agreement identified the available EU Regional Funds for UK regions for 2007-2013. Due to the progress achieved through the South Yorkshire Objective 1 programme, we will no longer enjoy the highest level of EU support. However, South Yorkshire does qualify for EU support as a “phasing-in region”. The funding to be made available will be around one third of the current Objective 1 level of support and will be in the region of £250 million over the next seven years. About half of this funding will be available as ERDF grant and the EU expects this to be spent early in the transition period on measures to support economic growth and competitiveness. Major infrastructure schemes are unlikely to be supported; however, there is an expectation that some (limited) funding might be made available for measures to improve accessibility, particularly for those measures aligned with the SRIP. Final decisions on allocations and guidance are awaited

14.36 The South Yorkshire Partners have been involved in the development of the SRIP 2004-2009. The aim of this is to maintain the momentum of the economic transformation of South Yorkshire built up by the Objective 1 Programme. This Plan seeks to create six priority strands for investment – one relates specifically to developing the strategic transport links required by an internationally competitive region (essentially majors, rail schemes but also a number of QBC schemes along Key Routes) whilst another recognises the fundamental importance of improved accessibility (particularly public transport links to where jobs are located) to the restructuring of the region's competitiveness and its employment capacity. These priorities are intended to guide Yorkshire Forward and European Commission spending plans. In particular the SRIP will seek to ensure that such funding is used to complement our LTP2 spending plans to deliver the agreed targets and indicators.