

**South Yorkshire Objective 1 Programme
Mid Term Evaluation**

Volume 1: Final Report

South Yorkshire Objective 1 Programme Mid Term Evaluation

Volume 1: FINAL REPORT

Report prepared for:

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SOUTH YORKSHIRE OBJECTIVE 1 PROGRAMME: MID TERM EVALUATION

The South Yorkshire Objective 1 Mid Term Evaluation has been undertaken in line with Article 42 of Council Regulation (EC) No 1260/1999 of 21 June 1999. This sets out the legal basis for the Mid Term Evaluation. The European Commission (through the ERDF Technical Assistance budget of the Objective 1 Programme) and the Office of the Deputy Prime Minister funded the evaluation. The South Yorkshire Programme Directorate was responsible for the management of the evaluation. Yorkshire Forward funded the separate Regional Linkage Study.

The Mid Term Evaluation of the 2000-2006 South Yorkshire Objective 1 Programme was let to a research team from the Policy Research Institute (Leeds Metropolitan University) and the Centre for Regional Economic and Social Research (Sheffield Hallam University). This study was undertaken alongside the Mid Term Evaluation of the Yorkshire and Humber Objective 2 Programme and a Regional Linkage Study. An Evaluation Steering Group chaired by the regional development agency, Yorkshire Forward, oversaw the three studies.

The Programme Monitoring Committee signed off the Mid Term Evaluation of the South Yorkshire Objective 1 Programme on 30th September 2003.



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EXECUTIVE SUMMARY

Introduction

1. The **Mid Term Evaluation of the South Yorkshire Objective 1 Programme** addresses three broad questions:
 - Is the Programme still relevant to the needs of South Yorkshire?
 - What progress has been made against key objectives?
 - How effective are the Programme management and implementation arrangements?
2. **Overall, the South Yorkshire Objective 1 Programme is making strong progress.** Robust frameworks through delivery plans or prospectuses have been put in place for the delivery of all Priorities. These have been developed in partnership. Over 50 percent of Programme resources have been committed to over 300 projects. The Programme has also focused resources on projects of sub-regional significance: 30 projects supported account for 60 percent of resources committed. Many of these are being delivered through intermediary bodies which have a strategic role in a particular policy area.
3. **The strategy underpinning the Programme remains relevant to the needs of South Yorkshire.** Although economic and social changes, as well as new EU and national policy drivers, mean that parts of the strategy need to be refocused, the scope of the Priorities and Measures and the overall balance of funding remains appropriate. Few changes should be anticipated to the Programme Strategy and Structure in the Mid Term Review.
4. The rationale underpinning the Objective 1 Programme is that it would help bring a **transformational change** to the South Yorkshire economy: that is, investment would help drive a wider set of developments in the business base, in skills and education, and in infrastructure. The assessment of whether investments contribute to transformational change is complex. Four characteristics are evident of transformational projects:
 - Programme resources and other regional and national funding streams are **concentrated on agreed strategic objectives**.
 - Resources are used to lever wider changes in **mainstream delivery**.
 - **Delivery mechanisms** are well structured and properly communicated to partners: delivery organisations are given a clear remit.
 - Long term goals of **social inclusion and sustainability** are integral features of projects.
5. The main conclusions from the Mid Term Evaluation are that the Programme is making strong progress in contributing to transformational change in specific areas. These include: the restructuring of the education system through e-Learning and vocational education; the plans in place for the delivery of urban renaissance initiatives; and investment the voluntary and community sector as a partner in the process of economic development. However, these are all supply-side investments

and are more capable of being steered by public sector intervention. Transformational change in the demand-side and in particular the business base is more difficult and subject to the strength of the wider economy. In this area progress has been slower with more limited evidence of major private sector investments, which can bring a wider set of changes. An exception to this may be the development of an international airport at Finningley although its effects will be largely outside the Programme period.

Socio-economic and Policy Changes

6. The **Programme anticipated far higher levels of national and international economic growth** and far greater short-term growth prospects for technology based companies. Economic slowdown and the weak prospects for growth in the immediate future have been a shock to the assumptions underpinning the programme's key objectives and targets. However, the central focus of the Programme on economic restructuring based on the development of key clusters should remain.
7. Considerable **falls in claimant unemployment rates** have made a significant contribution to increasing rates of participation in the labour market. However, many of the new jobs created are part-time. Moreover, although the economy has expanded since the Programme was agreed, average salary levels (for those in work) have declined relative to the national average.
8. Only limited progress has been made against **key economic indicators**. Start-up and survival rates of companies, although improving, are still lower than those for the United Kingdom as a whole. The use of Information and Communications Technology by South Yorkshire companies also continues to lag behind regional and national averages. Similarly, the retention of 16 year olds in education and training is poor as are scores for 5 or more A*-C GCSEs and GNVQs, despite noticeable improvements across the four local authority district areas in 2003. Over one third of people of working age also have no qualifications – far higher than comparable figures for the United Kingdom.
9. The Programme anticipated and in some areas has led many **national and European Union policy developments**. However, policies and spending priorities have evolved, not least around the regional agenda. Policy developments provide the Programme with an opportunity to sharpen its focus on key priorities for the sub-region.
10. Areas where change should be considered include the greater alignment of **local and regional priorities** with the objectives of the Programme. Specific opportunities include the alignment of Local Strategic Partnership strategies for social inclusion, and the alignment of regional Single Pot funding through joint appraisal. However, for the delivery of the Programme to be successful, alignment should be both ways: the LSPs (through Community Strategies) and regional priorities (through the Sub Regional Action Plans and allocation of Single Pot) will also need to be aligned to the Objective 1 Programme.
11. The **South Yorkshire Spatial Study** will inform the development of a long term spatial strategy for the area, and in particular how South Yorkshire develops a sustainable model of economic development underpinned by support for an urban renaissance. Priority 5 is already contributing to this model of development and this could be strengthened through establishment of Urban Economic Zones (in place of

the Urban Centres and SEZs). However, this can be achieved through the existing Measure structure of Priority 5 and within the current boundaries of these target areas. The development of a spatial strategy for the sub-region should be used to inform the planning for future programmes.

12. The granting of planning permission for an international airport at **Finningley** presents considerable opportunities for economic development. The Mid Term Evaluation recommends that support can be provided within the existing structure of the Programme, and that particular consideration be given to identifying appropriate employment and infrastructure (road and rail links) activities in the Programme where there is a strong case that these require public assistance and will contribute to Programme targets.

Priorities and Measures

13. The **delivery frameworks for each Priority are strong**. However, progress in the implementation of these delivery frameworks has been variable. Two specific concerns are in the progress being made in Priority 1 (*Stimulating the Emergence of New Growth and High Technology Sectors*), and in particular Measure 1.4 (Attracting Growth Sector Champions), and in initiatives to support Workforce Development. It is recommended that both should be the focus of actions to improve delivery.
14. The need to attract **growth sector champions** to the sub-region remains of considerable importance if the economic base is to be transformed. There is scope to enhance South Yorkshire's approach to inward investment through Renaissance South Yorkshire, but also in making greater use of the supply chain of local companies, the networks of professional services companies and the international business links of the Research and Development base, particularly those in Higher Education. The target clusters should help to structure this package and make South Yorkshire an attractive and competitive investment location.
15. **Workforce development** activities remain relevant to the needs of South Yorkshire. However, delivery has been slow, particularly in Measure 1.5. The delivery of business support around specific clusters should provide a sharper focus for this. However, greater attention needs to be given to aligning business support and skills development support, for business leadership, and for addressing basic skills needs.
16. Falls in claimant unemployment, but only limited changes to the numbers of **economically inactive**, require a renewed focus on harder to reach groups. Support in this area should complement the provision of Jobcentre Plus through developing packages of activities which involve community organisations, schools and further education. However falls in unemployment suggest consideration should be given to moving funds to workforce development Measures.
17. Considerable progress has been made in the implementation of **Priority 3** (*Building a World Leading Learning Region which promotes equity, employment, and social inclusion*), particularly in activities around changing the education system. Initiatives around e-learning and vocational education are recognised as leading examples in their field within the UK and across the EU. This should be regarded as a major success of the Programme.
18. Plans are now in place for the delivery of **Priority 4** (*Developing Economic Opportunities in Targeted Communities*) and these should be supported by Local

Strategic Partnerships' work on social inclusion and neighbourhood renewal. Key themes for Priority 4 in the remainder of the Programme should be in the support of initiatives which can be sustainable beyond the life of the Programme and continuing to give communities greater voice in economic regeneration.

19. Integrated Development Plans have provided a robust framework for the delivery of **Priority 5**. Projects are now coming forward to deliver these plans and this Priority will have committed over 70 percent of its resources by the end of 2003. Although the boundaries of the IDP areas remain relevant for this Programme, some consideration should be given to forming Urban Economic Zones, and consideration given in future Programmes to a stronger focus on the urban centres. The formation of Urban Economic Zones would reinforce policies for urban renaissance, contribute to the delivery of the recommendations coming from the South Yorkshire Spatial Study, and provide a platform for future Structural Fund programmes and national regional policies.
20. **Transport activities in Measure 31** (*Removing Transport Constraints*) have not been implemented in the way foreseen by in the original Programme. Many key transport initiatives now fall outside the time horizon of the Programme (particularly involving the rail network). However, progress has been made in identifying a series of smaller, and more feasible schemes, which should unlock local bottlenecks and open key sites.
21. The **South Yorkshire Investment Fund (SYIF)** has been established to deliver Measure 32 (Improving access to finance by SMEs). This scheme is working effectively and progress should be faster as Priority 1 is rolled out.

Implementation and Management Arrangements

22. **Programme management** arrangements are appropriate and adequately resourced and there is a culture of performance management. However, greater attention needs to be given to ensuring the delivery of major projects, particularly by intermediary bodies. Progress by some intermediary bodies in implementing projects will need to increase rapidly if key programme targets are to be met.
23. The **Performance Management Board** plays an important role in overseeing the development and delivery of key projects and the Programme as a whole. As the Programme moves into a phase which is focused primarily on delivery, the role of the PMB needs to be strengthened, particularly in its capacity to hold project sponsors to account where there is slow delivery. In such cases it needs to be able to agree action plans with intermediary bodies to help accelerate delivery. The introduction of members independent of the intermediary bodies and Programme Directorate onto the Performance Management Board would contribute to this process.
24. The process for the development of projects has evolved considerably since the agreement of the Programme with work currently underway to bring together Objective 1 and Single Pot business planning and appraisal processes. The **South Yorkshire Sub Regional Action Plan** and joint working between the Programme Directorate, Yorkshire Forward and local partners has helped in this process. Such joint working should be extended in the remainder of the Programme to joint monitoring activity. This will also require the harmonisation of target definitions across funding streams and also the alignment of monitoring systems.

25. The Sub Regional Action Plan is intended to become an **Investment Plan** for South Yorkshire, which guides expenditure decisions by the Single Pot, Objective 1 and other funding streams. This development is to be welcomed and should bring greater coordination of public investment in economic development activities. However, this requires financial commitment from an array of funding streams and the recognition of the specific regional policy needs of South Yorkshire.

Cross Cutting Themes

26. The **cross cutting themes** of the Programme (*Social Inclusion, Equal Opportunities, Gender Mainstreaming, Employability, Information Society, and Sustainable Development*) remain relevant to the needs of the area. There are examples of good practice in some areas, notably gender mainstreaming and the broader area of equalities. However, implementation is variable across the Priorities and this should be addressed. The implementation of the **environmental sustainability** cross cutting theme has been slowest particularly in Priorities 1 and 2. Greatest progress has been made in embedding environmental sustainability into Priority 5.
27. A key finding was that the themes had made little or no change to the design of the majority of projects or to the behaviour of sponsor organisations. In part that was because sponsors were already addressing these issues, sometimes indirectly, through their own strategies and policies. If the themes are to have an impact beyond the lifetime of the Programme, they need to be effectively **mainstreamed** into the work of the key intermediary bodies.
28. The examples of **good practice** from the Programme should be used to inform project development. Moreover, many of the examples of good practice should help inform delivery of the Single Pot and future revisions of the Regional Sustainable Development Framework.

Performance Reserve

29. The analysis of the Performance Reserve indicators shows the Programme is making **strong progress towards achieving most targets**. However, there are some specific areas that will require additional work. The Programme Directorate and partners are already addressing these. If this work is successful then most targets will be met by the end of 2003. Particular areas to address include ensuring that all defrayed eligible expenditure and all achieved Performance Reserve outputs and results are included in the claims due at the end of September and December. This is required if the **N+2 and key effectiveness criteria** (Gross Jobs and Business Sales) are to be met. Further work is also required by the Programme Directorate to collect the full range of ESF data relating to the ESF and Priority 3 effectiveness criteria.
30. The review of Performance Reserve targets found that they provide an appropriate indication of **Programme performance and delivery** to date. It is estimated that the effectiveness criteria cover approximately 90 percent of grant commitments. However, it was found that some indicators may need to change (e.g. gross jobs created target in Priority 1 is too high) and others need to be redefined (e.g. the management criterion to inspect five percent of 'grant commitments' should change to five percent of 'grant defrayed').

31. On the basis that recommended changes are accepted and that the ESF-related data is collected it is the **assessment of the Mid Term Evaluation** that both financial criteria will be met (N+2 and private sector contributions), three out of four management criteria will be met (the exception being the five percent inspection target unless a wider definition is accepted which includes monitoring activity) and over 75 per cent of the effectiveness criteria for outputs and results will be met. Moreover, the results targets at a programme wide level for the key indicators of gross jobs and business sales will be met.

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The evaluation team would like to thank the wide range of individuals and workshop participants who contributed time and effort to the consultation of this report. The staff of the South Yorkshire Objective 1 Programme Directorate who provided considerable support and advice throughout the evaluation was especially helpful. The guidance from the Evaluation Steering Group, Yorkshire Forward and the European Commission helped to place the evaluation in the wider regional, national and EU policy context. Costas Georgiou from the Objective 1 Programme Directorate was the project manager for the evaluation and his advice, guidance and patience has been invaluable in the completion of this study.

Thanks are also extended to the respondents of the stakeholder and project manager surveys undertaken as part of this evaluation. Respondents provided extensive details on the progress of the programme and provided many suggestions on how the programme could have a greater impact on South Yorkshire. Thanks are also due to the Survey Research Centre at the Policy Research Centre for undertaking these surveys.

The Mid Term Evaluation of the South Yorkshire Objective 1 Programme was undertaken alongside a similar study of the Yorkshire and Humber Objective 2 Programme and a Linkage study. A management group of the directors of each study was formed to oversee the research and to share good practice. Thanks are therefore due to Trevor Hart (formerly of Leeds Metropolitan University), John Trinnaman (mtl consultants) and Geoff Fieldsend (formerly of EKOS consultants).

However, the conclusions and recommendations of this report remain the responsibility of the South Yorkshire Objective 1 Mid Term evaluation team.

1 INTRODUCTION

1.1 Background

The South Yorkshire Objective 1 Programme marks a clear break with previous Structural Funds programmes in the region. The development of the Programme was led by the South Yorkshire Forum and involved extensive consultation with stakeholders and involved the identification of good practice of regional economic development in regions which had achieved substantial and sustained economic growth. At the heart of the programme was a vision for a 'step change' in the economic development of the sub-region based around an agenda of 'transformational change'.

Although the development of the programme should be viewed positively, the programme has faced some significant barriers, and these have slowed its implementation:

- The disjuncture between the 1994-1999 Objective 2 Programmes and the current Objective 1 programme in terms of the *structures*, *strategies* and *systems* required for effective implementation. The Programme was agreed in July 2000 and has taken considerable time to begin to commit significant resources, although commitment levels are now at or above targets.
- The start of the Programme was also slowed by significant changes to the regional institutional environment. At the start of the Programme, the regional development agency, Yorkshire Forward was still relatively new and had a smaller resource base than it has now, and Business Link South Yorkshire and the Learning and Skills Council (the successor organisations to the Training and Enterprise Councils) were in the process of developing their own strategies.

These issues provide the background to the Mid Term Evaluation and the wider Mid Term Review.

1.2 Scope and Structure of the Final Report

The Final Report of the Mid Term Evaluation has four main purposes: to present a detailed analysis of the progress of the programme in light of wider socio-economic changes; to assess programme implementation; to recommend changes which should be considered as part of the Mid Term Review in 2004; and to provide an independent assessment of the Programme's progress towards meeting the Performance Reserve Criteria. The report is structured around the 10 evaluation questions the Yorkshire and the Humber Structural Funds Evaluation Steering Group set the evaluation team. Against each question the report summarises evaluation issues and makes an assessment of programme progress to date.

In addressing each of the 10 questions, the Mid Term Evaluation follows the European Commission's guidance for Mid Term Evaluations, contained in Working Paper 8 and the MEANS guidance. The report is split into three volumes which contain:

- Volume 1 Final Report: this volume contains the main findings of the evaluation against each of the 10 evaluation questions

- Volume 2 Data Tables and Analysis: this volume contains the detailed tables on the socio-economic conditions and output data on each priority
- Volume 3 Evaluation Methodology and Research Tools: in accordance with the MEANS criteria this volume outlines the main research instruments used in the evaluation, and the questionnaires and discussion guides used

Section 20 of Volume 1 provides the assessment by the Mid Term Evaluation of the Performance Reserve Criteria.

1.3 Issues for the Mid Term Review

The Mid Term Evaluation, and its assessment of the Performance Reserve Targets, will inform the Mid Term Review of the Objective 1 Programme. It is anticipated that this will be undertaken in the first half of 2004. The Mid Term Evaluation will assess achievement against all SPD policy commitments and may recommend adjustments both to the Programme Strategy and to targets. The Mid Term Evaluation may also recommend changes to the balance of funds allocated to Measures within Priorities. Where there is evidence that socio-economic conditions or policies have significantly changed, or where there is evidence of particular successes and failures, the Evaluation may also recommend virement between Priorities and possibly between funds (ERDF, ESF and EAGGF).

Finally, it should be noted that since the agreement of the SPD, the euro has appreciated by 14 per cent (as at June 2003). At current exchange rates this would increase the EU contribution to the Programme from the current level of £703m to a figure in the region of £770m – although as the value of the Programme is calculated at the beginning of each year, and that resources have already been committed, the figure for additional resources is likely to be in the region of £30-50m. The receipt of additional funding will have knock on effects of requiring additional public and private sector matching funding. It will also bring N+2 implications with year-on-year commitments having to be revised upwards. The Mid Term Review may therefore also need to consider the allocation of additional programme resources. These will be subject to agreement by the Programme Monitoring Committee and the European Commission. However, the euro may depreciate before the end of the programme and caution needs to be shown in over-programming resources.

2 EVALUATION FRAMEWORK

2.1 Introduction

This section sets out the requirements for the MTE and how these requirements have been met in the South Yorkshire Objective 1 programme. The section also outlines the evaluation design and the research undertaken.

2.2 Regulatory Requirements

Article 42 of Council Regulation (EC) No 1260/1999 of 21 June 1999 sets out the legal basis for the Mid Term Evaluation. This requires that a MTE be undertaken for each Programme and in the case of the main programmes (e.g. Objectives 1 and 2) that this will inform both the release of a Performance Reserve, set at four per cent of programme resources, and the formal Mid Term Review of the programmes.

Structural Funds Working Paper number 8 of the European Commission provides guidance on how MTEs should be undertaken for each programme. As an *enhanced* interim evaluation, with little opportunity to assess the summative effects of programmes, the MTEs should be seen as the means to improve the quality and relevance of programming, and to refresh the Programme strategy to ensure that original objectives will be met. More specifically the MTE is also required to assess the progress of programmes towards Performance Reserve targets. The Commission Working Paper also highlights the areas which should be given greatest attention. These include:

1. Previous evaluation results
2. Continuing Validity of Analysis of Strengths, Weaknesses and Potential
3. Continuing Relevance and Consistency of the Strategy
4. The Quantification of Objectives – Outputs, Results and Impacts
5. Effectiveness and Efficiency to date and Expected Socio-economic impacts; and, on this basis
6. Evaluation of the Policy and Financial Resources Allocation
7. Quality of Implementation and Monitoring Arrangements
8. The Results for the Indicators agreed for the Performance Reserve

MTEs are also required to be consistent with the MEANS framework for undertaking Structural Fund evaluations, including adherence to quality criteria. These relate to: meeting needs of the evaluation commissioners as set out in the terms of reference; being of sufficient scope to address to the rationale of the programme, its key targets, and the effect of other policies; a defensible design to ensure that the evaluation is appropriate and will be adequate for obtaining results; reliable data drawing on primary and secondary data; a sound analysis of data undertaken in line with established rules; provision of credible results; impartial conclusions; and clarity.

2.3 Management of the Evaluation

The evaluation of the South Yorkshire Objective 1 programme is being undertaken alongside the evaluation of the Yorkshire and Humber Objective 2 programme. The Objective 2 programme covers substantial parts of the wider region. In line with guidance from the UK government's Cabinet Office and Regional Coordination Unit that regional activities should be coordinated where possible, a single Evaluation Steering Group (ESG) is overseeing both evaluations. The ESG is chaired by the Director of Strategy of Yorkshire Forward and includes representatives from both the Objective 1 Programme Directorate and Objective 2 European Secretariat, partners including PMC members and representatives from the relevant services of the European Commission.

The ESG also oversees a 'linkage study' which aims to examine the links between the two programmes and to make recommendations for their interaction in the remainder of the programme. These recommendations are likely to focus in particular on the delivery of the Regional Economic Strategy for the region, the changes needed to align the Structural Fund programmes with the delivery of the RES, and the use of Yorkshire Forward funding, from the 'single pot'. The linkage study recognises that both programmes are different in key respects although they have a common, regional, purpose. As such it seeks to identify ways in which the regional purpose of the programmes can be maintained and that intra-regional divisions do not occur. The aim therefore is to identify how the programmes can most effectively contribute to the delivery of the Regional Economic Strategy. This is essential as the wider institutional context in which the Programmes are implemented evolves. The linkage study therefore considers the different spatial dimensions at which the programmes operate.

Although the two evaluations and linkage study are overseen by the ESG, the day-to-day management of the evaluations is undertaken by specific organisations. In the case of the Objective 1 MTE this is the O1PD, for the Objective 2 MTE this is the European Secretariat and for the Linkage Study this is the regional development agency. Experts independent of the MTE are providing quality assurance of each MTE.

2.4 Core Evaluation Questions

In line with the regulatory requirements for the Mid Term Evaluation and guidance from the UK government, the ESG set 10 questions the evaluation should address. These are outlined in the following table. Most of the questions are common to all MTEs of Structural Fund programmes in England. The right-hand column indicates the section of the report in which they are addressed.

| Evaluation Questions | Section |
|--|---------|
| 1. Have the needs of the area, as defined in the SPD, changed since the programme was approved and to what extent is the programme strategy still relevant? | 3 |
| 2. What changes, if any, are necessary to the programme strategy and to the plans for its delivery? | 3 |
| 3. Have the agreed horizontal priorities – equal opportunities and protection of the environment in particular – been integrated successfully into the programme? | 14 |
| 4. What contribution is being made to the National Action Plan for Employment (NAP)? | 15 |
| 5. What progress has been made toward achieving the quantified targets for expenditure, gross outputs and results? | 4-12 |
| 6. What progress is being made towards achieving the planned programme impacts? | 4-12 |
| 7. What progress has been made against the Performance Reserve agreed indicators for effectiveness, management and financial implementation? | 20 |
| 8. How effective are the processes used to deliver the programme? | 13 |
| 9. What has been the added value of the Objective One programme in this region, specifically to what extent has the Programme contributed to the Regional Economic Strategy? | 17 |
| 10. Is there evidence that the programme's implementation is achieving sustainable development objectives and what changes could be made to better achieve these objectives? | 16 |

The questions fall into three main categories:

- Is the Programme still relevant to the needs of the area? (questions 1 and 2)
- What progress has been made against key objectives? (questions 5, 6 and 7)
- How effective are the Programme management and implementation arrangements? (question 8 and to a lesser extent questions 3, 4, 9 and 10)

The evaluation questions and the guidance from the UK government and the European Commission do not specify a specific evaluation design. The guidance also does not dictate a specific conceptual methodology. However, the regulatory requirement of the evaluation, and in particular the requirement that the evaluation informs the Performance Reserve, requires that there is a strong independent role of the evaluation.

2.5 Evaluation Design

2.5.1 Introduction

The South Yorkshire Objective 1 programme MTE is a complex programme-wide evaluation. It takes a multi-method approach and draws on the MEANS framework and from previous evaluations in the Yorkshire and Humber region. In its analysis of the performance of the Programme's priorities it draws on top-down approaches (including a review of socio-economic conditions and programme baselines) as well as bottom-up approaches (including surveys of project managers, case studies and assessments of key projects). However, the evaluation also has a strong formative element and involves extensive consultation with sets of key stakeholders from different sectors (public, private and community/voluntary) and at different operational levels. The utilisation of different methods is designed to contribute to the evidence base at key points in the evaluation and to actively inform the decision making process.

2.5.2 Evaluation Design of the Objective 1 Programme Mid Term Evaluation

Volume 3 Annex 1 outlines the framework for the MTE of the Objective 1 and 2 programmes in the Yorkshire and Humber region and the linkage study. Three wholly separate evaluation teams are undertaking the three studies. However, the project managers for each study have formed a wider management team to ensure coordination and consistency. A common evaluation design has been developed for both MTEs but with sufficient flexibility to allow for sub-regional variation: for instance reflecting the differing aims and contexts of the programmes and the differing institutional environment.

In line with previous evaluations in the region, such as the thematic review and ex post evaluation of the 1994-1996 Yorkshire and Humber Objective 2 programme and the interim evaluation of the 1997-99 Yorkshire and the Humber Objective 2 programme, the design of the evaluation has focused on four key elements.

Partnership

A key element of the MTE, and reflecting the original design of the Objective 1 programme, has been the considerable emphasis placed on consultation with key stakeholders of the programme. Initial tasks of the MTE were to consult key stakeholders of the Programme. In total 20 interviews were undertaken with the majority of interviewees being at director or chief executive level from the public, private and voluntary sectors. This work focused both on issues of programme progress and partnership working. This work served to highlight the continuing importance to key stakeholders for the programme to retain its emphasis on an agenda of transformational change, with the MTE providing evidence of how the programme was supporting this agenda and where resources needed to be concentrated in the remainder of the programme. The interviews were supplemented by a wider postal survey of key stakeholders. The response to the survey supported the findings from the interviews, but highlighted particular areas where the programme may be under performing.

During the central phase of the evaluation, and following the production of an interim report, the focus of partnership activity was to consult with established partnerships in the area. In addition to the requirement to feedback emerging findings to the Programme Monitoring Committee and Performance Management Board, workshops were also held

around three main areas. Firstly, workshops were undertaken with the programme's three Strategic Groups (for Business and Economy, People and Skills, and Communities). The aim of these workshops was, based on the emerging findings of the evaluation, to identify how specific issues should be addressed in the remainder of the Programme. Examples included, addressing workforce development and ensuring sustainability of investments beyond the programming period. Secondly, each of the four Local Strategic Partnerships (for Sheffield, Barnsley, Doncaster and Rotherham) in the sub-region are being consulted. Finally, two workshops were held around the cross-cutting themes with expert representatives drawn from across the region. The workshops focused on gender mainstreaming and equalities, and on environmental sustainability. As with the other consultation activities, the evaluation team sought to test out findings and identify possible solutions for the remainder of the programme.

The draft Final Report of the evaluation, produced at the end of June was used for further consultation activities. These were twofold: a joint workshop of the PMC and PMB; and a joint workshop of the Programme's three strategic groups.

Bottom-up and Top-down approaches

The MTE is essentially an enhanced interim evaluation. It is undertaken three years into a programme which may support projects which last until the end of 2008. Although some summative evaluation is possible, the primary focus of the evaluation is formative. This informs the balance of bottom-up and top-down approaches which can be used and the balance between the analysis of results with gaining wider perspectives.

The main top-down approaches used are the assessment of the socio-economic conditions in the sub-region (updating the original analysis in the Single Programming Document) and a review of policy changes that may affect programme and project implementation. Both of these analyses informed the assessment of programme's targets and its interactions with policies providing matching funding.

The main bottom-up approaches used were threefold and included a survey of all project managers, a review of key projects and the analysis of monitoring data. The review of key projects was deemed necessary given the considerable emphasis by the programme on a relatively small number of large projects. For example, of nearly 300 projects supported by the end of 2002, 30 of these projects accounted for 60 percent of the programme's financial commitments at this point. These projects, covering nearly all measures were the focus for the project reviews.

External and Internal Perspectives

The evaluation design also sought to ensure a wide range of perspectives on the performance of the programme. Academics involved in the evaluation, who provided the *external* perspective, had expertise relevant to key areas of the programme: for example in workforce development and skills, clusters, community economic development and the cross-cutting themes (including equal opportunities and environmental sustainability). The *internal perspectives* came through the consultation work with expert partnerships (in particular with the strategic groups and around the cross-cutting themes) and were supplemented by interviews with key stakeholders. In comparison to previous evaluations, most notably the thematic review of the 1994-96 Objective 2 programme, the Objective 1 evaluation team does not include representatives from the wider partnership. This is mainly to ensure the independence and objectivity of the evaluation results, recognising the role of the MTE for the Mid Term review and Performance Reserve. However, considerable consultation activities have instead been undertaken with representative groups (e.g. Local Strategic Partnerships) and expert groups.

Local Diversity within a wider sub-regional and regional framework

In comparison to the previous programmes in the region, the Objective 1 programme focuses on a particular sub-region: reflecting the severe socio-economic problems faced by the sub-region. The main focus for addressing differences within the sub-region has primarily been a spatial one and focused on ensuring that analysis was undertaken at two levels: for the sub-region as a whole and for the four local authority districts. This has been possible in two main parts of the evaluation: in the socio-economic assessment of the sub-region and in consultation with the four Local Strategic Partnerships. This appears to be the most relevant division and reflects the wider partnership and institutional structures in the sub-region. These tend to be either locally (local authorities, local strategic partnerships, education authorities) or sub-regionally (business support and skills agencies, voluntary and community sector groups).

The wider regional dimension to the evaluation primarily comes from the coordination of the MTEs for the region's two Structural Fund programmes and the role of the Linkage Study. However, these have been supplemented with joint interviews involving both MTEs with key regional stakeholders, principally the regional development agency, and through a workshop with the regional development agency. This has served to bring a wider perspective to the MTE and reflects the rapid emergence, and importance, of the regional agenda within many UK government policies.

2.6 Research Undertaken

The Mid Term Evaluation has undertaken the following tasks, as set out in the tender documentation and agreed in the Inception Report:

- *Scoping and Programme Audit*: more than 20 interviews with key stakeholders (at chief executive or director level) from all major sectors in the sub-region (local authorities, business support and skills agencies, the community and voluntary sector, education, Yorkshire Forward and the private sector).
- *Stakeholder Survey*: this was sent to approximately 160 stakeholders of the Programme in the sub-region and nearly 50 responses have been received.

Responses come from partner organisations in each of the local authority districts, Yorkshire Forward, the education sector, the business community and the community and voluntary sector.

- *Review of Socio-economic conditions:* this draws on work currently underway on the South Yorkshire Economic Assessment and the update of Yorkshire Forward's Progress in the Region.
- *Priority, Cross-cutting theme and Management Arrangements Assessment:* assessments have been made through structured interviews with Objective 1 Programme Directorate staff and key partner organisations together with a review of relevant Programme and policy documentation.
- *Detailed Priority and Measure Level Assessments:* these focused on addressing the wider requirements of Questions 5-6 of the evaluation and involved:
 - Survey of all Project Managers: 260 questionnaires were mailed out to project managers and 102 responses were received. To reduce survey fatigue, where project managers were involved in multiple projects, they only received a single questionnaire for the largest project they were involved in.
 - Detailed assessment of *large projects*: 27 projects were assessed through a review of project specific documentation (business plan and application form), discussion with the relevant development officers in the Objective 1 Programme Directorate, review of wider strategies and interviews with the project manager. In nearly all cases these interviews were undertaken face-to-face.
 - Analysis of the latest available *monitoring data*: for ERDF projects this data was extracted in May and relates to the quarter up to and including December 2002. ESF and EAGGF monitoring data was extracted in July and is for the period up until the end of June 2003.
 - Alignment of Programme progress with the re-quantified targets.
- *Cross-cutting themes, National Action Plan for Employment (NAPE) and Sustainable Development:* The main tasks to undertaken are around the analysis of monitoring data, material from the priority and management arrangements assessment, and the assessment of the Programme contribution to NAPE and Regional Sustainable Development Framework aims. Two workshops have also be undertaken, around *gender mainstreaming and equalities* and *environmental sustainability*. Stakeholder interviews and the project management survey also included specific questions on the cross-cutting themes.
- *Review of Management Systems.* The focus of this work has been on the assessment of project selection, appraisal and monitoring systems. Assessment of the quality of project management has also been undertaken as part of the project assessments.
- *Consultation Activities:* Workshops have been run with each of the three Strategic Partnerships (Business and Economy, People and Skills, and Communities), with the four Local Strategic Partnerships and with two *ad hoc* groups to discuss Gender Mainstreaming and Equalities, and Sustainable Development.

3 RELEVANCE AND CONSISTENCY OF THE PROGRAMME STRATEGY

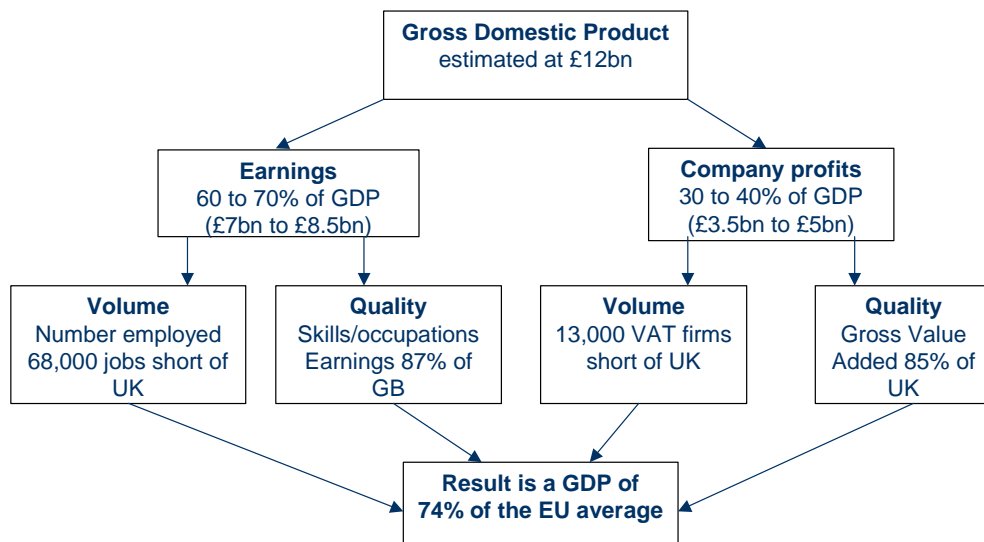
3.1 Programme Strategy

The analysis underpinning the Objective 1 Programme recommended that four key issues need to be tackled to restructure the South Yorkshire economy. These were:

- There is a '**jobs gap**' which will require direct incentives for investment to create jobs;
- There is a '**company gap**' which will need to bring new businesses to the area and help new businesses to set up;
- The **quality of jobs is poor**. Action will be needed to create higher income jobs.
- The **profitability of businesses is low**. Action will be needed to help these sectors become more profitable.

This is shown in the following chart:

Chart 3.1: Rationale for the South Yorkshire Objective 1 Programme



Source: Programme Complement (p. 6)

Drawing from these four key messages for the programme also recognised that South Yorkshire faced considerable constraints and barriers to economic change. These needed to be addressed if economic restructuring was to take place. Alongside restructuring, the Programme strategy also recognised that there was a need to **improve skill levels and educational attainment** and to **invest in infrastructure** (sites and transport). However, the programme strategy also identified two specific opportunities, reflecting existing strengths:

- South Yorkshire must capitalise on its strengths as a centrally located area, well connected in part, with two excellent universities and a strong exporting tradition
- The Information and Communications Technology revolution provides a once and for all opportunity to 'get ahead of the game'.

However, the programme strategy recognised the risks that economic growth could further polarise well-being. It was therefore founded on core principles of environmental sustainability and social equity.

The **Vision** set out in the Programme was therefore:

To build a balanced, diverse and sustainable high growth economy in Yorkshire, recognised as a growing centre for high technology manufacturing and knowledge based services, and offering opportunities for the whole community.

The table on the next page outlines the Priorities and Measures which were distilled from this vision and strategy.

PRIORITY 1 – STIMULATING THE EMERGENCE OF NEW GROWTH AND HIGH TECHNOLOGY SECTORS

- | | | |
|----|---|------|
| 1. | Exploiting a business centred research capacity | ERDF |
| 2. | Investing in targeted SMEs | ERDF |
| 3. | Developing growth sector start-ups | ERDF |
| 4. | Attracting growth sector champions | ERDF |
| 5. | Supporting new employment opportunities | ESF |

PRIORITY 2 – MODERNISING BUSINESSES THROUGH ENHANCING COMPETITIVENESS AND INNOVATION

- | | | |
|-----|--|-------|
| 6. | Exploiting new market opportunities | ERDF |
| 7. | Accelerating the adoption of new technologies products and processes | ERDF |
| 8. | Maximising the potential presented by e-business | ERDF |
| 9. | Improving processing and marketing of agricultural products | EAGGF |
| 10. | Enhancing management and workforce skills and capacity | ESF |

PRIORITY 3 – BUILDING A WORLD-LEADING LEARNING REGION WHICH PROMOTES EQUITY, EMPLOYMENT AND SOCIAL INCLUSION

PRIORITY 3A – BUILDING A WORLD-LEADING LEARNING REGION

- | | | |
|-----|---|------|
| 11. | Creating a responsive training and education system | ESF |
| 12. | Enhancing the curriculum for the world of work | ESF |
| 13. | Developing an adaptable and entrepreneurial workforce | ESF |
| 14. | Building a learning infrastructure for the 21 st century | ERDF |
| 15. | Tackling gender imbalance in the labour market | ESF |

PRIORITY 3B – PROMOTING EQUITY, EMPLOYMENT AND SOCIAL INCLUSION

- | | | |
|-----|--|-----|
| 16. | Assisting people back into work | ESF |
| 17. | Tackling disadvantage | ESF |
| 18. | Expanding and supporting a thriving social economy | ESF |

PRIORITY 4 – DEVELOPING ECONOMIC OPPORTUNITIES IN TARGETED COMMUNITIES

PRIORITY 4A – SUPPORTING COMMUNITY ECONOMIC DEVELOPMENT

- | | | |
|-----|---|------|
| 19. | Helping communities to access jobs and training | ERDF |
| 20. | Building neighbourhood strength | ERDF |
| 21. | Developing ICT as a tool to fight social and economic exclusion | ERDF |
| 22. | Tools for re-integration | ESF |

PRIORITY 4B – HELPING COMMUNITIES MAKE THE TRANSITION TO ECONOMIC RENEWAL

- | | | |
|-----|--|-------|
| 23. | Integrated development in targeted coalfield and steel areas | ERDF |
| 24. | Promoting the adaptation and development of rural areas | EAGGF |
| 25. | Developing forestry resources | EAGGF |
| 26. | Broadening the agriculture and forestry skills base | EAGGF |

PRIORITY 5 – SUPPORTING BUSINESS INVESTMENT THROUGH STRATEGIC SPATIAL DEVELOPMENT

- | | | |
|-----|---|------|
| 27. | Seizing the opportunities of strategic economic zones | ERDF |
| 28. | Developing Sheffield City Centre | ERDF |
| 29. | Realising economic opportunities in urban centres | ERDF |
| 30. | Embedding the benefits of new business investment | ERDF |

PRIORITY 6 – PROVIDING THE FOUNDATIONS FOR A SUCCESSFUL PROGRAMME

- | | | |
|-----|---|------|
| 31. | Removing transport constraints on economic growth | ERDF |
| 32. | Improving access to finance for SMEs | ERDF |

Source: South Yorkshire Objective 1 Programme: Programme Complement (Objective 1 Programme Directorate)

3.2 Socio Economic Changes

3.2.1 Introduction

This part of the report outlines the key socio-economic changes which have occurred in South Yorkshire since the Programme was agreed. This section therefore responds directly to Evaluation Question 1:

Have the needs of the area, as defined in the SPD, changed since the programme was approved and to what extent is the programme strategy still relevant?

At the time of writing the Single Programming Document, GDP was 74.4 per cent of the EU average (73.2 per cent using the new method of calculation). GDP in South Yorkshire had fallen continually for a period of 15 years with the sub-regional economy lagging further and further behind EU and UK averages. Whilst some progress occurred in the late 1990s, this improvement was the result of the more buoyant UK economy rather than any advancement of South Yorkshire relative to the UK average.

Numerous factors contributed to South Yorkshire's poorly performing economy. On the employment side, it was reported that the economy was short of 68,000 jobs in comparison to UK averages and that the quality of the jobs available did not provide sufficient earnings to match the UK average. On the business side, it was reported that the sub-region lacked 14,000 VAT registered businesses and as with the employment side, the quality of local businesses was also reported to be poor, profits were lower, and the economy was overly depended on contracting and vulnerable sectors. Gross Value Added for manufacturing was noted to be 85 per cent of the UK figure.

The South Yorkshire economy depended upon the following sectors in contributing to GDP: minerals (coal mining), machinery and equipment, construction and metals, and depended less upon financial and business services amongst others in contrast to the national economy. Manufacturing accounted for approximately 20 per cent of employment while the service sector 70 per cent. Whilst EU and UK government policy stresses the contribution of small and medium sized firms to GDP in terms of employment and productivity, fewer people in South Yorkshire are employed in SMEs. This is despite the fairly equitable distribution of firms across different size bands, which are of similar proportions to the UK average. A comparable picture emerges with the number of self-employed persons. In 1998, 4.8 per cent of the workforce was self-employed in comparison to 6.2 per cent for the region and 7.0 per cent nationally.

During 1997, key features in the labour market demonstrated that South Yorkshire's position with regards to economic activity rates, unemployment levels, occupational structure were in marked difference to regional and national averages. Economic activity rates were 3-4 per cent lower in the sub-region for men and women compared to the national average and stood at 80.1 per cent and 70.4 per cent respectively. There were fewer full-time jobs and more part-time jobs (71:29) when compared to Great Britain (73:27). The occupational structure continued to reflect South Yorkshire's industrial history with less representation of 'higher order' managerial and professional jobs than what would be expected if the sub-region mirrored national averages. Only 30.4 per cent of employees compared to 36.7 per cent nationally were classified as occupying 'higher order' occupations.

Whilst unemployment levels have been falling in the sub-region the decline has been slower than that of Great Britain and the rate at 8.1 per cent remains higher than 6.3 per cent nationally. In 1998, using the ILO definition, South Yorkshire had 48,000 people unemployed. However, the number of employees in employment was noted to have increased from 426,300 to 445,000 between 1995 and 1997. Once again the rate of increase was less than that for Great Britain over the same time period.

Household incomes and earnings were also noticeably lower for the sub-region than nationally. In 1995, household incomes were 84.5 per cent of the UK average. Full time earnings were reported to be amongst the lowest in England. In 1998, for those who earn the least, (lowest 10 per cent) full-time weekly earnings were £170 compared to £182 nationally.

Similar patterns of divergence are also evident in the attainment of qualifications. At Key Stages 2 and 4, attainment levels are lower in South Yorkshire than in England and fewer 16-19 year olds participated in full-time education.

However, it should be stressed that most of the indicators used in the socio-economic review cover the time period 2000-02, a time when the Programme was still in its infancy. It is therefore highly unlikely that the Programme will have impacted upon these indicators.

3.2.2 Changes since the Programme was agreed

Since the SPD was approved, changes have occurred in the socio-economic conditions of the sub-region. However, while slight improvements or relatively minor adjustments have taken place, it is clear that the disparity between the sub-region and that of the UK economy remains relatively unchanged. This section reviews the key socio-economic changes that have occurred in South Yorkshire and draws on the findings of two reports: Progress in the Region 2002 and the South Yorkshire Economic Assessment 2002. Summary tables of the key changes are contained in Volume 2.

The latest figures suggest that while GDP has increased in South Yorkshire and now stands at 76.03 per cent of the EU average, the gap between the sub-region and the UK as a whole has barely altered. The South Yorkshire economy continues to struggle with issues of productivity, the stock of registered businesses and the level of Gross Value Added in manufacturing. Productivity levels remain below that of the region in regards to the top ten South Yorkshire employers. The number of VAT registrations (the main indicator of business start ups) exceeded the UK average in 2001. However, the total number of VAT registered businesses has fallen from 63 per cent to 59.6 per cent of the UK average, due to higher closure rates. This indicates a serious problem in business survival rates (in relative and absolute terms). Mirroring the fall in the number of businesses, there has been a 4 per cent decline in GVA in manufacturing when compared to the national average (84.9 per cent).

The level of foreign direct investment has also been lower than expected in the sub-region given its share of population and economic position. According to Yorkshire Forward data, since 1996 there have been 281 projects in the region of which 30 per cent have been in South Yorkshire. The performance of South Yorkshire in attracting inward investment has varied in recent years. In 2000, the sub-region only attracted 14 per cent of regional projects in comparison to 37 per cent and 34 per cent during 1997 and 1999 (above what might be expected, as the sub-region accounts for 26 per cent of the region's population). The figure of 14 per cent is probably an aberration rather than

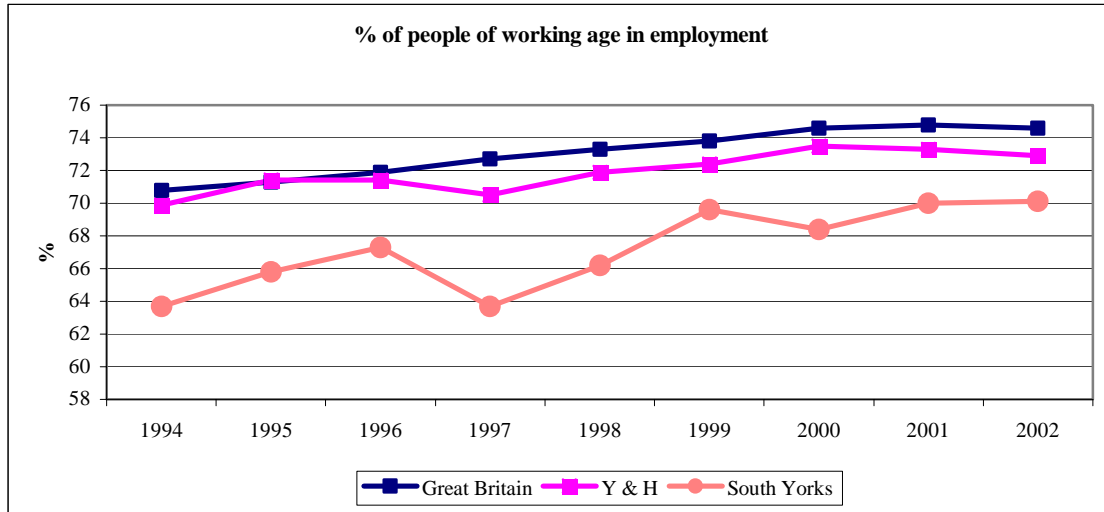
an indicator of a steep decline. Metals and related industries continue to account for the major share of inward investment into the locality, resulting in a consolidation rather than diversification of the economic base. As would be expected, the breakdown of employees by broad industrial groupings shows that the distribution of employees by sector remains relatively unchanged with minor increases taking place in service sector categories and a slight decline in manufacturing.

The population of South Yorkshire has remained remarkably stable over the last 20 years. This is perhaps surprising given the dramatic changes in the coal and steel industries. However, the number of people aged 30 years or less is falling, contributing to a growing ageing population. Nevertheless, economic activity rates for men and women have remained relatively unchanged with the largest increase taking place for men at just 2 per cent. This reflects a continuing gender imbalance between male and female participation in the workplace.

There has been a noticeable increase in employment levels in the sub-region, rising from 86 to 92 per cent of the UK average. This has had a commensurate effect in the relative value of average earnings. Unemployment levels have continued to fall for both men and women, albeit at different rates. In November 2001, the ILO unemployment rate for South Yorkshire was 6.1 per cent only 0.9 per cent higher than the figure for Great Britain. However male ILO unemployment rates remain significantly higher (30 per cent) than the national average. Claimant rates also show a decline in the level of unemployment in the sub-region. Furthermore the data shows that the rate of decline has been greater than that of Great Britain. However, the South Yorkshire rate at 4.6 per cent remains stubbornly higher than the national figure at 3.1 per cent. Long-term unemployment continues to be persistently higher than the national rate (it is 151 per cent of the national rate).

The following chart reveals how participation rates have narrowed considerably with those of the region and the country. However, the remaining gap may be difficult to close, as those remaining outside the labour market have the severest problems, including ill health and disability.

Chart 3.2: Change in Employment Participation



Source: NOMIS

For those that earn the lowest income there has been an increase from £170 to £183 full-time weekly earnings. The introduction of the minimum wage may be a contributing factor for this change.

Participation rates for 16-19 year olds in full-time education have risen (based on 2002 data). This may be due to the slight increase that has occurred in the number of pupils aged 16 gaining 5 or more GCSEs. The latest GCSE results (for 2003) show some significant improvements with the South Yorkshire local authority districts reducing the gap with the average for England. In 2003 51.8 percent of pupils in England attained 5 GCSEs between the A*-C (in comparison to 51.6 percent in 2002. This compares to results in South Yorkshire of: Barnsley 39.4 percent (in comparison to 35.4 percent in 2002); Doncaster 41.1 percent (39.6 percent); Rotherham 45.0 percent (41.6 percent); and Sheffield 43.8 percent (41.4 percent). The 2003 data are yet to be re-calibrated by DfES and are based analysis by each LEA of raw data. However, re-calibration is unlikely to change the results by +/-0.5 percent. These results are a marked improvement, although it is unlikely that the interventions by the Objective 1 Programme will have significantly impacted on the results.

3.2.3 Implications for the Programme

External Economic Conditions: Growth prospects are far weaker than when the programme was agreed. The economic recovery in the United States is fragile and there are very low growth forecasts for the euro-zone countries. Growth in 2002 was the lowest in the United Kingdom since 1992. Together these trends reflect the end of the long up-turn in the business cycle during the 1990s. The downturn in the business cycle has been amplified by a loss of business and consumer confidence due to international events, including September 11th and the Iraq war.

Specific sectors, including telecommunications and information technology, are also suffering from over investment during the late 1990s and low profits. This is reflected in

significant falls in the stock markets over the last three years. Although recession cannot be ruled out, it is likely that growth prospects in the remainder of the Objective 1 programme will remain weak. This will affect the context in which the Programme is implemented and the market conditions which projects face. Although the goal of economic restructuring remains appropriate, the medium term growth prospects for ICT and biotechnology companies are lower than anticipated.

There are also some indications that there are new threats facing the South Yorkshire economy. Much recent progress, notably the decline in unemployment, has been due to expansion in the service sector and in particular to low skilled and often low paid employment in call centres and retail sectors. The reliance on these sectors for employment holds two implications. Firstly, the slowdown in consumer confidence and spending is likely to impact on employment in retail. Secondly, technological advances mean that the cost advantages which local call centres did hold, have been dramatically undermined by opportunities to locate call centre functions in the South East Asia and India. These two trends may at best put increasing pressures on these sectors (through cost pressures and greater flexibilisation) and at worst lead to increases in unemployment.

Business Competitiveness: There remains an over concentration of employment in sectors which are continuing to rationalise and decline in South Yorkshire. High technology and finance sectors are growing in the sub-region but at a slower pace than the United Kingdom as a whole. The need for more high value added sectors remains of vital importance to increase GDP per capita. Closures and restructuring in the mining and metals sectors (most notably at Selby and restructuring of Corus at Rotherham and Stocksbridge) are in line with those anticipated in the original programme. However, they will both have specific local consequences to which the programme should actively respond.

The size of businesses in the sub-region continues to reflect the national picture although there remain far fewer micro-businesses (0-9 employees) than would be expected for a sub-region with South Yorkshire's population. Moreover, South Yorkshire continues perform poorly in creating new businesses. Although the trend has improved, the sub-region is not generating net new businesses as quickly as the national average. Given the key deficit of businesses in the sub-region (14,000 fewer than would be expected) support for business start-up, incubation and entrepreneurship remains.

However, there are differences across the sub-region with the stock of companies improving in Rotherham and Doncaster whilst declining in Barnsley and Sheffield. To a large extent these trends mirror those of other north of England metropolitan areas. However, with business start-ups strongly correlated to prospects for growth, it may prove more difficult to significantly increase start-up rates in the remainder of the programme. Analysis of the change in the stock of VAT registered companies reveals that between 2000 and 2002, the number of companies declined by 260 to 22,180.

Further analysis reveals that although South Yorkshire performs poorly in business start-ups compared to the national average, this picture is heavily skewed by the South East economy. Comparison against a basket of similar urban regions, typically in the north of England, shows that Sheffield's economic performance is not significantly out of line with other similar areas, and may even be out performing them.

Innovation and Technology: Expenditure by business, and to a lesser extent by government, is heavily skewed towards the South East and Eastern regions of the

United Kingdom. Although 2002 saw an improvement in the number of South Yorkshire firms with an R&D budget (from 11.5 percent to 12.8) the overall picture remains poor.

The use of information and communications technology by South Yorkshire companies has converged with regional and national averages although performance still remains very poor. Only 51.8 percent of South Yorkshire firms in 2002 had a website compared to 77 percent in the region and 80 percent nationally. The figure in Rotherham stands at 43.8 percent. Only 16 percent of companies use the internet for e-commerce. 80.6 percent of companies do however use the internet although this still lags behind the wider region (91 percent) and the United Kingdom (94 percent).

E-commerce remains a major opportunity and threat to the economy. Although regional performance in e-commerce remains strong, the performance in South Yorkshire is poor. This should be a strong focus of a programme designed to increase the trading base of the sub-region.

Wider analysis of the research, development and innovation capacity of the sub-region shows that it continues to be very weak on both national and EU measures. Although some parts of the business base do invest considerably in research and development the overall picture is poor. However, and reflecting the original strengths of the programme, the research base in Higher Education remains strong and has generally been strengthened by the 2001 Research Assessment Exercise. With Higher Education Funding being increasingly geared towards research 'centres of excellence' there may be new opportunities for the programme to better capitalise on some of these strengths.

Employment: Unemployment is significantly lower than when the programme was agreed and there has been considerable convergence with national averages. This change reflects the currently high level of employment in the United Kingdom. However, the majority of new jobs in the sub-region have been part-time and typically in low value added service sectors. Women and part-time workers now make up a far larger proportion of employees in South Yorkshire than the national average. However, there remain geographic pockets of high claimant unemployment. Employment is forecast to continue to grow in South Yorkshire in line with continued restructuring of the economy and the growth of service sector occupations. However, new service sector jobs, for example in caring and personal service professions, will increasingly require higher qualification levels (NVQ2 and NVQ3).

There are currently about 25,000 unemployed people in South Yorkshire – a figure which is below the target for the numbers of net jobs to be created by the Programme (33,600). This is an inconsistency: the jobs target is unrealistically high, even considering for flows into and out of unemployment.

Analysis by Yorkshire Forward reveals those sectors likely to experience fastest employment growth between 2001-2011. These forecasts assume a steady rate of growth in the economy. It can be anticipated that between fifth and quarter of these jobs may be created in South Yorkshire. The significant increases in health reflect the increases in spending announced in UK Budget 2002 and the wider changes required to modernise the NHS as part of the NHS Plan and the Wanless Review.

Table 3.1: Forecasts for Employment Growth by Sector

| Yorkshire and Humber Forecast Sectoral Changes in Employment (2001-2011) | |
|---|--|
| Sector | Forecast increase in FTE Employment |
| Health | 38,980 |
| Education | 25,130 |
| Hotels and Catering | 14,300 |
| Banking | 12,010 |
| Construction | 9,570 |
| Cultural and Sporting Activities | 8,630 |
| Communications | 8,460 |
| Land Transport | 6,660 |
| Auxiliary Services | 6,650 |
| Insurance | 6,400 |
| Supporting Services | 6,010 |

Source: Yorkshire Forward Econometric Model (Progress in the Region, 2002)

Although (public sector) health employment is ineligible for Structural Fund assistance, and indeed is an area which is dominated by UK government spending, there may exist opportunities within the Programme to capitalise on these increases and to stimulate new employment opportunities for disadvantaged groups. Increases in construction and cultural/sporting activities employment will also significantly benefit the South Yorkshire economy.

Workforce and Skills: Qualification and skill levels in South Yorkshire remain poor. This is a major barrier to an area which aspires to create great numbers of well-paid, skilled jobs. 36 percent of people in South Yorkshire aged between 16-74 have no qualifications, compared to 29 percent in England. This is a major barrier to inclusion and to developing a stronger economy. Progress in GCSE and GNVQ achievements for 5 or more A*-C grades has been erratic and has fallen back in the 2001-02 year.

Although the retention of young people at 16 in the education system remains low there have been some marked improvements, particularly in the numbers going into some form of government funded training. However, there remain considerable barriers to training. These typically include cost and time pressures but also childcare and family issues. In Barnsley, ill-health is also a considerable barrier.

Social Inclusion: Although employment levels are increasing the quality of jobs being created is relatively low with level of earnings in the sub-region falling relative to the national average. However, 3.3 percent of the working population (nearly 26,000) were registered unemployed at the start of 2003. This is nearly a fifth higher than the national average. There is still clearly a need for active labour market policies and for the role of Jobcentre Plus in the sub-region.

The wider problem of worklessness remains a more significant problem with those economically inactive but of working age often facing multiple barriers in re-entering the labour market. Notable barriers in South Yorkshire include the prevalence of ill-health, especially in the former mining areas, and dependence of many on care: this is typically provided by another family member. This pattern of disadvantage remains geographically concentrated.

Between 1991 and 2001 there has been a substantial increase in the number of lone parents and lone parent households, reflecting a national trend. However, this trend is

stronger in South Yorkshire, with lone parents more likely to be teenagers than the national average.

Health: Poor health remains a considerable barrier to social and economic inclusion. The 2001 UK Census has revealed the extent of this problem. This is a major contributor to economic inactivity in the sub-region, perhaps on a scale greater than headline figures suggest, and has considerable knock-on effects on the labour market, in particular the reliance of those suffering poor health on care assistance: often provided on a voluntary basis by immediate family members.

The following table reveals that ill-health within the region is heavily skewed towards the sub-region. This is strongly correlated with the industrial legacy of the area. However, the data also suggests that ill-health is also a problem for those in the workforce and poor occupational health may lead to economic inactivity following unemployment. Further data are provided in Volume 2.

Table: 3.2: State of the Region's Health: 'health not good'

| Yorkshire and The Humber | Value | Percentage | Ranking |
|--------------------------------|--------------|-------------|----------|
| Barnsley | 30749 | 14.1 | 1 |
| Wakefield | 38701 | 12.3 | 2 |
| Rotherham | 29934 | 12.1 | 3 |
| Doncaster | 34322 | 12 | 4 |
| Sheffield | 58069 | 11.3 | 5 |
| Kingston upon Hull; City of UA | 27370 | 11.2 | 6 |
| Scarborough | 11032 | 10.4 | 7 |
| Bradford | 47464 | 10.1 | 8 |
| Calderdale | 18931 | 9.8 | 9 |
| Leeds | 70247 | 9.8 | 10 |
| Kirklees | 37945 | 9.8 | 11 |
| North Lincolnshire UA | 14809 | 9.7 | 12 |
| North East Lincolnshire UA | 14689 | 9.3 | 13 |
| East Riding of Yorkshire UA | 27468 | 8.7 | 14 |
| Craven | 4388 | 8.2 | 15 |
| York UA | 14487 | 8 | 16 |
| Selby | 6089 | 8 | 17 |
| Ryedale | 3944 | 7.8 | 18 |
| Hambleton | 6371 | 7.6 | 19 |
| Harrogate | 10906 | 7.2 | 20 |
| Richmondshire | 3159 | 6.7 | 21 |

Source: UK Census 2001, ONS

3.3 Policy Drivers

This section outlines key policy changes at the EU, national and regional/local levels since the Programme was agreed. This section responds directly to Evaluation Question 2:

What changes, if any, are necessary to the programme strategy and to the plans for its delivery

3.3.1 European Union Developments

Many of the major policy changes in the European Union were anticipated by the Objective 1 programme: for example, enlargement to central and eastern Europe. However, there have also been specific policy developments which should be reflected in the Mid Term Review. These should assist in helping the programme focus on key drivers for economic restructuring.

Employment and Human Capital Investment: draft employment guidelines to inform the European Employment Strategy and National Action Plans for Employment were announced in April. The key issues for the United Kingdom regions are, the need to increase the emphasis on preventative measures to reduce the risk of long term and structural employment, the need to promote the employability of older workers recognising the growing ageing workforce, the need to maintain a strong focus on gender equality, and through social partnership (including at the workplace level) to specifically address basic skills and skills gaps in the labour market.

Sustainable Development: a new Sustainable Development Strategy has been agreed together with an environmental action plan. For the Structural Fund programmes, these call for programme management to encourage projects to address more than one form of development (social, environmental or economic) at any one time.

Research and Development: policy developments include the launch of the Sixth Framework Programme for research and development. The programme's overall objective is to assist in the creation of a European Research Area (i.e. greater integration and coordination of Europe's R&D efforts). Regions are given a strong role in this, and support for direct links between the research centres of excellence and Structural Funds activities are encouraged. Guidelines for the Structural Funds also call for greater transfer of innovative actions into mainstream practice (for example the region's Knowledge Rich initiative) and for continued support to local and regional economic clusters.

Information Society: the low utilisation of information and communications technologies in business, education and training, is seen as a continued barrier to increasing employability and competitiveness in Europe. This is reflected in Structural Funds guidance which calls for disadvantaged regions to continue to address these barriers to the use and uptake of ICT.

3.3.2 National Policy Developments

The UK government's economic and social policies are developed within a broad framework which seeks to ensure macroeconomic stability, improvements to productivity and sustainable levels of economic growth. National policy initiatives relating to social and economic development are nearly all now delivered at a regional and local level, with overall funding decisions informed by regional differences.

Although this trend started before the programme was agreed, it has developed rapidly with key regional institutions (RDAs, Regional Assembly and regional Government Offices) given greater roles in policy development, coordination, delivery and scrutiny. This trend will be reinforced with proposals for elected regional assemblies in England. It is anticipated that there will be a referendum in Yorkshire and Humber in 2004/05.

Changes brought by the Local Government Modernisation Agenda, and in particular the development of local strategic partnerships and their role in social inclusion, will also have a significant impact on the programme. This brings implications both for the development of new project activity within the programme, but also the coordination of activities at the local level.

The most recent Comprehensive Spending Review (2002/03 to 2005/06) has brought significant increases to education, health and innovation budgets. This should provide greater opportunities for the Objective 1 programme.

The reform of the EU Structural and Cohesion Policy, and in particular plans for Structural Funds post 2006, will also have a significant impact on the region and in particular how South Yorkshire's existing Objective 1 programme is deployed. The UK government is pressing for greater flexibility in the use of Structural Funds. South Yorkshire will still receive significant funding from the Structural Funds after 2006 through being a transitional or phase-out area. However, beyond 2010 the sub-region is likely to be in receipt of significantly less EU regional assistance. The use of the current Programme and future programmes should therefore be concentrated on activities which are sustainable and can contribute significantly the goals of economic restructuring.

The following outline the key policy shifts which affect the implementation of the Objective 1 programme:

Regional Policy: the Regional Development Agencies have been given the strategic lead in the delivery of UK regional policy. From April 2002, the UK government has brought together the main regional policy funding streams in the Single Pot. The Regional Economic Strategy provides the framework for the delivery of the Single Pot. In Yorkshire and Humber, regional and sub-regional action plans are then used to prioritise investments in the region. Although RDAs were in existence prior to the Programme being agreed, changes to the delivery of UK regional policy have been wide ranging and should be considered as part of the Mid Term Review. A key issue is identifying how the Objective 1 Programme and UK regional policy instruments can operate most effectively together.

Education: education funding has been increased by around 6 percent per annum up until 2005-06. Although focused on key national educational policy drivers of improving standards and qualifications, it brings significant implications for the programme. These are primarily those outlined in the 14-19 Education Green Paper and increasing emphasis on vocational education and specialist schools. The government's

commitment to widen participation in higher education will also impact on both schools, further education colleges and the universities in the sub-region.

Skills: The focus of skills policy has been around new targets to improve basic skills for adults and the expansion of Modern Apprenticeships. The focus for skills policy has been around improving employability of individuals with policies closely aligned to employment policy (around Jobcentre Plus) and business productivity. The Framework for Regional Employment and Skills Action (FRESA) will become more important in the remainder of the programme for setting regional policy objectives and for steering funding. The national Skills Strategy will potentially bring significant changes to the delivery and coordination of skills policies in the sub-region. This is likely to include increasing emphasis on increasing coordination of skills and business competitiveness policies. The Employer Training Pilots, one of which will be delivered in South Yorkshire, herald key changes in this area and also bring increasing levels financial contributions to companies participating in training to support basic skills (up to 125 percent of training costs).

Employment: the launch of Jobcentre Plus and the increasing focus of the employment New Deals on worklessness and economic inactivity brings implications for how the delivery of Priority 3b of the Objective 1 programme can be enhanced. Changes around New Deal and Jobcentre Plus have had more complex impacts on the Objective 1 programme, again in particular relation to Priority 3b and the ILM projects. As the Department of Work and Pensions is driven to be more innovative in moving benefit claimants into work, there may be a tendency for the Employment Service / Jobcentre Plus to bring employability programmes 'in house', as in the case of the Step Up ILM-type scheme. This may diminish the amount of co-financing available as resources are moved from additional New Deal Programmes to in-house activities.

Neighbourhood Renewal: the Neighbourhood Renewal Fund will bring £900 million over the next three years to the 88 most deprived local authority districts, including the four districts in South Yorkshire. The Local Strategic Partnerships have a lead role in the coordination of local neighbourhood renewal activities. Significant resources will be allocated to health and crime-prevention initiatives, both of which are outside the current remit of the Objective 1 programme. The community driven processes of Priority 4 have flowed with the tide of recent government policy initiatives. Neighbourhood Renewal is a complementary source of funding which will aid Community Action Plans and improve mainstream services in the target areas. Priority 4 has also ensured that the Action Plans are an integral part of the community planning process of Local Strategic Partnerships (an emerging part of the UK's Local Government Modernisation Agenda).

Social Enterprise: the government has also given renewed emphasis to social enterprise with the launch by the DTI of the Strategy for Social Enterprise in 2002. Together with proposals at consultation stage for the future funding of the voluntary and community sector ('Futurebuilders'), the role of the voluntary and community sector is likely to change significantly, both in the delivery of public services but also in the sector's contribution to employment and locally based regeneration. Priority 4 projects have a close interface with those in Priority 3b looking to develop community enterprise. In this field the policy document 'Social Enterprise: a strategy for success' produced by the DTI in July 2002 and 'The Role of the Voluntary and Community Sector in Service Delivery' (Treasury September 2002) have increased both the amount of support directed at the social economy and the political desire to open up public sector contracts to organisations addressing social disadvantage. This could help underpin Measure 18

(Expanding and supporting a thriving social economy) in the second half of the programme.

Transport: significant changes have occurred since the agreement of the Programme to UK transport policy. This has already brought implications for Measure 31. In particular the restructuring of rail development with the creation of Network Rail and new remit of the Strategic Rail Authority has altered the policy environment. Although both the South and West Yorkshire Multi-Modal Study (SWYMMS) and the Yorkshire Forward Transport Priorities support key rail developments in South Yorkshire (Sheffield-Barnsley-Leeds rail link in particular), these are unlikely to come to fruition in the lifetime of the programme. More promisingly, links between transport plans, the Programme and the Highways Agency have strengthened with greater potential to bring forward site developments in lieu on highways improvements.

Housing: the two principal policy developments in this area since the programme was launched include: ODPM's 'Sustainable Communities: building communities for the future' which addresses mismatches between the supply and demand of housing, primarily housing shortages in the South East of England); and the related housing pathfinder initiatives to address the problems faced by areas suffering from extremely low demand for housing. One housing pathfinder is being delivered in Doncaster. Although housing policy is outside the direct scope of the programme, it does have significant implications for the targeting on disadvantaged communities and for the location of economic activity in the future.

Urban Renaissance: the Urban Renaissance White Paper (published in November 2000) set out the government's priorities for urban development. It made recommendations for the use of previously used land within urban areas (for commercial and residential use) and outlined how activities should be coordinated. This reinforced the rationale for Urban Regeneration Companies (such as Sheffield One) and the approach taken by the Urban Centre Measures of the Programme.

Technological Development and Innovation: the government has increased the science budget by 10 percent in real terms for the period 2002-03 to 2005-06. This budget is primarily targeted at the higher education sector and increasingly the top-rated departments within universities. However, science policy is increasingly tied to wider policies for business competitiveness. The Higher Education Innovation Fund, which supports links between universities and their local and regional economies, will therefore in future be coordinated by the regional development agencies. The government has also extended R&D tax credits to both small and large companies.

Rural Policy: For the three rural measures within Priority 4b, Foot and Mouth Disease, although not directly affecting South Yorkshire, has had impacts on farming and tourism in the wider region. This has brought a willingness on the part of DEFRA to push forward the Programme as rapidly as possible, as part of the wider Rural Recovery Plan.

Health: One noticeable addition to the RES has been its new emphasis on *health* (following the NHS Plan and the Wanless Review of public health expenditure). This recognises the role of health (both its provision and its links to economic development) in the regional agenda. Health was an area omitted from the Objective 1 Programme and has not traditionally been an area to receive Structural Funds support. However, the concentration of those who are economically inactive due to poor health in South Yorkshire suggests that this area could warrant further exploration, particularly as claimant unemployment rates have fallen. Moreover, the NHS Plan also sets out the potential economic contribution of the NHS, in particular through teaching hospitals and

centres of medical research, to economic development through the commercialisation of intellectual property.

3.3.3 Regional and Local Policy Developments

Revision of the Regional Economic Strategy: although most changes to the regional economic strategy are in line with the SPD there has been a greater focus on the need for an 'urban and rural renaissance'. This heralds a greater focus on urban centres and on the role of market towns within rural areas. Other changes include support to attract private and public investment to the region, including capitalising on anticipated increases in NHS expenditure. The delivery of the RES has also evolved since the agreement of the SPD. The use of sub-regional action plans now provide a much clearer framework for the prioritisation of Single Pot investments. It is also intended that the sub-regional action plans will become 'investment plans' for each sub-region. The operation of the South Yorkshire 'investment plan' and the Objective 1 Programme for the remainder of the Programme is a key issue to be addressed by the Mid Term Review. As the socio-economic analysis demonstrates, the success of the Objective 1 Programme is contingent on the focus of other regional policy instruments on South Yorkshire.

Finningley Airport: in March 2003, the UK government concluded its Planning Inquiry into proposals for a new international airport at Finningley, near Doncaster. The airport is aiming to have its first commercial flight in 2004 and be fully operational in 2014 when it is anticipated that the airport will become a major regional airport in the UK.

Spatial Study: the South Yorkshire Spatial Study outlines a series of scenarios for the development of South Yorkshire. Although the impact of specific scenarios will largely be long term, and beyond the lifetime of the programme, the strategy does have more immediate implications for programme. These should serve to guide the implementation of programme resources, particularly in Priority 5.

3.4 SWOT Analysis

The following table shows the SWOT analysis which underpinned the original Single Programming Document (SPD). The SWOT analysis forms the link between the socio-economic analysis and policy analysis of the original SPD with its strategy, priorities and measures. Revisiting the SWOT analysis in light of socio-economic changes and new policy drivers therefore highlights implications for the programme.

The SWOT analysis was wide ranging and some revisions should be considered as part of the Mid Term Review. However most of the SWOT analysis remains relevant to the sub-region.

Table 3.3: South Yorkshire Objective 1 Programme SWOT Analysis

| STRENGTHS | WEAKNESSES |
|---|--|
| <ul style="list-style-type: none"> • Inexpensive commercial property • Quality Higher Education • East Coast Mainline Access • Airports • Low Cost of Living • Manufacturing and Exploiting Heritage • Central location of all Centres • Access to Countryside • Development of Dearne Valley and Meadowhall • Growth of Medium Sized Firms • Tier 1 state aid | <ul style="list-style-type: none"> • Long term unemployment • High deprivation • Poor education performance • Low high order occupations • Image of area in decline • Weak property market • Low small firms base/entrepreneurship • Low ICT usage by business • Low gross value added • Outmoded transport • Low interest in training • High percentage unskilled • Low childcare provision • Gender segregated labour market • Inadequate ICT in Education • Poor environment/derelict land • Poor rental values/low profit margins • Lack of quality industrial accommodation • Hidden deprivation exists amongst agricultural workers |
| OPPORTUNITIES | THREATS |
| <ul style="list-style-type: none"> • Use cost advantage to attract business investment • Provide research and development support from HE to growing businesses • Provide high skilled managers and workers through HE • Attract growth sector companies • Improve access in South Yorkshire to Doncaster rail link • Increase business access to and from South Yorkshire • Increase visitor numbers in South Yorkshire • Attract professionals/managers from South East • Reinforce/develop competitiveness • Develop links N/S/E/W especially where currently weak • Attract/reinforce tourist investment • Create further economic development • Support growth of established sectors • Attract new sectors • Lever investment (new and existing) | <ul style="list-style-type: none"> • Inability to respond to economic growth • Lack of skilled staff to support growth • Inability to attract new investment • Inability to create job opportunities • Danger of technology underclass and declining competitiveness • Further decline of manufacturing base • Further economic decline • Lack of skilled staff to support growth • Income disparities widen • Increased gender inequality |

The following tables analyse each element of the SWOT in light of policy and socio-economic changes but also in terms of whether the Programme has responded to the particular issue.

Table 3.4 Change in 'Strengths'

| Issue | Change |
|---|---|
| • Inexpensive commercial property | Remains the same, but shortage of high quality property |
| • Quality Higher Education | Confirmed by RAE 2001 and strengthened in some particular areas |
| • East Coast Mainline Access | Remains the same |
| • Airports | New opportunity presented by Finningley but Sheffield Airport now closed for commercial flights |
| • Low Cost of Living | Remains the same |
| • Manufacturing and Exploiting Heritage | Remains the same |
| • Central location of all Centres | Remains the same |
| • Access to Countryside | Remains the same |
| • Development of Dearne Valley and Meadowhall | Fewer developments now coming forward in the Dearne and EZ status set to end |
| • Growth of Medium Sized Firms | Remains the same |
| • Tier 1 state aid | Remains the same |

The Strengths table reveals that many issues remain broadly similar to when the Programme was originally agreed.

Table 3.5 Change in 'Weaknesses'

| Issue | Change |
|--|---|
| • Long term unemployment | Headline indicator has fallen, but inactivity remains the same |
| • High deprivation | Remains with focus on particular areas and groups. |
| • Poor education performance | Remains |
| • Low high order occupations | Increased disproportionately by greater number of service sector jobs |
| • Image of area in decline | Stabilised and improved in key areas (urban centres) |
| • Weak property market | Stabilised and improved for commercial and residential property, but still severe problems in parts of housing market |
| • Low small firms base/entrepreneurship | Remains |
| • Low ICT usage by business | Remains |
| • Low gross value added | Remains |
| • Outmoded transport | Remains |
| • Low interest in training | Remains |
| • High percentage unskilled | Remains |
| • Low childcare provision | Remains a weakness although some local improvements |
| • Gender segregated labour market | Change to increase service sector and part time employment may have reinforced labour market segregation |
| • Inadequate ICT in Education | Being addressed at pre-16 level |
| • Poor environment/derelict land | Remains but some improvements / plans for improvements |
| • Poor rental values/low profit margins | Remains similar although some change to rental values in urban centre and motorway locations |
| • Lack of quality industrial accommodation | Still remains insufficient |
| • Hidden deprivation exists amongst agricultural workers | Remains and may have increased |

In most cases the Weaknesses still exist although the Programme is funding projects to address key issues.

Table 3.6 Change in 'Opportunities'

| Issue | Change |
|--|---|
| <ul style="list-style-type: none"> Use cost advantage to attract business investment | Remains in place and P1 and P5 are seeking to capitalise on this |
| <ul style="list-style-type: none"> Provide research and development support from HE to growing businesses | Some activities in place and roll out of Cluster plans may help capitalise of this opportunity |
| <ul style="list-style-type: none"> Provide high skilled managers and workers through HE | Remains an opportunity with little development at NVQIII/IV skill levels |
| <ul style="list-style-type: none"> Attract growth sector companies | Remains an opportunity and package beginning to be put in place. However, increasing difficulty in attracting companies due to slow-down. |
| <ul style="list-style-type: none"> Improve access in South Yorkshire to Doncaster rail link | Not addressed |
| <ul style="list-style-type: none"> Increase business access to and from South Yorkshire | Not addressed |
| <ul style="list-style-type: none"> Increase visitor numbers in South Yorkshire | Limited change although projects being established to address business tourism and cultural and recreational tourism |
| <ul style="list-style-type: none"> Attract professionals/managers from South East | Limited change and reliant on change in economic base and image of area |
| <ul style="list-style-type: none"> Reinforce/develop competitiveness | Priorities 1, 2, 3, 5 and 6 should address this issue. |
| <ul style="list-style-type: none"> Develop links N/S/E/W especially where currently weak | Limited scope for major improvements to transport infrastructure to time horizon and cost. |
| <ul style="list-style-type: none"> Attract/reinforce tourist investment | Opportunities are limited and focused on specific activities. |
| <ul style="list-style-type: none"> Create further economic development | Focus of Priority 1 |
| <ul style="list-style-type: none"> Support growth of established sectors | Focus of Priority 2 |
| <ul style="list-style-type: none"> Attract new sectors | Focus of Priority 1 |
| <ul style="list-style-type: none"> Lever investment (new and existing) | Focus of Priorities 1 and 5 and reinforced by RES Strategic Objective to attract public and private sector investment |

Table 3.8 Change in 'Threats'

| Issue | Change |
|---|---|
| • Inability to respond to economic growth | Context has now changed – growth prospects are more fragile |
| • Lack of skilled staff to support growth | Remains |
| • Inability to attract new investment | Package being developed and some flagship projects being pursued. However, volume beneath programme expectations. |
| • Inability to create job opportunities | Jobs being created but in low paid service sectors |
| • Danger of technology underclass and declining competitiveness | ICT access remains a concern especially in companies, but access to computers has increased and e-Learning project should reduce risk. |
| • Further decline of manufacturing base | Decline has continued. |
| • Further economic decline | Decline has been reversed and GDP per head increasing, mainly due to increasing labour market participation, and wider growth in the UK economy. |
| • Lack of skilled staff to support growth | Skills remain weak and with high proportion having no skills. |
| • Income disparities widen | Limited evidence on whether there has been a significant change although disparities may be becoming more entrenched (due to economic inactivity) |
| • Increased gender inequality | Although female workforce participation has increased this has been predominately in low paid service sectors. |

3.5 Stakeholder Consultation

The survey of stakeholders revealed a range of perspectives of the development of the Programme strategy and its continued relevancy. All agreed that the programme was complex and wide ranging. However, there were some concerns that the 'programme was far too dominated by high technology "step change" and "urban growth"'. This reflected a wider questioning of the continued realism of Priority 1.

Most respondents recognised the strength of the strategies which had been put in place – at least for the parts of the programme they were directly concerned with. Most respondents also recognised that the projects developed were consistent with the SWOT and that there was a focus on addressing the issues in the SWOT analysis. However, some noted that there were 'too many separate strategies' and that 'poor integration [is] leading to delays in delivery.' Some respondents also commented that there exist new opportunities for partnership at the sub-regional (through the South Yorkshire Forum) and at the local level (through Local Strategic Partnerships).

Integration was seen as a key theme and reflected by comments that 'FE, LEAs and the Voluntary/Community sectors are going in different directions' and that 'support needs to be integrated in key areas'.

Asked whether the programme strategy needed to change as part of the Mid Term Review, stakeholders generally supported the content of the Programme, although most recognised that it needed to be updated. Key areas for change or consideration included:

- 'High technology focus is relevant but in current market conditions needs to be de-prioritised'
- 'Recognise the NHS as an economic player and the importance of good health to academic achievement, employability, business competitiveness and productivity'
- 'Reflect the make up of the workforce and the fall in unemployment'
- 'Reflect local needs and those who need help most'.

The requirement to restructure the economy to ensure long term sustainable development remains. However, key changes which may be addressed as party of the Mid Term Review include: recognising the change in market conditions; recognising the increasing employment opportunities in the service sector and in the NHS; and in re-targeting measures in light of the reduction in claimant unemployment.

3.6 Conclusions

The following highlights the implications for the programme in light of the socio-economic changes and the review of key regional and national policy drivers.

- **Attracting inward investment**, and in particular companies which can act as growth sector champions, remains of vital importance to restructuring the sub-regional economy. Although focusing on growing existing businesses and increasing local start-ups is also required, the existing structure of the economy is too narrow for significant change to be achieved.
- **Low international growth** prospects however limit new inward investment opportunities. The approach to inward investment therefore needs to be highly focused and maximise opportunities from existing linkages. These may be from the supply chains of companies in the region, professional services companies or the research and development base.
- The review of socio-economic conditions, and changes since the Programme was agreed, suggests that many of the **original targets are too high**. The fall in unemployment, with only 25,000 unemployed, highlights that the job creation target of 33,600 net jobs is both unrealistic and inappropriate. Moreover, the weak growth prospects for key programme sectors suggest that the target for **gross jobs** in Priority 1 (20,480) is also too high. The combined effects of low growth prospects, but with continued low unemployment, suggest that both gross and net jobs targets may be up 50 per cent too high. Forecasts made by Yorkshire Forward for employment growth in the region up until 2010 suggest that none of the chosen sectors by the Objective 1 Programme will experience significant employment growth. Indeed none of the targeted sectors appeared in the list identified by Yorkshire Forward. A reduction in the net jobs target to between 16,000 and 18,000 jobs would bring the Programme back into line with estimates made in the

development of the SPD. The Programme is also aiming to create **2,750 net new businesses** in targeted sectors. Changes in the VAT registered stock of businesses between 2000 and 2002 highlight that such change will be difficult to achieve in the target sectors.

- A key barrier to restructuring the economic base remains the **low skills base**. Further action is needed to address low levels of basic skills both in the workforce, the economically inactive and unemployed. This is a critical area to address given the continued vulnerability of jobs in traditional manufacturing sectors.
- The approach to **Workforce Development** needs to be revised in light of the recent national Skills Strategy. This is most likely to affect the environment within which the Programme is implemented.
- Significant **falls in claimant unemployment rates** suggest that the balance in targets for reducing unemployment should change. The current focus on the unemployed by age range and duration of unemployment should shift towards those who are economically inactive and also to improve the skills of those already in the labour market. Although Priority 3B, which addresses those who are out of the labour market has been effective in achieving its gross targets (see later section), it should have a greater focus on the economically inactive. Moreover, there is also a case for shifting resources to activities which support those in work (in particular in Priority 3A). Supporting economically inactive target groups back into the labour market is extremely difficult, requires a range of actions and progress for some can only be measured by distance travelled and not direct employment outcomes.
- **Urban renaissance policies** and the **South Yorkshire Spatial Study** should provide a clearer framework for the delivery of activities in Priority 5. Although boundary definitions remain consistent with proposals, some consideration should be given to creating combined Urban Economic Zones. This would improve alignment between local and sub-regional (RSY) delivery teams. This is explored in more detail in the recommendations drawn from the review of Priority 5.
- The delivery of the programme should complement the **regional agenda** and **modernisation of local government** (in particular Local Strategic Partnerships). However, this relationship should be both ways: the regional agenda and LSPs need to recognise the particular needs of South Yorkshire and remain committed to the delivery of the Objective 1 programme. For example, greater consistency needs to be shown between local activities around Neighbourhood Renewal and Priorities 3B and 4A of the Programme. A key driver should be in ensuring the sustainability of strategic investments and key policy making structures beyond the lifetime of the programme.
- Developments in **UK regional policy** and in particular the bringing together of regional funds in the Single Pot, the increased role of the Regional Economic Strategy, and the development of sub regional action plans as investment plans should be reflected in the Mid Term Review and in particular in the identification of the most appropriate mechanisms to coordinate Objective 1 funding with Single Pot resources. In many respects the development and delivery of the Objective 1 Programme should provide a very strong basis for the operation of the new UK regional policy framework in South Yorkshire. However, the socio-economic analysis also confirms that South Yorkshire needs to remain a priority of UK regional policy instruments for the Programme to be successful.

- **Increases in public expenditure** as a result of the CSR should, where possible, work in concert with the Programme. A particular area of opportunity is in the increases in NHS expenditure coupled with the modernisation agenda in the NHS. This could provide targeted employment opportunities for groups facing multiple barriers to re-enter the labour market and scope for the programme to address the brake on development caused by ill-health. It is recommended that this issue is explored by the Programme Directorate and South Yorkshire Strategic Health Authority, that actions are identified in the sub regional action plan, and that an assessment is made as to whether additional eligible actions need to be considered for inclusion by the Mid Term Review.
- The granting of planning permission for an international airport at **Finningley** presents a considerable long-term opportunity to the sub-regional and wider regional economy. Support from Objective 1 should be used to maximise the economic benefits from the airport. Activities may include, improving road and rail access to the airport, investing in business sites and premises, supporting companies move to the area which have strong links to the airport and ensuring that employment opportunities are accessible for all in South Yorkshire (requiring support to transport across the sub-region and to skills and active labour market policies). Provision for this range of activities already exists, in broad terms, within the programme. Work is currently being undertaken to assess the regional economic contribution of the airport and the public policy interventions which are required to maximise this impact. Some of these may be eligible for Objective 1 assistance (in particular concerning transport and skills) and this may require some modifications to eligible actions, targets and financial allocations to IDPs (in particular for the M18 and Doncaster Urban Centre). However, as with all Structural Fund projects, there must be a strong and proven business case for targeted public investment.
- The policy and socio-economic review should inform the planning and discussions around **regional policy programmes after 2006**. It is likely that South Yorkshire will still suffer from a range of economic weaknesses in 2006 and that a programme addressing a range of supply and demand side issues will still be required. However, consideration should be given both to the scope of the programme and the mechanisms through which it is implemented. One approach would be to give each of the Priorities a much sharper focus. The emerging regional agenda and the role of LSPs also suggest that Programme delivery should continue to be embedded in lead organisations committed to the delivery of a distinctive sub-regional programme.

4 OVERVIEW OF PROGRESS OF PRIORITIES AND MEASURES

4.1 Introduction

Sections 4-12 of this report examine the progress being made in implementing the Priorities and Measures of the Programme. These sections address evaluation questions 5 and 6 and form a key input into the assessment of the Performance Reserve criteria. The two questions are:

What progress has been made toward achieving the quantified targets for expenditure, gross outputs and results?

What progress is being made towards achieving the planned programme impacts?

4.1.1 Assessing Progress Against Output and Expenditure Targets

In assessing progress towards quantified targets for expenditure, gross outputs and results, the following issues are considered:

- Analysis of the Programme at Measure level, with explanations as to why there are differences between planned and achieved attainment.
- Commentary on the realism of the targets.
- Recommendations for improvements or refinements to the quantification of targets.
- Fully substantiated estimates of unit costs based on a suitable sample of measures and larger projects.
- Commentary on overall progress to date and the identification in achievement.
- Assessment of whether the Programme is on course to achieve its N+2 targets.

The Programme Directorate has recently reviewed physical targets at the output result and impact level to mainly correct anomalies and inconsistencies in the original quantifications. This has resulted in some changes to the original quantification in the Programme Complement. It is the revised targets which are used to assess progress.

The spend and output data reported in this section has been provided by the Programme Directorate and is based on claims relating to the quarter up until the end of December 2003.

4.1.2 Assessing Impact

The specification for the Mid term evaluation requires that an informed and fully justified assessment of the likely achievement of the programme's planned impacts is made, based on what has been delivered to date. In assessing impact the evaluation is also required to analyse the interaction between the programme and other relevant policy and programme interventions funded by central and local government. This analysis is closely related to the analysis of key policy drivers facing the programme, examined in section 3.

Volume 2 sets out achievements to date against planned targets. These are based on ERDF claims up until the end of December 2002 and ESF and EAGGF data up until the end of June 2003.

The estimation of the impact of the Programme in the mid-term evaluation is complex. In line with the MEANS framework a number of methods will be used and serve as a cross-check against progress towards impact targets. These approaches include:

- Aggregation of monitoring data (from the Objective 1 Programme Directorate monitoring system) by Priority and Measure on achieved and forecast (or committed) outputs and results.
- The Project Managers' Survey to qualify monitoring data, where there appear to be significant discrepancies.
- More in-depth work from project reviews and case studies to provide a commentary on achieved and likely impacts, particularly in working through the rationale of projects for achieving particular impacts (this will provide a largely qualitative assessment)
- Significant shifts against key socio-economic indicators in the sub-region (the only top-down method which can be used at the mid-term).

Unfortunately, estimation of impact at the mid term of a programme is a complex task and relies to a significant degree on judgement and assumption. Four factors in particular complicate impact estimation at the mid term:

- *Timing*: many of the impacts from projects will not have worked through to key socio-economic indicators. Interventions in the fields of community economic development and technology can both have long lead times. Moreover, results targets such as business sales may take time to achieve. It is therefore unlikely that changes on key socio-economic indicators can be attributed to the programme.
- *Attribution*: although Objective 1 represents a significant additional investment into the South Yorkshire economy, it works alongside other core and additional spending initiatives of UK government departments. Although Objective 1 may have a 'catalytic effect' in focusing other activities, there may be countervailing evidence to suggest it has displaced other public and private sector investment.
- *Use of 'bottom-up' approaches*: use of survey based methods and case studies tend to systematically over-estimate impact, even where they are subject to a rigorous design. The MEANS framework therefore recommends the use of a combination of 'bottom-up' and 'top-down' methods.
- *Limitations of top-down models*: As with all English regions, Yorkshire and the Humber does not have a set of regional input-output tables which provides a set of coefficients on the degree of trade, or inter-dependency, between sectors. As a result most econometric models will 'regionalise' national input-output tables, typically based on relative shares of employment in different sectors. Although this is useful for perhaps providing the order of magnitude of any programme-wide impact, it is less useful for detecting differences in impact between different types of intervention (e.g. the relative impact of one Measure over another).

The Mid Term Evaluation will use the steps outlined above. This exercise is helped because the whole of South Yorkshire is included in the Objective 1 programme and sub-regional data is straightforward to obtain.

4.2 Programme Commitments

4.2.1 Summary

The following table is reproduced from the February 2003 PMC Papers. It reflects progress against the key indicators against which the Programme's progress will be assessed.

Table 4.1 Progress Against Key Performance Indicators

| | 2001 | 2002 | 2003 | Total Target Results to end 2003 | 2003 (to date) |
|------------------------------------|--------|-------------|----------|----------------------------------|----------------|
| | Actual | | Target | | |
| Financial Targets (£m) | | | | | |
| Total Grant Committed | 146 | 125 (100) | 140 | | 10 |
| Total Expenditure Committed | 483 | 292 (269) | 264 | | 30 |
| Total Grant Claimed | 41 | 53 (50) | 80 | | 3.5 |
| Key Results Targets* | | | | | |
| Jobs created | 1,093 | 800** (976) | 1,176 | 3,069 | |
| Increased business sales | £650k | £16m (£50m) | £135.85m | £252.5m | |
| Firms introducing new practices | 34 | 101 | 200 | 291 | |

Source: Objective 1 Programme Directorate (February 2003 PMC Papers)

Notes:

* An accumulation of Priorities 1, 2, 4, 5, 6

** Estimated as awaiting claims information from Invest for Growth and Match Funding Sources

The Programme Directorate paper highlights progress against each of the three funds:

- **ERDF:** 2002 N+2 target was exceeded by £14m and this sum was carried forward from 2002 to count against the 2003 target. The Programme Directorate currently have around £70m worth of projects still to be approved which are due spend this year.
- **ESF:** Spend of £28m was achieved against a target of £18m which means £10m is carried over to this year.
- **EAGGF:** a target of £1.1m was met in 2002 primarily through DEFRA match funded activities. The target of £2.1m for this year is higher but the Programme Directorate have identified up to £4.5m of projects which are likely to be spent.

Volume 2 outlines in detail each of the output, result and impact targets, programme commitments and achievement to date.

4.2.2 Expenditure at Priority and Measure Level

The following table contains details of the financial allocations to each of the Priorities and Measures in the programme. The table also sets out financial commitments to date and expenditure to date. A more detailed analysis at a Measure level appears on the next page.

Table 4.2 Financial Allocation and Spend by Priority

| Priority | Allocation | % Alloc- ation | Committed | % Com- mitted | Actual spend | % Spend |
|---|--------------------|-------------------|--------------------|------------------|--------------------|-----------|
| 1. Stimulating the emergence of new growth and high technology sectors | 125,310,000 | 18 | 56,989,536 | 45 | 7,805,502 | 6 |
| 2. Modernising businesses through enhancing competitiveness in the region | 76,780,000 | 11 | 41,992,833 | 55 | 18,272,960 | 24 |
| 3a Building a world-leading learning region | 134,760,000 | 20 | 96,108,577 | 71 | 25,881,394 | 19 |
| 3b Promoting equity, employment and social inclusion | 72,920,000 | 11 | 41,558,791 | 57 | 14,082,661 | 19 |
| 4a Supporting community economic development | 50,120,000 | 7 | 24,159,973 | 48 | 4,357,019 | 9 |
| 4b Helping communities make the transition through economic renewal | 30,030,000 | 4 | 10,940,368 | 36 | 1,174,675 | 4 |
| 5. Supporting business investment through strategic spatial development | 152,700,000 | 22 | 50,207,903 | 33 | 5,930,291 | 4 |
| 6 Providing the foundations for a successful programme | 49,530,000 | 7 | 29,956,604 | 60 | 22,693,126 | 46 |
| | 692,150,000 | 100 | 351,914,585 | 51 | 100,197,628 | 14 |

Source: Objective 1 Programme Directorate

Table 4.3: Objective 1 Spend Profile to May 2003 (includes claims up to and including Q1 2003)

| Measure | Activity | Allocation (£) | % Allocation | Committed (£) | % Committed | Actual Spend (£) | % Spend |
|---------|--|----------------|--------------|---------------|-------------|------------------|---------|
| 1 | Exploiting a business centred research capacity | 20,260,000 | 2.9% | 9,094,853 | 44.9% | 1,856,455 | 9.2% |
| 2 | Investing in targeted SMEs | 39,140,000 | 5.7% | 18,388,684 | 47.0% | 2,540,881 | 6.5% |
| 3 | Developing growth sector start-ups | 20,080,000 | 2.9% | 11,525,600 | 57.4% | 2,709,256 | 13.5% |
| 4 | Attracting growth sector champions | 22,090,000 | 3.2% | 8,837,897 | 40.0% | 447,155 | 2.0% |
| 5 | Supporting new employment opportunities | 23,740,000 | 3.4% | 9,142,502 | 38.5% | 251,755 | 1.1% |
| 6 | Exploiting new market opportunities | 10,740,000 | 1.6% | 9,340,336 | 87.0% | 4,294,090 | 40.0% |
| 7 | Accelerating the adoption of new technologies products and processes | 17,340,000 | 2.5% | 13,585,778 | 78.3% | 8,099,642 | 46.7% |
| 8 | Maximising the potential presented by e-business | 16,260,000 | 2.3% | 4,529,395 | 27.9% | 1,807,198 | 11.1% |
| 9 | Improving processing and marketing of agricultural products | 2,850,000 | 0.4% | 2,152,500 | 75.5% | 566,974 | 19.9% |
| 10 | Enhancing management and workforce skills and capacity | 29,590,000 | 4.3% | 12,384,824 | 41.9% | 3,505,056 | 11.8% |
| 11 | Creating a responsive training and education system | 15,080,000 | 2.2% | 7,304,383 | 48.4% | 2,928,135 | 19.4% |
| 12 | Enhancing the curriculum for the world of work | 56,800,000 | 8.2% | 43,573,342 | 76.7% | 11,443,426 | 20.1% |
| 13 | Developing an adaptable and entrepreneurial workforce | 13,680,000 | 2.0% | 5,994,258 | 43.8% | 2,245,907 | 16.4% |
| 14 | Building a learning infrastructure for the 21 st century | 39,000,000 | 5.6% | 35,166,041 | 90.2% | 8,641,296 | 22.2% |
| 15 | Tackling gender imbalance in the labour market | 10,200,000 | 1.5% | 4,070,553 | 39.9% | 622,630 | 6.1% |
| 16 | Assisting people back into work | 39,000,000 | 5.6% | 24,767,124 | 63.5% | 6,606,329 | 16.9% |
| 17 | Tackling disadvantage | 18,840,000 | 2.7% | 10,354,883 | 55.0% | 5,012,059 | 26.6% |
| 18 | Expanding and supporting a thriving social economy | 15,080,000 | 2.2% | 6,436,784 | 42.7% | 2,464,273 | 16.3% |
| 19 | Helping communities to access jobs and training | 7,440,000 | 1.1% | 1,172,612 | 15.8% | 180,765 | 2.4% |
| 20 | Building neighbourhood strength | 21,000,000 | 3.0% | 14,649,932 | 69.8% | 3,035,328 | 14.5% |
| 21 | Developing ICT as a tool to fight social and economic exclusion | 12,430,000 | 1.8% | 1,108,223 | 8.9% | 378,274 | 3.0% |
| 22 | Tools for re-integration | 9,250,000 | 1.3% | 7,229,206 | 78.2% | 762,652 | 8.2% |
| 23 | Integrated development in targeted coalfield and steel areas | 19,050,000 | 2.8% | 2,909,797 | 15.3% | 308,530 | 1.6% |
| 24 | Promoting the adaptation and development of rural areas | 8,400,000 | 1.2% | 6,510,168 | 77.5% | 722,070 | 8.6% |
| 25 | Developing forestry resources | 1,580,000 | 0.2% | 994,885 | 63.0% | 98,452 | 6.2% |
| 26 | Broadening the agriculture and forestry skills base | 1,000,000 | 0.1% | 525,518 | 52.6% | 45,623 | 4.6% |
| 27 | Seizing the opportunities of strategic economic zones | 70,800,000 | 10.2% | 29,027,002 | 41.0% | 5,152,245 | 7.3% |
| 28 | Developing Sheffield City Centre | 34,950,000 | 5.0% | 2,717,101 | 7.8% | 489,382 | 1.4% |
| 29 | Realising economic opportunities in urban centres | 34,950,000 | 5.0% | 13,329,626 | 38.1% | 288,664 | 0.8% |
| 30 | Embedding the benefits of new business investment | 12,000,000 | 1.7% | 5,134,174 | 42.8% | 0 | 0.0% |
| 31 | Removing transport constraints on economic growth | 23,440,000 | 3.4% | 3,118,564 | 13.3% | 134,436 | 0.6% |
| 32 | Improving access to finance for SMEs | 26,090,000 | 3.8% | 26,838,040 | 102.9% | 22,558,690 | 86.5% |

| | | | | | | | |
|--|--------------|--------------------|---------------|--------------------|--------------|--------------------|--------------|
| | Total | 692,150,000 | 100.0% | 351,914,585 | 50.8% | 100,197,628 | 14.5% |
|--|--------------|--------------------|---------------|--------------------|--------------|--------------------|--------------|

The review of each of the priorities indicates each Priority has robust delivery plans in place. Although the time taken to develop these has slowed Programme commitments, they do have provided a firm basis for the delivery of the Programme to date. These plans represent a significant step-change on previous Programmes in the region, are based on detailed analysis and have strong partnership support.

The table reveals that strongest progress has been in Priorities 2 and 3 and Measure 32 (South Yorkshire Investment Fund). By setting up the South Yorkshire Investment Fund the programme immediately spent £22 million. However progress towards outputs will take the lifetime of the Programme. An analysis of projects in the pipeline for Priority 5 suggests that this Priority will have committed between 70-80 percent of its allocation by the end of this year.

The Programme has approved over 300 projects. However, in contrast to previous programmes, and to other programmes in the United Kingdom, the programme has committed substantial resources to a limited number of South Yorkshire wide strategic projects. 30 projects account for approximately 60 percent of commitments. Many of these projects act as intermediary bodies. Although this approach has helped the programme commit resources, and strategically align activity, it does have implications for expenditure.

The Programme has met its N+2 targets to date. However, the delays in committing resources to Priority 1, and the lead time for infrastructure projects in Priority 5, mean that programme spend will need to accelerate in both priorities if the N+2 target is to be met in 2004. To avoid the risk of decommitment programme management and key intermediary bodies will need to focus on the delivery of key projects.

4.2.3 Project Pipeline

An assessment by the Programme Directorate of the project pipeline over the next three months reveals that a further £23 million is likely to be committed. The table also includes projects which have received offer letters since the end of December 2003. This is not included in the previous table. The balance in commitments to date reflects the strong progress of Priority 3 (predominantly ESF) in committing resources. Progress of EAGGF is also strong, which reflects the use of intermediary bodies to deliver projects. Assessment of the pipeline for Priority 5 projects suggests that this Priority will commit substantially more resources by the end of the year.

Table 4.4: Overview of performance broken down by fund

| Fund | Number of Offer Letters issued | Grant in the Pipeline | Eligible expenditure in the Pipeline | Grant Committed | Grant Actually Claimed | Eligible expenditure committed | Eligible Expenditure Actually Spent |
|-----------|--------------------------------|-----------------------|--------------------------------------|-----------------|------------------------|--------------------------------|-------------------------------------|
| ERDF | 179 | 21,991,875 | 61,211,356 | 225,328,176 | 72,098,318 | 614,602,247 | 169,445,848 |
| ESF | 142 | 1,433,788 | 3,143,499 | 124,821,075 | 47,696,867 | 337,027,542 | 101,901,907 |
| EAGGF | 12 | 102,108 | 571,595 | 10,185,331 | 1,510,155 | 32,135,827 | 7,074,202 |
| All Funds | 333 | 23,527,771 | 64,926,450 | 360,334,582 | 121,305,340 | 983,765,616 | 278,421,957 |

Source: Objective 1 Programme Directorate

The following table provides an overview of progress being made in each of the local authority districts in developing projects. The table reveals that the overwhelming majority of funding has been committed to sub-regional projects. This is a marked departure from previous programmes and reflects the strategic approach of the programme. Although Barnsley has not brought forward significant project applications to date, it is anticipated that this is likely to change and that there will soon be a much more even balance of commitments across the local areas.

Table 4.5: Overview of performance broken down by district and status

| District | Grant in the Pipeline | Eligible Expenditure in the pipeline | Grant Committed | Eligible Expenditure committed |
|-----------------|-----------------------|--------------------------------------|-----------------|--------------------------------|
| Barnsley | 11,965,203 | 35,680,406 | 3,254,277 | 8,127,901 |
| Doncaster | 1,376,033 | 3,178,486 | 20,392,760 | 97,219,666 |
| Rotherham | 271,345 | 953,196 | 18,916,675 | 55,238,603 |
| Sheffield | 5,975,719 | 14,354,804 | 29,416,957 | 75,459,779 |
| South Yorkshire | 3,939,471 | 10,759,558 | 288,353,913 | 747,719,667 |
| Total | 23,527,771 | 64,926,450 | 360,334,582 | 983,765,616 |

Source: Objective 1 Programme Directorate

The distribution of projects across the local authority districts is largely determined by projects being developed in Priority 5 and in particular the Sheffield and urban centres measures.

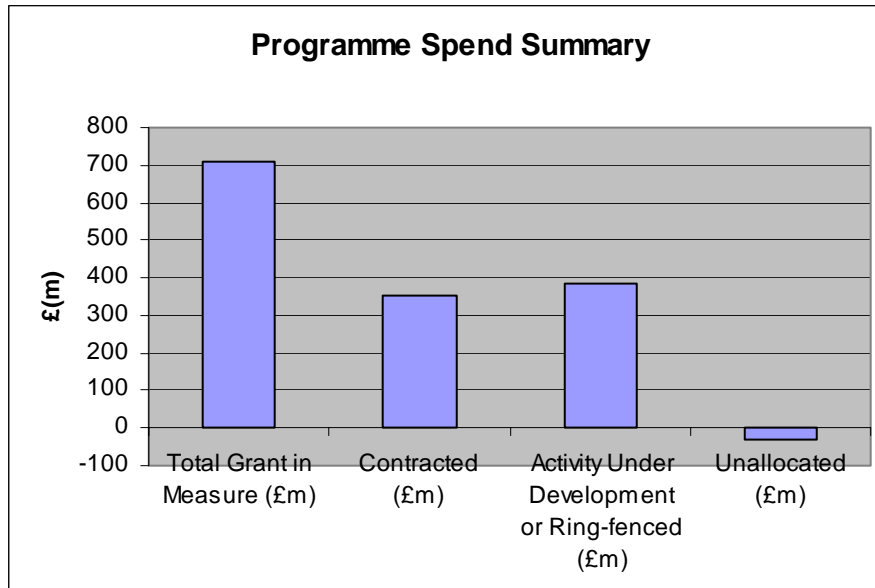
Table 4.6: Spend Profile of the Programme (July 2003)

| Priority & Measure | Total Grant in Measure (£m) | Contracted (£m) | Activity Under Development or Ring-fenced (£m) | Unallocated (£m) |
|-------------------------|-----------------------------|-----------------|--|------------------|
| Priority 1 | | | | |
| Measure 1 | 20.71 | 9.19 | 19.2 | -7.68 |
| Measure 2 | 40.01 | 18.38 | 21.6 | 0.03 |
| Measure 3 | 21.27 | 12.05 | 12.07 | -2.85 |
| Measure 4 | 22.59 | 8.84 | 6 | 7.75 |
| Measure 5 | 24.28 | 9.14 | 12.23 | 2.91 |
| Priority Total | 128.86 | 57.6 | 71.1 | 0.16 |
| Priority 2 | | | | |
| Measure 6 | 10.98 | 9.34 | 1.23 | 0.41 |
| Measure 7 | 17.73 | 13.55 | 4.31 | -0.13 |
| Measure 8 | 16.62 | 4.53 | 11 | 1.09 |
| Measure 9 | 2.91 | 2.15 | 0.75 | 0.01 |
| Measure 10 | 30.26 | 13.05 | 13.75 | 3.46 |
| Priority Total | 78.5 | 42.62 | 31.04 | 4.84 |
| Priority 3 | | | | |
| Measure 11 | 15.42 | 7.12 | 6.42 | 1.88 |
| Measure 12 | 58.08 | 43.72 | 21.39 | -7.03 |
| Measure 13 | 13.99 | 5.99 | 6.64 | 1.36 |
| Measure 14 | 39.88 | 35.17 | 3.3 | 1.41 |
| Measure 15 | 10.43 | 4.07 | 5.65 | 0.71 |
| Measure 16 | 39.88 | 24.7 | 20.4 | -5.22 |
| Measure 17 | 19.26 | 10.61 | 6.68 | 1.97 |
| Measure 18 | 15.42 | 6.43 | 7.94 | 1.05 |
| Priority Total | 212.36 | 137.81 | 78.42 | -3.87 |
| Priority 4 | | | | |
| Measure 19 | 7.6 | 1.21 | 34.01 | 7.08 |
| Measure 20 | 21.47 | 14.76 | | |
| Measure 21 | 12.71 | 1.11 | | |
| Measure 22 | 9.46 | 7.23 | | |
| Measure 23 | 19.48 | 2.91 | 16.57 | 0 |
| Measure 24 | 8.59 | 6.51 | 2.08 | 0 |
| Measure 25 | 1.61 | 0.99 | 0.62 | 0 |
| Measure 26 | 1.02 | 0.52 | 0.5 | 0 |
| Priority Total | 81.94 | 35.24 | 53.78 | -7.08 |
| Priority 5 | | | | |
| Measure 27 | 72.39 | 29 | 56 | -12.61 |
| Measure 28 | 35.75 | 3 | 42 | -9.25 |
| Measure 29 | 35.75 | 13.3 | 31 | -8.55 |
| Measure 30 | 12.27 | 5.14 | 2.14 | 4.99 |
| Priority Total | 156.16 | 50.44 | 131.14 | -25.42 |
| Priority 6 | | | | |
| Measure 31 | 23.97 | 3.11 | 20.91 | -0.05 |
| Measure 32 | 26.67 | 26.8 | 0 | -0.13 |
| Priority Total | 50.64 | 29.91 | 20.91 | -0.18 |
| PROGRAMME TOTALS | 708.46 | 353.62 | 386.39 | -31.55 |

Source: Objective 1 Programme Directorate

The previous table is based on data and analysis undertaken by the Programme Directorate in July 2003. The total Programme value of £708m is higher than the earlier table (Spend Profile in May 2003) as it uses a more recent exchange rate. The fourth column (Activity under development or ring fenced) highlights projects the Programme Directorate is confident will be awarded offer letters within the next 12 months. If these projects are funded then the Programme will be over committed by £31m. Given the scale of the Programme this is relatively small and anticipates that the spend profile of projects will under shoot. This is shown in the following graph.

Chart 4.1: Analysis of Programme Spend, Commitments and Pipeline

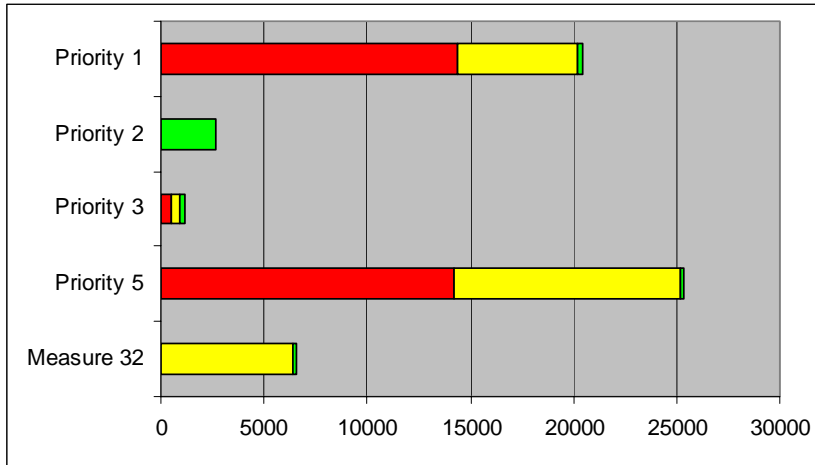


Source: Objective 1 Programme Directorate

4.2.4 Progress Towards Targets

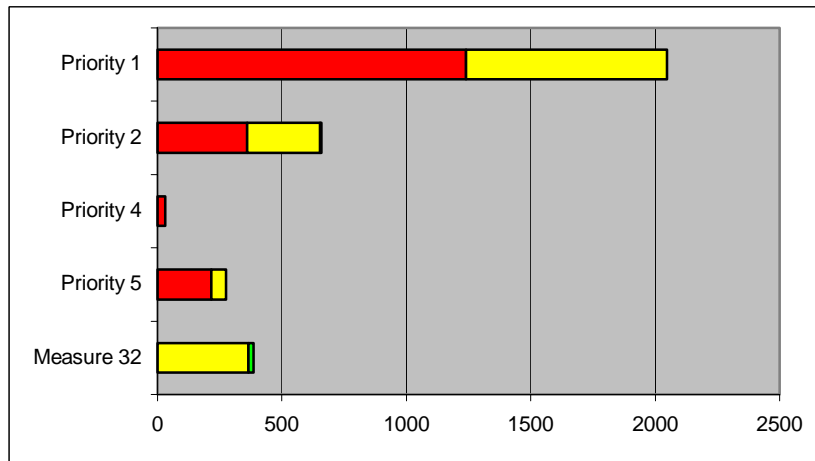
The following graphs show the progress of the Programme against key Results targets (Jobs created and Business Sales). The graphs show the significance of Priorities 1 and 5 to achieving these targets. The chart is based on the following: the green bars show the achievement of targets (claimed), the yellow bar, the contribution of contracted projects to targets still to be achieved, and the red is targets which projects are still to be committed. The chart for gross jobs created shows that Priorities 1 and 5 have to make significant commitments if targets are to be met. Moreover, given the long lead time for Priority 5 (infrastructure projects) between 3-5 years needs to be allowed for sites to be developed and for physical completion of projects following the contract stage. The business sales graph reveals the considerable progress that Priority 1 still has to make to achieve this target.

Chart 4.2: Gross Jobs Created (Result target)



Source: ERDF Monitoring Data (December 2002)

Chart 4.3: Table: Business Sales (Result target £m)



Source: ERDF Monitoring Data (December 2002)

Although the earlier analysis on the Objective 1 project pipeline revealed that strong progress is being made in project development, and which will achieve a high level of commitment towards targets in the next year, there will be a lead time in the achievement of these targets, with most now scheduled to be achieved late in the Programming period.

4.3 Conclusion

Progress in committing resources from the Programme is strong, particularly in Priorities 2 and 3 and Measure 32. Spend levels are also strong in these parts of the Programme. To a large extent projects to deliver these Priorities had undergone involved planning prior to the launch of the Programme. Other areas of the Programme, most notably Priorities 1, 4 and 5 have all involved significant additional planning work either through the preparation of cluster strategies (Priority 1), the preparation of community actions plans (Priority 4a) and integrated development plans (Priorities 4b and 5). Based on the project pipeline, the Programme will have committed all its current resources within the next 12 months. However, this will mean the achievement of results targets late in the second half of the Programme.

5 REVIEW OF PRIORITY 1: STIMULATING THE EMERGENCE OF NEW AND HIGH TECHNOLOGY SECTORS

5.1 Introduction

Priority 1 is designed to be the key catalyst for the Programme in bringing about the transformational change of the South Yorkshire economy. The Priority's key objectives include: the creation of an environment that is conducive to a knowledge-driven economy, increasing and sustaining the number of firms, supported by a highly trained and skilled workforce. The Priority includes five Measures:

1. Exploiting a Business Centred Research Capacity (ERDF)
2. Investing in targeted SMEs (ERDF)
3. Developing Growth Sector Start Ups (ERDF)
4. Attracting Growth Sector Champions (ERDF)
5. Supporting new employment opportunities (ESF)

The financial allocation to the Priority is £125,310,000 or 18 percent of the Programme's resources. The results targets set by the Priority are exacting and include:

- 20,480 gross jobs
- £2,048,000,000 of increased business sales (a ratio of £16.3 for every £1 of ERDF invested)
- 2,018 companies attracted or created (including 31 large companies to act as growth sector champions)
- 18,084 employees helped with training (an output target) with 75 percent securing a positive outcome

The net impact of the Priority is designed to be high. With a strong focus on new and growing market activities, levels of deadweight and displacement were intended to be low. The key impact targets for the Priority include:

- 16,973 net jobs created
- £509m net additional GDP

These are exacting targets and are of a different order of magnitude than achieved in previous programmes. The rationale for setting such high targets was partly informed by the strong national and international economic growth prospects of the late 1990s and the growth in high technology companies, in particular ICT or dot.com companies. The rationale for the Priority's delivery is to target resources at specific clusters and sectors in which the sub-region has the potential to develop. The identified clusters include:

- Advanced Manufacturing and Metals,
- Bioscience,
- Creative and Digital Industries,
- Environmental and Energy Technologies and

- Business, Professional and Financial services.

This selection of clusters reflects work undertaken for the Driver Priority 1 Partnership. As a result the names of the target sectors identified in the original SPD were changed. The original SPD included: advanced producer services; creative industries, high technology manufacturing; biosciences; environmental industries; and business and financial services. For example advanced producer services and creative industries were merged to create creative and digital industries.

A main thrust of the Priority's approach is to encourage inward investment into the locality providing new quality jobs and at the same time enabling indigenous companies to gain first hand experience of best practice from these exemplar firms. The support of inward investors is unusual in Structural Funds programmes and required a special State Aids derogation to be granted by the European Commission. It also reflected weaknesses in the company base which could not be addressed solely by a locally focused business support programme. A considerable proportion of the Priority's financial allocation (31.5 percent) has been assigned to Measure 1.4. Two key projects in the Priority include Attracting growth sector champions (Measure 1.4) and the SME Investment scheme phase 1 (Measure 1.2) (both led by Yorkshire Forward) have been commissioned to undertake this task. The rationale of the projects is to develop an integrated approach to inward investment in South Yorkshire.

Other key projects funded under this measure seek to facilitate new high growth start ups, promote technological development within the metals industry and assist individuals to gain the skills necessary for employment in the new knowledge-driven economy.

5.2 External Influences and Policy Changes

The main external influence to the implementation of this Priority has been the economic downturn since the Programme was agreed, and in particular the weaker prospects for technology based companies. Although unemployment in the sub-region has fallen the skills mix of the area remains broadly similar: in particular, qualification levels are low and there are wide ranging basic skills needs. Levels of inward investment are also weak with investment opportunities for South Yorkshire tending to be outside the priority clusters: in particular in logistics, retail and other service sector areas.

The policy environment, however, has proceeded in concert with the approach outlined by the SPD. UK government policy has placed renewed emphasis on productivity and on the development of knowledge-based industries. The key driver for the delivery of many of these policies are the regional development agencies. Policies to encourage universities to develop a more significant role in innovation and competitiveness have been strengthened through increased allocations of funding for 'third leg activities' (outside the core remit of teaching and research). In the remainder of the programming period, these funds will come increasingly through regional development agencies.

At a regional level the revised Regional Economic Strategy has identified key clusters. These include:

- Advanced Engineering and Metals
- Bioscience
- Chemicals

- Digital Industries
- Food and Drink (including agriculture)

Although there is a strong link between the advanced engineering and metals cluster, the bioscience cluster and the digital industries cluster with those selected in Priority 1 chemicals was not an identified sector and the food sector is being identified by Priority 2. The RES has also not targeted the environment and energy cluster or the professional and business services cluster, although to some extent the latter is seen as a key support service for the delivery of other activities. The priority clusters in the RES are also to be reviewed in the next three years and this may provide opportunities for the delivery of Priority 1.

Programme delivery to date, and the analysis of the company base, shows that the key clusters in Priority 1 are Advanced Manufacturing and Metals and Creative and Digital Industries. Activities in the other clusters are more focused on specific interventions (e.g. bioremediation in biosciences, and the manufacturing of energy related engineering products in energy and environment).

5.3 Relevance and Consistency

The Programme strategy highlights 4 key issues that need to be addressed if the economic performance of the economy is to be enhanced. The SPD highlights the current lack of jobs, the company gap (stated to be approximately 14,000), poor job quality and the low profitability levels of companies. Priority 1 was foreseen to be an instrument in addressing these fundamental issues. However as the Programme has progressed tensions are arising between the need to create jobs and diversify the industrial base. In attempting to promote and attract new high tech companies Priority 1 is unlikely to create the 20,000 target jobs. Such employment growth is not foreseen by recent forecasts based on econometric modelling by Yorkshire Forward. The main areas of employment growth are in sectors such as health and education (due to increases in CSR settlements) and in construction. New and high tech companies by their very nature are less labour intensive. This does present an inconsistency in the programme and requires some consideration. Nevertheless, the aims of Priority 1 are very much in keeping with the Programme strategy. The Priority whilst not necessarily creating vast numbers of jobs, those which are created should be of a high quality and its key interventions designed to promote greater levels of research, design and technological advancements which should address the other key issues.

Due to economic changes, the programme targets are too high and unrealistic. The reduced short to medium term growth prospects of high technology companies, the significantly lower levels of claimant unemployed and the relatively slow change in business formation rates, the targets for new businesses created and gross new jobs are too high. This also has knock on effects for the achievement of business sales targets. It is therefore recommended that the Programme Directorate systematically reviews the level of targets and that recommendations are made to the Mid Term Review for target reduction. This may also mean the re-negotiation of existing project contracts. Reductions of between a third and a half should be considered for these targets. Consideration should also be given to alternative targets including jobs safeguarded and job quality. Including a jobs safeguarded target would reflect the current weaker economic climate. Evidence from the Programme Directorate highlights that eligible

companies in the Advanced Manufacturing and Metals have left the sub-region, resulting in job losses. These companies were excluded from receiving support because they would make no contribution to the current programme targets.

5.4 Financial and Output Progress

5.4.1 Financial Context

The financial allocation for Priority 1 is just over £125m and represents 18 per cent of the Objective 1 programme's funds. To date, the Priority has commitments of 45 per cent, almost £57m. In terms of the actual level of spend the Priority has spent £7.8m which represents 6 per cent of its allocation.

Table 5.1: Priority 1 Financial Progress

| Measure | Allocation | % Allocation | Committed | % Committed | Actual spend | % Spend |
|---|--------------------|--------------|-------------------|-------------|------------------|----------|
| 1 Exploiting a business centred research capacity | 20,260,000 | 2.9 | 9,094,853 | 44.9 | 1,856,455 | 9.2 |
| 2 Investing in targeted SMEs | 39,140,000 | 5.7 | 18,388,684 | 47 | 2,540,881 | 6.5 |
| 3 Developing growth sector start-ups | 20,080,000 | 2.9 | 11,525,600 | 57.4 | 2,709,256 | 13.5 |
| 4 Attracting growth sector champions | 22,090,000 | 3.2 | 8,837,897 | 40 | 447,155 | 2 |
| 5 Supporting new employment opportunities | 23,740,000 | 3.4 | 9,142,502 | 38.5 | 251,755 | 1.1 |
| | 125,310,000 | 18 | 56,989,536 | 45 | 7,805,502 | 6 |

Source: Objective 1 Programme Directorate Monitoring Data

A total of 19 projects have been approved under this Priority and there is a fairly equitable distribution across the 5 measures with the exception of measure 4: Attracting growth sector champions and measure 5: Supporting new employment opportunities which support 1-2 projects each. This reflects the Measure level projects and strategic lead given to each of these Measures by Yorkshire Forward and the LSC respectively. The Priority contains a number of large and key flagship projects denoted by the level of grant awarded and its proportion of the priority's financial allocation. These projects include:

- NAMTEC (4.6 percent of Priority resources) NAMTEC
- SME Investment scheme phase 1 (16.7 percent) Yorkshire Forward
- Spinning out new businesses through research and intellectual property (7.1 percent) Sheffield City Council with Sheffield Hallam University and the University of Sheffield
- High growth start up (19.2 percent) Business Link South Yorkshire
- Attracting growth sector champions (14.8 percent) Yorkshire Forward
- Supporting new employment opportunities (22.6 percent) Learning and Skills Council (LSC)

However, evidence from consultations and the review of pipeline projects suggests that significant projects are being contracted during 2003.

5.4.2 Progress against Outputs and Results Targets

Reviewing the current level of commitments and actual achievements provides an indication of the extent to which the Priority is making progress in terms of realising the Programme's target outputs, results and impacts. The data show that with regards to the actual percentage achieved Priority 1 has made limited progress. Significant advancements are yet to be made for the overwhelming proportion of outputs. There is a noticeable exception, this being 'SMEs provided with advisory support' where considerable achievements have been made. The extent of achievement does vary across the measures, as does the level of commitment.

Measure 1: Overall limited progress has been made in this measure in terms of actual percentage achieved. However in terms of the level of commitment considerable progress has been made for the following outputs: SMEs introducing new practices; completed research projects; and increased business sales. A number of projects have recorded outputs in these areas these include: SYBEN Phase III, NAMTEC, and Life IC cluster development for innovative energy products.

Measure 2: Significant progress has been made in this measure in terms of actual percentage achieved. Key outputs include: SMEs supported to introduce environmental processes and SMEs provided with advisory support where 37.3 per cent and 46.3 per cent have been achieved respectively. However, progress towards results targets is much lower with no target being achieved by more than 2.0 percent.

Measure 3: In terms of actual achievement, progress has been limited with less than 10 per cent of target outputs and results being achieved. The attainment for SMEs provided with advisory support does represent an exception as 95.6 per cent has been achieved and its current level of commitment exceeds its original target. A few projects stand out as having made satisfactory to considerable progress and these include: Life IC, High growth start-ups and Spinning out research based business.

Measure 4: Virtually no progress has been recorded against outputs / results detailed under this measure. Although claims have been submitted these have only been for small amounts of expenditure and have not included any recorded outputs. An assessment of the level of commitment shows that most outputs and results have commitments of approximately 30-40 per cent. This measure supports two projects including the TWI Technology Centre and Attracting Growth Sector Champions.

Measure 5: Supporting new employment opportunities is an ESF funded measure. The Measure is delivered through a co-financed project with the LSC. Financial commitment to the Measure is low and this is reflected in progress towards targets. This reflects the time taken to develop cluster skills strategies and to align activity to business support for clusters. 38.5 percent of resources in this Measure which is delivered by the LSC through a co-financing arrangement. Output commitments are in line with this level of financial commitment, except for the results target 'number of gaining a qualification' which is beneath Programme expectations. To date, the Measure has achieved the following against its key targets:

- Of a target of 18,804 **beneficiaries** to assist, only 295 (1.6 percent) had been assisted for claims up until the end of June. However, 89 percent of these beneficiaries were women, 39 percentage points above the target.

- Only 40 percent of beneficiaries were **working towards an NVQ 3** (or above qualification). This is significantly beneath the target of 65 percent. There is also evidence that substantial numbers of qualifications below NVQ 3 are being funded. This is shown in the following table.

Table 5.2: Breakdown level of Qualification (ESF direct beneficiaries)

| Qualification | No. | % |
|-----------------------------------|------------|---------------|
| NVQ 1 | 21 | 8.1% |
| NVQ 2 | 138 | 53.1% |
| NVQ 3 | 53 | 20.4% |
| NVQ 4 | 28 | 10.8% |
| No qualification will be achieved | 19 | 7.3% |
| Not known | 1 | 0.4% |
| Total | 260 | 100.0% |

Source: Objective 1 Programme Directorate

- However, there needs to be greater flexibility in the use of **targets**. The rationale for a Measure which supports in-company training and which is demand-led, will often involve short-term specific tailored training packages which do not result in NVQs, particularly at level 3. It is recommended that this target be reduced.
- 62 large companies** have been assisted with training. Although this is double the target, it is doubtful that these companies are within the scope of the Measure. The target of 31 companies supported with training relates to the 31 growth sector champions identified as the key performance indicator of Measure 1.4. Although Measure 1.5 can assist companies which are not Measure 1.4 growth sector champions, some caution should be shown in assessing progress in Measure 1.5 since not outputs have yet been claimed under Measure 1.4.
- Progress towards the **SMEs supported** target of 2,799 is relatively strong with 274 (9.8 percent) being claimed already. The location of the companies assisted shows that Barnsley is slightly underrepresented (12.2 percent) (see Table below). The breakdown by sector reveals that 62.5 percent are in the EMM sector with the others being in food and tourism. (approximately equal proportions). The latter two are strictly ineligible for support from this Measure and suggests that Measure 10 company data has been included.

Table 5.3: Breakdown of companies by area

| Area | % |
|-----------|-------|
| Barnsley | 12.2% |
| Sheffield | 38.1% |
| Rotherham | 25.0% |
| Doncaster | 24.4% |
| Not known | 0.3% |

Source: Objective 1 Programme Directorate

- The **proportion gaining a qualification** (a key result indicator) is very low (only four people). Although this largely reflects the performance of the Measure, the Programme risks falling beneath this results target unless progress rapidly improves.
- Progress against the **cross-cutting themes** targets in this Measure is poor – although this again reflects the very low volume of claimed targets to date. 23 percent of beneficiaries have come from P4a areas (beneath the 36 percent target). This may show that it is difficult to programme bend in-work support to beneficiaries from specific geographic areas. To date no childcare costs had been met under the Measure. This may reflect the focus on in-work beneficiaries who are likely to have already made arrangements for childcare. Progress towards the target for the provision of environmental training is also below profile. This probably reflects the general absence of environmental training packages from the portfolio of projects claimed under co-financing to date. The rationale for business support priorities in South Yorkshire is based on a continuing need for this support, to ensure compliance with EU Directives and to engage in higher value added supply chains (which may require ISO 14001).

Priority 1 represents the third largest priority in financial terms as such its current level of expenditure at just 6 per cent of its allocation represents a formidable key issue. Given that the Priority has commitments of 45 per cent this would suggest that the limited progress relates to project implementation and delivery. A couple of measures have very low levels of recorded spend, namely Measure 4 Attracting growth sector champions and Measure 5: Supporting new employment opportunities, they have achieved 2 per cent and 1.1 per cent respectively. The key projects under these measures do have substantial allocations, £6m has been allocated to Attracting growth sector champions and £9.1m for Supporting new employment opportunities.

There are a couple of outputs which require further attention, at present they do not have any commitments or achievements: Financial support for RTDI projects and technology purchase; and Large companies receiving financial support to introduce environmental technology. The first seems a fundamental activity to the delivery of a Priority with a strong technology focus. The second should remain as it will help reinforce the delivery of the cross-cutting theme for environmental sustainability.

Finally progress by Measure 1.5 is very slow and achievement to date is mixed. The targets for this Measure appear to be appropriate for a Priority focusing on high value added sectors although the explicit link of the Measure to disadvantaged groups may

have placed a brake on the development of skills packages which support the growth of sectors which rely on a highly skilled workforce. The involvement of the universities in the delivery of projects in Measure 1.5 was low although it is noted that there are developments around the advanced manufacturing park and creative and digital industries. These activities both involve public and private sectors.

The following broad issues can be drawn from the review of the progress of Priority 1:

- There is a need for higher levels of commitment across the measures in order to achieve higher proportion of spend, outputs and results.
- There is a need to review barriers / impediments to project implementation and delivery particularly for commitment by projects under Measures 4 and 5, namely Attracting growth sector champions and Supporting new employment opportunities.
- All projects need to submit claims forms more regularly to enable progress to be monitored effectively.

5.5 Emerging impact

It is too early to comment on the impact of projects to date given the slow progress made in spending resources. It is also difficult to forecast what eventual impact these projects may have. The lack of inward investment by companies has had a dramatic impact on the programme. The Priority as a result is struggling to convert its committed targets into actual achievements and the overall level of commitments is noticeably quite low. The inability of the Priority to deliver would have a commensurate impact on the Programme's vision of creating a step change in the economy. It is important that consideration is now given to one possible eventuality, which is that the Priority is unable to attract the necessary number of companies and therefore spend its sizeable allocation. Although over the latter part of the Programme's life, the Priority will gain greater momentum, if the time delay continues in terms of implementing and delivering projects, outputs, results and impacts may not be achieved.

However, there has been considerable progress in terms of the strategies and processes underpinning this Priority. These include:

- The development of the strategic framework, which will facilitate the (further) development for targeted clusters in the sub region. This represents a significant achievement of the Priority. Considerable work has been undertaken to ensure that eligible actions are based upon a thorough understanding of the key drivers for each cluster / sector, which are clearly articulated in the cluster strategies and their associated skills strategies. The publication of the Prospectus for Cluster Development in South Yorkshire outlines the vision for each cluster, the scope of future activities, skills needs and, where appropriate, synergy with other clusters. The strategy attempts to concentrate effort and resources and identifies lead agents.
- In developing a strategic approach for the development of the targeted clusters there has been an immense effort to establish better partnership working between the relevant key agencies and stakeholders.
- The next stage of the programme has been the identification and approval of key projects and their implementation. There are signs that project implementation is gathering momentum. In October 2002, the first inward investment project was

secured for the Advanced Manufacturing and Metals cluster and 19 projects have been agreed across all of the measures.

- The Learning and Skills Council South Yorkshire is driving forward the skills agenda for the clusters and has recently launched the Commissioning Frameworks for the Advanced Manufacturing and Metals cluster and the Creative and Digital industries cluster.
- However, progress towards workforce development targets is very low and without a rapid acceleration key targets will not be achieved by the Programme.

However, two concerns remain with Priority 1: the delivery of the main inward investment project (Growth Sector Champions) and cluster related workforce development. Consultation with partners and analysis of documentation revealed two key concerns. Firstly, it remains unclear as to what the package of inward investment consisted of and how this would help to drive cluster development. The rationale for Measure 1.4 was that inward investment would be coordinated, combine financial assistance with sites, aftercare and skills with the aim of creating a highly competitive offer in South Yorkshire. The SPD also suggests that this will draw on key support organisations including the research base and existing companies. On the basis of consultations, these elements do not appear to be in place. Secondly, progress in Measure 1.5 is slow. The monitoring data also reveals that some activities are inconsistent with the aims and eligible actions of the Measure. This is based on an analysis of claims data.

5.6 Management and Implementation

The Business and Enterprise team in the Objective 1 Programme Directorate now undertakes the management of Priority 1. This team combines the support for Priorities 1 and 2, Measure 30 and Measure 32. The team is appropriately resourced and includes staff with substantial experience of business support activities. This team has contributed to the quality and relevance of the delivery plans and projects developed.

The Priority 1 Driver Partnership played a considerable role in the development of the cluster strategies for this priority. This was underpinned by extensive work by the Programme Directorate in engaging partners in this process, from universities, business, business support agencies and Yorkshire Forward, and in facilitating the development of the strategies. As noted, these strategies form a firm basis for the implementation of the Priority, although in hindsight, prioritisation of key interventions could have occurred earlier. The delays in the implementation of the Priority need to be urgently addressed and in particular the delivery of Measure 1.4 and 1.5. Intermediary bodies, such as Yorkshire Forward and the LSC, need to focus on the delivery of large Measure level projects and engage the appropriate delivery partners – from the supply and demand sides.

Renaissance South Yorkshire (the South Yorkshire Delivery Vehicle) should have a key role in delivery and needs to be appropriately resourced to achieve its aim. There is a significant risk that without a strategic approach being taken delivery that the Priority may resort in funding smaller-scale projects which will have attendant problems of coordination and risks of duplication and displacement.

More broadly, the stakeholder consultation and survey revealed that the delivery arrangements for Priority 1, and the constituent components, needed to have a much

higher visibility in the sub-region. There was a strong sense that parts of the Priority were not engaging the relevant partners effectively – the cluster development plans should provide the framework for this to be realised. However, partners were concerned about the creation of tangible packages of business support to deliver the clusters. A key gap appears to be in cluster and inward investment activities where some businesses and R&D organisations expressed concerns that they were sufficiently engaged in the process.

Measure 1.5 is delivered through a co-financed project with the LSC. Analysis of the data suggests that there may be some mismatches between the ESF eligible activities and the matched funded/co-financed elements of other projects delivered by the LSC. Although this may be because the LSC and Objective 1 systems for collecting co-financed data are still relatively new, this should be a priority of the LSC to ensure that there is far closer alignment of LSC activity with the Measure.

5.7 Key issues

The transition from the strategic to the operational stages of the programme has highlighted some barriers to implementation and areas, which if modified could assist swift delivery. Discussions with key players suggested that the strategic approach adopted is commendable and focuses attention on key drivers for the cluster. However, there is now an urgent need to facilitate the swift implementation and delivery of Priority 1. Accordingly, if progress is to be achieved, there must be a movement towards developing a more proactive stance in the identification of key businesses and organisations that can assist or benefit from the measures outlined in Priority 1. It was felt that some assessment of local capacity and support for organisations to facilitate project development and delivery is now required.

The definition of the clusters should be reviewed. It was found that the advanced manufacturing and metals, and creative and digital industries sectors are most well established in the sub-region. These clusters can drive a range of business support activities and incorporate some activity from other 'clusters' which is small, tightly focused and provides potential to grow quite tightly defined niche activities in the sub-region. For example existing environment and energy related activity could be included in manufacturing, except for bioremediation which sits better within biosciences. The biosciences could also be given a greater critical mass by the inclusion of medical devices.

Other impediments to delivery were also highlighted and therefore must form part of the discussion on the key issues. These included:

- The inability to provide more holistic packages of support for SMEs. Responding to needs such as marketing, internationalisation and innovation, may result in increasing the target base of companies able to access funding thereby facilitating delivery. This should be a key part of the roll out of clusters led by Yorkshire Forward and delivered through Renaissance South Yorkshire and other delivery partners.
- The result targets for Priority 1, in particular the creation of 20,000 jobs, are unrealistically high. The implication of this output is that individual projects are required to demonstrate high levels of job creation. Given that target sector firms are capital and not labour intensive and are more likely to be new or micro firms this represents a formidable challenge. It was felt that some project sponsors were 'put

off engaging with the programme as a direct consequence.’ Moreover, wider economic changes mean that the targets are now too high.

- Another key issue concerns the slow delivery of the inward investment programme. Whilst numerous external conditions are thought to have impacted on the situation, there is clearly a need to review the package on offer in light of the perceived tougher market conditions. Although there are potentially specific developments to attract inward investment (in particular the Advanced Manufacturing Park and the e-Campus) these are both complex and are taking time to realise. Both projects have absorbed considerable energy of support organisations.
- The decision-making process was regarded as an impediment to the swift delivery of Priority 1. One interviewee stated that ‘there is a need to hide the wiring’ embodying other viewpoints that the process takes far too long and is unduly bureaucratic. It was reported that businesses, in particular, were put off from engaging with the programme as a direct result. The delivery of the Priority requires the support of a wide range of private, public and third sector organisations and this support has been jeopardised in the move from project development to delivery
- Progress of Measure 1.5 is beneath target. Although this in part reflects the time taken to develop the cluster plans, the LSC with business support partners and the private sector urgently needs to develop projects to deliver this Measure.
- Measure 1.3 has supported a large project to spin out companies from the sub-region’s universities and Sheffield City Council leads this. Although progress in identifying potential companies is now accelerating a concern has been the inability to support companies that are more than 25 per cent owned by a non-SME: in this case, by the universities maintaining an equity stake when the company is established. This barrier now seems to have been removed by changing the eligible companies in Measure 1.3 to include non-SMEs. This is also an area which may require greater flexibility. As a university spin-out company grows the equity held by the university is likely to fall, as new investors take a greater share of the business, although again, these are frequently non-SMEs.

The Mid Term Evaluation has not directly examined whether Priority 1 provides the right mix of support. One area which was highlighted in consultation as being important for the success of business start-up support is the provision of appropriate hard (premises and fixed capital) and soft (advice, financial assistance and skills) business incubation support. A coordinated approach to business incubation was seen as vital to a Programme requiring significant numbers of high growth business start-ups.

Issues were also highlighted over the integration of business support and skills. This is currently being addressed by joint work between Yorkshire Forward, the South Yorkshire Learning and Skills Council and Business Link South Yorkshire. This may provide the basis for improved integration of activities led by these organisations and which may bring improvements to the delivery of the Programme.

5.8 Recommendations

The following recommendations can be drawn from the review of Priority 1:

- The **priority clusters** of Priority 1 should be reviewed. It is recommended, on the basis of activity to date and wider trends, that the environmental and energy cluster be included under AMM and that the bioscience cluster be expanded to include

medical devices (and renamed around Bioscience and Health-Related technologies). Biosciences should continue to include bioremediation. The Programme Directorate should re-profile the baselines for the new target sectors and recommendations should be made for the Mid Term Review. Existing projects which cross these sectors will need to be reviewed as part of the wider support activities provided by Yorkshire Forward and Renaissance South Yorkshire for cluster development.

- **Support for inward investment** remains critical. However, the approach needs to be refreshed. Greater attention needs to be placed on mobilising national and international networks of key organisations, including company supply chains, professional service companies and the research and development base. This should be a key role of Renaissance South Yorkshire together with Yorkshire Forward. Consideration should also be given to **benchmarking the inward investment** package against those offered by other regions. This is for two reasons: to help drive up South Yorkshire's performance in inward investment; and potentially to assist in marketing the area.
- **Support for workforce development** is closely tied to the overall success of this Priority. Data analysis suggests that some co-financed activity is outside the scope of the Measure (based on qualification levels). The LSC and Programme Directorate need to ensure that all co-financed activity is consistent with the aims of the Measure. Progress in the delivery of the Measure also needs to be accelerated. This involves much closer integration of business support and workforce development activities, partnership based around clusters, addressing specific supply-side capacity gaps and continued effort to engage the private sector. Activities around the Advanced Manufacturing Park and Creative and Digital Cluster provide examples of how delivery organisations and the private sector can be brought together. These approaches may offer more tangible opportunities for the LSC to identify the requirements for high level skills (at NVQ 3 and above) and links to disadvantaged communities which at present are significantly below target.
- **Targets** are overly ambitious and this is having a detrimental effect on the innovation and the focus of some projects. Key areas to change include: jobs created, business sales, new companies formed; and numbers achieving NVQ3. Wider socio-economic changes suggest that targets may need to be reduced by between one third and one half. It is understood that the Programme Directorate has begun to prepare an analysis of the targets based on the socio-economic base of the sub-region. This should be used to inform specific changes recommended to the Mid Term Review. It is also recommended that a target be introduced for jobs safeguarded.

6 REVIEW OF PRIORITY 2: MODERNISING BUSINESSES THROUGH ENHANCING COMPETITIVENESS AND INNOVATION

6.1 Introduction

Priority 2 of the Objective 1 Programme for South Yorkshire, 2000-2006 is concerned primarily to '*modernise the established business base and in particular maintain and develop a technologically advanced manufacturing sector*' (Single Programming Document, Section 1.7, p339). The Priority focuses resources on three sectors: engineering, metals and manufacturing; tourism; and food related businesses. The Priority includes five Measures:

6. Exploiting new market opportunities (ERDF)
7. Accelerating the adoption of new technologies, products and processes (ERDF)
8. Maximising the potential presented by e-Business (ERDF)
9. Improving processing and marketing of agricultural products (EAGGF)
10. Enhancing management and workforce skills and capacity (ESF)

The financial allocation to the Priority is £76,780,000 or 11 percent of the Programme's resources. The results targets set by the Priority are not as exacting as Priority 1 and include:

- 2,525 gross new jobs created
- 11,819 gross jobs safeguarded
- £608 million of gross additional business sales (a ratio of £7.9 per every £1 of Structural Funds)
- 51,293 employees helped with training or advice
- 4,629 companies helped with workforce development

The net impact of the Priority is high although greater allowance has been made for deadweight and displacement than in Priority 1. The key impact targets set by the Priority include:

- 1,932 net jobs created
- £46m of net additional GDP
- 8,662 net safeguarded jobs.

Although these targets are not as challenging as those for Priority 1, the interventions are designed to work with companies facing greater threats from restructuring.

The engineering, metals and manufacturing sector is the major trading sector in the South Yorkshire economy although it has been in long term decline and overall has suffered because of a focus on low value added areas. However, there are notable exceptions. Wider trends in globalisation and technology are continually forcing this sector to cut costs to survive as it is exposed to international competition. This sector

encompasses an array of activities and includes the smaller advanced manufacturing and metals cluster which is the focus of Priority 1.

The food sector in South Yorkshire has traditionally not received extensive support and it lacks a core focus, in comparison to other regions. Work is currently underway to assess the strengths of this sector. This should help to focus resources in the remainder of the programme. Finally, the tourism sector is also supported although the focus is on specific niches, including business tourism, recreational tourism and cultural tourism.

Priority 2 has focused on the Engineering, Manufacturing and Metals (EMM) cluster, with a lesser focus (approximately 25 percent of planned funding) on food and tourism. The central aim has been the need to encourage existing businesses in these clusters – that have by definition survived recent restructuring and downturns – to undertake a ‘step change’ in the way in which they operate. The focus has been in three main areas:

- Identification and penetration of new markets, including international markets
- Adoption of improved business processes, technologies and practices
- Workforce development

The evidence supports the view that South Yorkshire businesses in these sectors have indeed lagged behind national and international best practice in these areas, and continues to be the case.

Priority 2 has been delivered primarily through three main groups of projects and these have been the focus of most attention in the MTE process. These are:

- **Invest for Growth (IfG):** a suite of projects managed by Business Link South Yorkshire (BLSY) designed to provide financial support through grants and to provide an access route into the wider advisory and other business support provided by BLSY and other providers.
- **South Yorkshire International Trade Centre (SYITC):** co-located with Sheffield Chamber of Commerce and Industry (SCCI) and involving a wide range of partner organisations including Trade Partners UK. SYITC provides a range of information and advice services to businesses in the Priority 2 clusters as well as financial support for firms engaged in internationalisation projects.
- **Workforce Development: (WD):** Learning and Skills Council South Yorkshire (LSCSY) is operating as a Co Financing Organisation and is using ESF funding to complement its core activities in workforce development. The Priority 2 stream of funding is targeted on the EMM, food and tourism clusters, but in practice there are very close links with the WD activities being undertaken under Priority 1 (Measure 1.5).

6.2 External Influences and Policy Changes

The main external influences to this Priority are the same as Priority 1: namely much lower international growth prospects. There has been a decline in the EMM sector with announcements by Corus of job losses and restructuring at its plants in Rotherham and Stocksbridge. Although further decline in this sector was anticipated by the SPD, these are nonetheless significant announcements and will have adverse effects on business confidence and local economic effects through redundancies. The appreciation of the

euro since the agreement of the Programme has to some extent helped the trading position of some EMM firms although this is largely outweighed by lower growth prospects and the fact that euro-priced imports will now cost more.

The tourism industry is undergoing significant changes that will have a range of effects on the embryonic sector in South Yorkshire. However, South Yorkshire has not traditionally been a mainstream tourist destination and this is reflected in its strategy which emphasises recreational tourism and business tourism.

The key policy drivers were set out in Priority 1. However, the launch of the national Skills Strategy in July should provide an important focus for Priority 2. This stresses the challenge of productivity and signals a stronger focus on basic skills issues. The strategy also highlights the increasingly important role of the FRESA and the Sector Skills Development Agency and its Sector Skills Councils. This agenda should complement the 40 percent of resources in the Priority taken by ESF.

6.3 Relevance and Consistency

In general the Priority 2 strategy continues to be relevant and broadly consistent, although there may be a case for a more explicit distinction between the EMM cluster (which is in effect being merged with the P1 AMM cluster) and the tourism and food clusters, which have received less attention than EMM. Other issues include a clearer, more practical definition of what is meant by 'step change' in the context of, mostly small, local businesses operating in traditional sectors. A key driver for this is not necessarily investment per se but rather the focus on changing business practices and processes, something that may be termed an innovation-led rather than investment-led approach.

The Measures in the Priority remain relevant to the needs of the area. The socio economic analysis showed that key drivers in the sub-regional economy would be the exploitation of new markets, adoption of new technologies and the use of ICT (Measure 6, 7 and 8). EAGGF support in this Priority focuses on the food sector. This is appropriate although is unlikely to be a main economic driver in of the sub-region.

6.4 Financial and Output Progress

6.4.1 Financial Context

Priority 2 has a financial allocation of £76m, which represents 11 per cent of the Programme's funds. Significant progress has been made in terms of the level of commitment, which currently stands at 55 per cent and actual spend at 24 per cent. A couple of measures, namely, measure: 6 Exploiting New Markets opportunities and measure 7: Accelerating the adoption of new technologies, products and processes have made considerable progress in terms of both commitments and actual achievements. These measures have achieved 40 per cent and 46.7 per cent spend respectively.

Table 6.1: Priority 2 Financial Progress

| Measure | Allocation | % Allocation | Committed | % | Actual spend | % Spend |
|---------|------------|--------------|-----------|---|--------------|---------|
|---------|------------|--------------|-----------|---|--------------|---------|

| | | | Committed | | | |
|--|-------------------|-----------|-------------------|-----------|-------------------|-----------|
| 6 Exploiting new market opportunities | 10,740,000 | 1.6 | 9,340,336 | 87 | 4,294,090 | 40 |
| 7 Accelerating the adoption of new technologies products and processes | 17,340,000 | 2.5 | 13,585,778 | 78.3 | 8,099,642 | 46.7 |
| 8 Maximising the potential presented by e-business | 16,260,000 | 2.3 | 4,529,395 | 27.9 | 1,807,198 | 11.1 |
| 9 Improving processing and marketing of agricultural products | 2,850,000 | 0.4 | 2,152,500 | 75.5 | 566,974 | 19.9 |
| 10 Enhancing management and workforce skills and capacity | 29,590,000 | 4.3 | 12,384,824 | 41.9 | 3,505,056 | 11.8 |
| | 76,780,000 | 11 | 41,992,833 | 55 | 18,272,960 | 24 |

Source: Objective 1 Programme Directorate Monitoring Data

Priority 2 supports a total of 22 projects. There is a fairly even spread of projects across the measures and a significant proportion are large and / or flagship projects. These include:

- Company Support Scheme IFG (8.2 percent of Priority resources) BLSY
- Company Scheme (25.5 percent) BLSY
- Workforce Development (30.3 percent) LSC
- South Yorkshire ITC (13.5 percent) Sheffield Chamber of Commerce

6.4.2 Progress against Outputs and Results Targets

Significant progress has been made across most measures contained within Priority 2. The level of commitment and the percentage achieved for several outputs and results are nearing 100 per cent or have exceeded their original targets. The following lists those outputs where considerable progress has been made:

- SMEs provided with advisory support
- Gross new jobs created
- SMEs adopting new practices and procedures

Numerous projects have met or exceeded all or some of their targets including: Invest for Growth, Business Environmental Centre, Technology for Enterprise and South Yorkshire Fund Innovation Centre.

Measure 6: The level of commitment for this measure is high with one noticeable exception 'ICT new adopters.' This translates to significant progress being made in terms of actual achievement across most outputs and measures. Considerable achievements have been made with regards to SMEs provided with advisory support (135.2 percent), and gross new jobs created (92.1 percent).

Measure 7: Significant progress has been made in terms of the level of commitment and recorded achievements. Two targets stand out as having made considerable progress these being: SMEs provided with advisory support and Gross New Jobs Created. Similarly there are two targets which stand out as having no progress and include: large companies provided with financial support for investment in physical capital and large companies developing environmental processes given environmental advice. The Business Environmental Centre and Technology for Enterprise projects have achieved all their target outputs.

Measure 8: Good progress has been made although in terms of actual achievements with one target is close to reaching 50 per cent, 'ICT new adopters.' Least progress has been made with new exporters / high level of internationalisation where no progress has been recorded. Key projects within this measure include Invest for Growth, which has exceeded numerous targets and Technology for Enterprise. Yorkshire Forward is set to roll out an e-Business project in the autumn 2003. This support is deemed necessary given the continuing low use of ICT for business by South Yorkshire's companies. This Measure should make a significant contribution to the Information Society cross-cutting theme.

Measure 9: 75.5 percent of resources in this Measure have been committed through projects delivered by Business Link South Yorkshire to food based businesses. Of a target to support 608 enterprises, project commitments are for 350 SMEs assisted. Of these nine have been supported. The greatest achievement is in the jobs safeguarded results target where 100 jobs have been safeguarded (or 20.4 percent of the Measure target). However, such achievement is surprising given the small numbers of companies assisted. Key concerns with this Measure are:

- Commitment is high (75 percent) but only 57.6 percent of targets have been contracted (350);
- The scale of the sector is relatively small and the Measure target suggests that a high proportion of the sector will be supported. Assistance may be better concentrated on a relatively small number of firms. The study being undertaken on the food cluster may provide some greater direction for this.

Measure 10: The committed outputs for this Measure are broadly in line with financial commitments: 41.9 percent of funds have been committed and these are intended to deliver 38.6 percent of most targets. Progress in this Measure (which accounts for 40 percent of the Priority's resources) is stronger than Measure 1.5, reflecting the greater progress by Priority 2 as a whole and the clearer focused on established sectors. To date 5,997 people have benefited (11.7 percent of the target). However, there are a number of concerns with the delivery of the Measure:

- **Not all beneficiaries were in employment.** The monitoring data suggests that 259 of the ESF direct beneficiaries were unemployed. This is compounded by the matched data where claims have included unemployed and people at school. This data includes 797 people who are unemployed.
- Targets for those **working towards a qualification** was 8 percentage points below target (at 62 percent). However, this may be a reasonable achievement given wider problems highlighted in the delivery of the Measure. The target for the number of SMEs assisted (23.9 percent) and large companies assisted (15.8 percent) are performing well.
- Progress towards **cross-cutting themes** is below profile. 31 percent of beneficiaries are from P4a areas (reflecting problems of directing in-work interventions towards geographic areas) and no beneficiaries have been helped with childcare costs or received environmental training. Childcare provision may be inappropriate for an in-work Measure although may be a barrier for those seeking to enter the labour market or move between companies. The lack of environmental training is a concern given the rationale of the Priority and the relatively high impact environmental legislation and supply chain requirements have on EMM and Food companies.

Overall progress towards the outputs, results and impacts in Priority 2 has been considerable. It is noticeable, however, that progress towards outputs relating to large companies has been limited. As a result this may skew the impact of the Priority overall. Outputs requiring attention include: large companies provided with financial support for investment in physical capital; large companies given advisory support and large companies developing environmental processes given environmental advice.

A second key issue relates to the limited progress made in Measure 9: Improving processing and marketing of agricultural products. Very little progress has been recorded in terms of outputs in contrast to the current level of spend, which stands at approximately 20 per cent of its allocation. Consideration should be given to the long term role of the food sector in South Yorkshire. This should be informed by work ongoing on the sector.

Progress is also needed in the e-Business Measure. Given the low level of ICT use in different business processes by South Yorkshire companies this Measure should have a crucial role in addressing an identified need in the company base. The project should also have strong links to other activities such as business support, internationalisation and workforce development.

Progress in Measure 10 appears to be reasonable. However, as with Measure 1.5, there is some evidence that a range of activities which may not be consistent with the rationale of the Measure have been included by the LSC as co-financed activity.

The South Yorkshire International Trade Centre (SYITC) and Invest for Growth (IFG) were established in the early stages of the Programme and appear to meeting their key targets, although business sales will remain difficult.

The target for the proportion working towards a qualification is high and should be reduced. The LSC needs to ensure that co-financed activities are wholly within the remit of Measure 2.10.

6.5 Emerging impact

It is too early to estimate the impact of Priority 2 on the sub-regional economy. Discussion with both BLSY and SYITC indicate that there is a good chance that the impact targets will be met, although they will be influenced by events outside the control of Objective 1, particularly the international economic climate. There is some suggestion that it will be more difficult to achieve the desired ratio of increased sales to financial support in some sectors, notably food and tourism – given the low value added nature of these sectors. There is also considerable variation in the performance of businesses supported by the Invest for Growth programme, with a small but significant group performing exceptionally well and another small group doing badly. The level of additionality of the Invest for Growth grants has also been questioned. There were strong views by some stakeholders that many of the schemes supported would have attracted, in time, finance from banks. Invest for Growth 2, a follow on project, is however using far more stringent additionality rules. The key effect seems to have been in bringing forward investments, in some cases quite substantially, and in providing a gateway into a wider package of support.

Progress in Priority 2 has been strong with a high level of commitment (in Measures 6 – Exploiting new market opportunities, 7 – accelerating the adoption of new technologies, products and processes, and 9 – improving processing and marketing of agricultural

products) and a high level of expenditure in Measures 6 and 7. This reflects early progress by the Programme in supporting the Invest for Growth and International Trade Centre projects. Both projects have a strong and very positive profile amongst partners and beneficiaries. Progress has been slower in Measure 8 (Maximising the potential presented by e-Business) and 10 (Enhancing management and workforce skills and capacity). However, the Programme Directorate is about to approve a substantial e-Business measure level project with Yorkshire Forward. This project is critical given the continuing poor performance of the sub-region, relative to the region and to the United Kingdom, in the use of ICT by business.

Most progress has been made in the engineering, metals and manufacturing (EMM) sector which has received over 75 percent of the support from this Priority. The focus of the Priority should remain on modernising the EMM sector. The existing mix of interventions appear appropriate to the needs of the area. Higher levels of intervention should only made under Priority 1 where far higher outputs are required.

The food and tourism sectors remain weak in South Yorkshire. Investments by the programme have therefore focused on specific areas, either where there is evidence of growth or where investments underpin other programme investments (e.g. business tourism and conference support in Sheffield city centre). The programme is supporting tourism activities in the areas of business tourism, recreational (i.e. sport based) tourism, culture and rural tourism. A review of the food-based supply chain, and its support requirements, is currently underway. This should be used to focus resources.

Workforce development should remain key focus of this Priority. Although expenditure has been poor, the evidence from the socio-economic review suggests that the skills base of companies, especially those in traditional sectors, is weak. This is also a barrier to the effective implementation of other Measures in this Priority which are aiming to change key business processes (for example use of ICT and sales) and product development (for example from technology transfer). Although there remain technical barriers to workforce development (for example it was cited that the grant rate, even when matched with LSC funds, is relatively low at 40 percent) a key focus needs to be on ensuring skills issues are addressed throughout companies. There is little conclusive evidence as to whether the grant rate has been a barrier to workforce development.

6.6 Management and implementation

Priority 2 appears to have been run well following teething problems associated with the establishment of the Programme Directorate after the Programme was agreed. A key feature was the existence of the Driver Partnership, which has been credited with providing a strong business influence and ensuring that the programme got off the ground (and spent money) quickly. The Driver Partnership has now been discontinued, to the dismay of some and the approval of others, but there remains an issue of how the 'business voice' can be incorporated effectively in the second half of the programme.

The Business and Enterprise team in the Programme Directorate now manage Priority 2 alongside Priority 1. This ensures that a more consistent approach is taken, especially in the support of the AMM cluster. However, there appears to be considerable scope for integrating the range of business support activities and workforce development activities by delivery organisations. This may come through a stronger focus for delivery on cluster-related activities. This should also provide opportunities for the private sector to provide direction to this activity.

6.7 Key issues

The central issue is to ensure that the Workforce Development work is more explicitly and effectively integrated into the work of Priority 2. Specifically, there needs to be much clearer working links between LSC and BLSY (and to a lesser extent South Yorkshire International Trade Centre). The rationale of the Priority is that support for business would be better integrated. The 'division of responsibilities' between organisations, and their different modes of operation, BLSY deliver more services in house while the LSC commissions activity, work against such integration. Alternatively (or in addition) there may be a case for integrating some of the ESF funding into the work of BLSY so that they can 'buy' the Workforce Development that Invest for Growth and other clients need. This could be commissioned by the LSC. This will give a stronger role to BLSY. Consideration also needs to be given to ensuring that other providers, including those in the private sector, are engaged in delivery. This would help a wider range of businesses to be supported and complement activities in Priority 1. A concern though is that the LSC functions as a commissioning body and is effectively another tier in the chain of project development, rather than operating directly with businesses.

Work is underway between Yorkshire Forward, the South Yorkshire Learning and Skills Council and Business Link South Yorkshire to address the issue of coordination. This should inform and help improve the delivery of the Objective 1 Programme.

Measures 1.5 (Supporting new employment opportunities), 2.10 (enhancing management and workforce skills and capacity) and 3.13 (Developing an adaptable and entrepreneurial workforce) target a range of workforce development activities. Plans for the delivery of workforce development correctly focus on the priority clusters of the Programme. Most activities are being delivered through LSC co-financing. Commitment levels are between 38 and 44 percent in each of the three Measures but spend levels are low (less than 20 percent). Barriers recognised to development include: level of private sector matching funding required (which is as high as 60 percent and may be a barrier to firms with little experience of workforce development); targets (e.g. percentage progressing towards a qualification); and the lack of demand for workforce development by companies in traditional sectors. Some of these issues have been addressed (e.g. numbers progressing towards a qualification).

The launch of the national Skills Strategy provides the Programme with the opportunity to refresh the approach to workforce development and continue to capitalise on new developments in government policy (for example around employer training pilots). These may provide additional incentives to encourage companies to engage in workforce development and a gateway into the support funded by Objective 1. Other approaches may involve initiatives to engage business owners and managers in workforce development related activities. Targeting those at the head of organisations and gaining their engagement in skills development has been shown to lead to support for workforce development throughout organisations.

The contribution of Measure 2.10 to cross-cutting themes is limited, in terms of beneficiaries from P4a areas and assistance provided with childcare. It maybe difficult, and inappropriate, to bend in-work training support to beneficiaries located in certain areas. However, the target should continue to be monitored as it provides an indicator of

whether the Programme is supporting the most disadvantaged areas. Similarly, the provision of childcare for those already in work may be inappropriate as it is likely that those in work will have already made childcare arrangements. However, the potential to provide support should be maintained, as it is likely to be a barrier faced by parents entering or returning to the labour market.

6.8 Recommendations

The recommendations for change need to be viewed in terms of the balance of funding across Priorities and Measures. The two sets of recommendations relate to the wider implementation of the Priority and specifically to Workforce Development.

6.8.1 Implementation of the Priority

- **Invest for Growth** (IfG) schemes (I and II) have been highly effective in targeting business and are demand led. The schemes have been subject to a process evaluation and improvements made. Invest for Growth has brought forward investment by companies in South Yorkshire. Support for IfG should be continued but with closer links built to packages of business support and workforce development. In particular, the delivery of IfG should operate in tandem with the South Yorkshire Investment Fund: for example, through signposting and referral, undertaking investment appraisals jointly and in designing IfG exit strategies which involve a mix of finance. This may help IfG targeted companies gain exposure to a wider range of business support and financial products.
- Progress in the **e-Business Measure** has been relatively slow. The rationale for the Measure remains strong because of the relative weaknesses in the use of ICT by South Yorkshire companies. ICT can be a key driver for change in company performance and can be supported through a range of Programme (IfG and SYIF) and non-Programme (e.g. tax breaks) assistance. It is recommended that support from this Measure be used to underpin the delivery of each of the eligible sectors. The Measure should also drive the delivery of the information society cross cutting theme for Priorities 1 and 2.
- **Workforce development** must remain a key activity of the Priority and be embedded in wider business development activities. This will require greater cross-agency working, particularly between the Learning and Skills Council, Business Link South Yorkshire, Yorkshire Forward and delivery organisations. This is explored in more detail below.
- Support for the **tourism and food sectors** should remain highly targeted on areas which deliver tangible outputs and contribute to the wider delivery of the programme.

6.8.2 Workforce Development

- **The delivery of Workforce Development Measures has been mixed despite co-financing progress.** Some progress in cluster based training hubs (e-learning and AMP) has been made. This approach has been recognised as a possible model for

delivery in the remainder of the programme and for other cluster based training. Key factors include:

- **strong private sector support and leadership**: this needs to be continually developed to ensure the continued focus of workforce development and skills – this may required capacity to be built;
 - **partnership** between supply and demand side to develop initiatives and to coordinate delivery; and
 - the **capacity of providers** to deliver high level targeted training packages for the priority clusters. This is currently weak in key areas (including parts of the FE sector) and will need to be addressed if workforce development is to be sustainable.
- **Changes to national skills policy**, and changes brought by the national Skills Strategy, suggest two further developments: establishment of mechanisms for effectively linking workforce development with targeted business support activities; and links to employer training pilots. In specific cases this should allow the award of more intensive assistance (through a higher grant rate) where there is strong evidence that specific companies will put plans in place and significantly improve workforce development.
 - The **breadth of workforce development activities** should be expanded to include opportunities for the development of business leadership skills – an initiative to support business leadership development of company owners and/or senior executives may assist in a wider skills strategies. Such interventions have been shown to be a key driver for the introduction of skills development into organisations with a weak tradition of workforce development.
 - Greater **flexibility** needs to be shown in the use of **qualification targets and grant rates** which are proving a barrier to progress. Co-financing should provide the LSC with the flexibility to vary the assistance companies receive for workforce development.
 - The balance of funding between the **workforce development measures** remains appropriate to the needs of South Yorkshire. However, and following the national Skills Strategy, there is a need to reassess South Yorkshire's package of support to ensure that it complements likely new directions in national government funding.

7 REVIEW OF PRIORITY 3: BUILDING A WORLD LEADING LEARNING REGION WHICH PROMOTES EQUITY, EMPLOYMENT AND SOCIAL INCLUSION: PRIORITY 3A BUILDING A WORLD LEADING LEARNING REGION

7.1 Introduction

Priority 3 of the Objective 1 Programme for South Yorkshire is concerned primarily with '*building a world learning region which promotes equity, employment and social inclusion*' (Single Programming Document, p379). It is divided into two sub-priorities (3A – building a world learning region; and 3B – promoting equity, employment and social inclusion). This section focuses on Priority 3A.

Priority 3A's central objective is to address a key weakness in the South Yorkshire labour market, that the education and training system was lagging behind national averages in terms of GCSE results, retention rates at 16 and workforce based learning. These weaknesses were due both to the delivery of education and training (the curriculum in particular) and due to outmoded infrastructure. The focus of the Priority was therefore on creating a step change in learning in South Yorkshire with a strong focus on vocational education, retaining young people in the education system and through using ICT for learning (through e-Learning initiatives). Priority 3A is novel for Structural Funds programmes because it provides assistance to those still at school, and in particular, those aged under 16.

Priority 3A includes the following Measures:

11. Creating a responsive training and education system (ESF)
- 12 Enhancing the curriculum for the world of work (ESF)
- 13 Developing an adaptable and entrepreneurial workforce (ESF)
- 14 Building a learning infrastructure for the 21st century (ERDF)
- 15 Tackling gender imbalance in the labour market (ESF)

The financial allocation to Priority 3A is £134,760,000 (the second highest in the Programme after Priority 5) or 20 percent of Programme resources. The output targets are as follows:

- 106,873 helped to access education and training
- 78,348 beneficiaries
- 2,627 businesses started

Key impact targets include:

- 106,873 net increase in participation
- 441 net new businesses created
- 2 percent increase in female activity in the labour market.

The scale of the output and impact targets is challenging, although as most delivery is through schools, beneficiaries of provision are of course easier to identify than other Measures. Nearly all activity in Priority 3A is led either by the Local Education Authorities

or by the Learning and Skills Council. The LSC operates as a co-financing organisation, then sub-contracting activity, while the LEA match funds provision through additional resources.

7.2 External Influences and Policy Changes

The significant change in socio-economic conditions since the SPD was written has been the reduction in levels of unemployment and long-term unemployment. Discussions with stakeholders and analysis of the available information suggest that the issues identified in the SPD continue to be relevant for the implementation of Priority 3. Retention rates for those remaining in training or education at 16 remain low and there has been limited progress in increasing performance at A*-C GCSE and GNVQ scores.

However, a significant change in the labour market has been the rapid increase in female participation rates. Although often in part-time jobs this has, coupled to falling claimant unemployment rates, been a significant change. This development may also warrant a review of the impact target to increase female participation by 2 percent. An alternative target would be reductions in the difference between male and female income levels.

The main policy development has been the publication of the Green Paper on 13-19 Education by the DfES. This supports many of the developments which have been pioneered under the Programme. These include the increasing focus on vocational education, the need to prevent young people dropping out of education before 16 and the use of ICT to deliver education.

7.3 Relevance and Consistency of the Strategy

The approach underpinning the delivery of Priority 3A remains relevant to the needs of South Yorkshire. Progress against impact targets will take time as interventions are focused primarily at the 14-16 year old age group. Projects are also targeted at the 11-14 and 17-19 age groups. The emphasis on vocational education is strongly aligned and embedded in LEA provision. ESF and ERDF funding has been used to accelerate the change in education provision in South Yorkshire.

An area where change may be required is in Measure 13, on training related activities. This Measure is led by the LSC. Such change should reflect the national Skills Strategy and also the wider discussion of Workforce Development (in Section 6 of this report). Measure 15, which aims to tackle gender imbalances in the labour market, has involved considerable planning and partnership activity, coordinated by the Programme Directorate. It has also provided a focus and impetus to the cross cutting theme of gender mainstreaming. However, with rising female participation rates in the labour market, a stronger focus of the Measure should be on job quality and income disparities faced by women.

7.4 Financial and Output Progress

7.4.1 Financial Context

Priority 3 has a total allocation of £207.6m of which £134.7m is assigned to Priority 3a and £72.9m to 3b. To date, Priority 3a has commitments of £96.1m and has spent 19 per cent of this allocation.

Priority 3a supports 37 projects. Whilst Measure 11: Creating a responsive training and education system has a total of 15 projects almost double the amount of any other Measure within the Priority; in financial terms Measure 12: Enhancing the curriculum for the work of work is by far the largest. This Measure's budget represents 53.7 per cent of the Priority's financial allocation.

Table 7.1: Priority 3A Financial Progress

| Measure | Allocation | % Allocation | Committed | % Committed | Actual spend | % Spend |
|--|--------------------|--------------|-------------------|-------------|-------------------|-----------|
| 11 Creating a responsive training and education system | 15,080,000 | 2.2 | 7,304,383 | 48.4 | 2,928,135 | 19.4 |
| 12 Enhancing the curriculum for the world of work | 56,800,000 | 8.2 | 43,573,342 | 76.7 | 11,443,426 | 20.1 |
| 13 Developing an adaptable and entrepreneurial workforce | 13,680,000 | 2 | 5,994,258 | 43.8 | 2,245,907 | 16.4 |
| 14 Building a learning infrastructure for the 21 st century | 39,000,000 | 5.6 | 35,166,041 | 90.2 | 8,641,296 | 22.2 |
| 15 Tackling gender imbalance in the labour market | 10,200,000 | 1.5 | 4,070,553 | 39.9 | 622,630 | 6.1 |
| | 134,760,000 | 20 | 96,108,577 | 71 | 25,881,394 | 19 |

Source: Objective 1 Programme Directorate Monitoring Data

Across the Priority there are a number of large-scale projects which take a significant proportion of the Priority's financial allocation. These include:

- A responsive learning system (10.1 percent of Priority resources) LSC
- Re-engagement with learning (13.6 percent) Barnsley Local Education Authority
- Enhanced curriculum (10.5 percent) Doncaster Local Education Authority
- New skills for the new workforce (14.8 percent) LSC
- Promoting an adaptable and entrepreneurial workforce (9.2 percent) LSC
- South Yorkshire E-learning partnership (10.2percent) Sheffield Local Education Authority

Most of these are Measure level projects with individual LEAs leading on specific areas of activity of all four LEAs.

7.4.2 Progress against Outputs and Results Targets

Progress by Priority 3a towards achieving its targets is generally strong. Issues specific to each Measure explore below.

Measure 11: This Measure has committed 48.4 percent of its resources. Output commitments are broadly in line with this or have been exceeded. One exception is the commitment for the ‘% achieving a positive outcome’ which is significantly below the target. This may reflect the difficulty in setting a positive outcome target for a Measure of this sort. Measure 11 has exceeded its target for the number of beneficiaries assisted. Of a target of 31,137, the Measure has assisted 86,395 beneficiaries. 80,458 beneficiaries have been supported by transitional projects and the remainder by LSC and Careers/Connexions Service projects. The purpose of the Measure is primarily to provide information and guidance to adults to increase engagement in lifelong learning. Progress appears strong. The Programme Directorate report that there has been a low response rate to feedback forms (completed by beneficiaries). Moreover, outcomes (results and impacts) will be long term and will be revealed through changes to key baselines (qualifications achieved, involvement in lifelong learning). Key issues concerning the delivery of the Measure include:

- The Measure may be targeting too wide a beneficiary group. The number of recorded beneficiaries to date raises some concerns that there is insufficient ‘aid intensity’ on key target groups of the Measure.
- Involvement of the Connexions Service should strengthen the focus of the Measure on those at risk of becoming NEETs (Not in Education, Employment or Training) and NEETs themselves. – particularly in the 16-19 age group.
- 32 percent of beneficiaries have come from P4a areas – four percentage points below the target. The target for numbers receiving support in meeting childcare costs (10 percent of beneficiaries) is relevant although take up has been slow. This may reflect the age profile of the beneficiaries to date.
- Beneficiary data is geo-coded and this will provide the Programme Directorate and delivery partners to identify ‘cold spots’ in provision. If these exist then some geographical targeting of assistance may be required.

Measure 12: The key projects supported under this Measure include key skills initiatives, provision of an enhanced curriculum and the e-Learning pilot. 76 percent of the resources in the Measure are committed and in general committed targets are higher than this figure. The key projects have made substantial contributions to the achievement of targets: 68,529 beneficiaries (90.5 percent of the target) have been assisted from approximately three quarters of resources committed. The strong progress reflects the clear rationale of the projects, the lead of the LEAs and the relatively captive market for support. The key issue for the Measure will be the conversion of support provided under the initiative into positive outcomes (in particular changes in qualification numbers and increases in the retention rate in education at 16). Progress against the cross-cutting themes target (43 percent of beneficiaries have come from P4a areas) is extremely strong. The e-Learning pilot has recently concluded and project contracts are being awarded to a single lead contractor.

Measure 13: Of the three workforce development Measures (with 1.5 and 2.10), progress in this Measure is considerable. 43.8 percent of resources have been committed and this is reflected in contracted output and results targets which are either

in line with this or are higher. The only shortfall appears to be in the contracted target for the number of jobs to be created. 28.1 percent of the beneficiary target (28,454) has been achieved. The performance of this Measure has also been helped by not being tied to specific sectors (as with Priority 1 and 2). Transitional projects account for 4,980 beneficiaries, or approximately 60 percent of achievements to date. However, as with the other Workforce Development Measures, some non-eligible beneficiaries have been claimed (although most have been cleaned from the database by the Programme Directorate). For example claims include 539 ESF funded beneficiaries who are unemployed and 230 co-financed beneficiaries who are unemployed. Only 13 percent of beneficiaries come from P4a areas. This is a low figure, and reflects the problem of bending in-work activities to geographic areas. Moreover, unemployment and economic inactivity in P4a areas will be higher than other areas which will also make achievement of the 36 percent target more difficult. Achievement of childcare and environmental training targets is low.

Measure 14: Some progress has been recorded against 3 out of the 5 targets assigned to this measure including: educational and training institutions upgraded; numbers helped to access e-learning and the number achieving ICT competency at NVQ2 or higher. The actual percentage achieved for these outputs is 15 per cent. The level of commitment for these targets is very high and is 100 per cent, 94.8 per cent and 98.1 per cent respectively. The support infrastructure provided by the Measure is intended to aid the delivery of the ESF Measures in this Priority and the wider delivery of education and training in South Yorkshire. E-Learning activities (Measures 12 and 14 together) are recognised to be highly innovative and have been recognised to be at the forefront of such initiatives in the European Union.

Measure 15: The main projects in this Measure are led by the LSC through co-financing:

- Progress in the Measure appears to be strong. 39.9 percent of resources have been committed and in general contracts will deliver this deliver of output and results targets. To date, 1,742 beneficiaries have been supported or 19.8 percent of the target. Most activity has been directed at tackling labour market segregation (more than addressing work life balance and male disengagement).
- The Measure is making a significant contribution to P4a areas (46 percent of beneficiaries come from these areas). Childcare support is low and it would be expected that progress in this Measure against this target would have been greater.
- There is strong evidence of changes in participation in the South Yorkshire labour market. Overall female participation rates by women in the labour market increased from 70.4 percent to 70.5 percent between 1998 and 2002 (in comparison to 80.1 percent to 82.2 percent for men). However, there are significant differences between the boroughs: the rate for women increased from 65.3 percent to 67 percent in Barnsley). More significantly claimant unemployment for women fell from 3.5 percent to 1.5 percent (in comparison to a change from 10.9 percent to 5 percent for men).

Progress under Priority 3a is strong and there were found to be few concerns in delivery. However, the benefits from the Priority will largely be in the long term, primarily through interventions which increase qualifications and retention rates through increasing the vocational relevance of the education system.

Although assessment of the Priority is positive there are two areas of concern: converting the provision of support into impacts; and in ensuring that co-financed activities are within the scope of the Measures.

7.5 Emerging Impact

It is too early to judge whether Priority 3A will have a significant impact. The analysis of the processes and projects which will deliver targets suggest that progress is strong. Interviews with stakeholders also suggest that projects are well received and, particularly for the school based work, are transforming the curriculum.

- The development of **effective partnership working** between organisations delivering a number of projects. In particular, partnership working across the sub-region is felt to have improved, with the four boroughs developing a good working relationship. The impact of this has been felt beyond Objective 1.
- The movement towards more **'beneficiary centred provision'** rather than the provider led agenda that has previously been delivered under Objectives 2 and 3.
- Indications of good progress, in particular, in relation to the **14-19 agenda** (Measure 12 and 14). The Pathways to Success projects (Key Skills, Increasing flexibility at Key Stage 4 and Re-engaging the disaffected) are believed to have had considerable influence in schools and closely reflect the Government agenda for 14-19 education. Exam results in the summer of 2003 and beyond will be important in further supporting the qualitative evidence from schools that the projects are having a major impact. There was, however, some concern that the key beneficiaries of the Pathways to Success projects will not take KS4 qualifications until 2004, which is beyond the completion of this project. Overall, one interviewee indicated substantial added value around M12, stating that there has been *'massive activity and progress in schools which has seriously changed the curriculum five years faster than it would have done'*.
- Successful delivery of the pilot phase of the **South Yorkshire e-learning project** (M14) by four separate private sector consortia. Emerging lessons from the pilot phase include the following:
 - Interactive white boards make the most difference to the way teachers teach and pupils learn;
 - Learning gains from SyeLP encompass a range of attitudinal, skill and knowledge areas. First order gains from the project include improved motivation and attitude and these can be followed by a number of other benefits around behaviour, attendance, skills and achievement / attainment.
 - Pupils feel that ICT helps them to learn things more quickly.
 - ICT adds another option to the range of teaching tools available and, in some cases, is opening up teachers to new ideas about how to teach.
 - Some concerns were expressed about reliability of equipment and there is a significant impact on both pupils and teachers when equipment fails. (SyeLP: *Emerging Lessons and Good Practice – Summary*. ECOTEC Research).

One of the consortia has now been awarded the contract to deliver the full project.

7.6 Management and Implementation

The implementation of Priority 3A is overseen by the People, Skills and Communities team in Objective 1. The strong progress of the Priority which reflects the clear strategy, particularly for the LEA led projects, which had been developed prior to the launch of the Programme. This has enabled implementation to be to be relatively quick. Partnership between the LSC and LEAs should also underpin the transition from pre-16 education to post-16 training with curriculum development in school having a strong vocational element and reflecting moves for all South Yorkshire schools to have specialist school status.

7.7 Key Issues

Although Priority 3A funds are relatively small compared to the total budgets of the Local Education Authorities, they do nonetheless represent significant injections of discretionary funding into the education system in South Yorkshire and have been used to focus attention and lever wider changes.

Analysis to date suggests that there is no need for fundamental change to the Programme strategy or to the focus of Priority 3A. Some concerns were raised concerning the balance between pre-16 and post-16 activity. The former currently receives about 70 percent of funding in this Priority. A particular concern is that curriculum and e-Learning developments may raise training expectations which cannot be met by the main post 16 providers, in particular the FE colleges. While the Programme has supported the radical change of the education system, the development of the training system has not kept pace. Although the focus on pre-16 activity addresses a specific need (poor retention rates and GCSE results) some consideration needs to be given to whether post-16 providers are sufficiently well equipped to deliver training provision which is beneficiary centred and responds to the needs of Priority 1 and Priority 2 businesses.

The key issues in Measure 11 appears to be monitoring transition and the targeting of key groups. There was limited monitoring evidence on the progression routes of beneficiaries. It is likely that these have not been fully reported as they should be maintained by the LEAs and where appropriate by the Connexions. Measure 11 has recorded a high proportion of all young people (13-18) as benefiting from this Measure. Although this demonstrates the widespread enhancements support has brought, it would be expected that targets would be lower and concentrate support on key groups, in particular those not education, employment or training (NEETs) and those at risk of becoming NEETs.

The success of Measure 13 on vocational skills appears to be that it most closely aligned to the LSC's own strategy and that delivery is more straightforward. Delivery in Priorities 1 and 2 has been slowed because of the more complex delivery arrangements which are required and the need to target specific sectors. However despite strong progress, this does not provide the basis to move ESF support away from Priorities 1 and 2.

The e-Learning activities developed by the South Yorkshire e-Learning Partnership under Measures 12 and 14 have been recognised to be at the forefront of such developments. Achievement is high in the pilot activity. Moreover, e-Learning activities have been recognised as a catalyst for wider developments in the Programme, including activities in Priorities 1, 4 and 5.

The delivery of Measure 15 is strong and reflects wide ranging partnership work, investment in project development by the Programme Directorate and the links to the gender mainstreaming cross cutting theme. However, as with the other ESF Measures there was, as yet, limited evidence that the intervention is leading to specific results and impacts or how it will significantly affect wider baselines.

7.8 Recommendations

- Progress in Measures 11 (Creating a responsive training and education system), 12 (Enhancing the curriculum for the world of work) and 14 (Building a learning infrastructure for the 21st century) has been very strong **and should be regarded as successes of the Programme**. The activities supported have been led by intermediary bodies and complement the strategies and funding of these organisations. The projects led by the LEAs are well designed and have been recognised nationally as leading to fundamental changes in education provision. This is particularly in the areas of vocational education and e-learning.
- Results from the LEA led Measures will take time to be realised but the interventions remain highly relevant to the needs of South Yorkshire. There was limited monitoring data on the progress beneficiaries are making and greater efforts should be made to introduce systems which can effectively report on progress. This should not pose a significant barrier given the pupil based records kept by LEAs. Overall **no significant changes should be anticipated** in the Mid Term Review of the ESF Measures focusing on the education system.
- Activities to support **workforce development** are considered in the previous section. The employment composition of South Yorkshire suggests that activities to ensure the adaptability of those in work are of critical importance at a time of low unemployment, and especially for those who are facing job insecurity. There should therefore be scope in the Programme to increase support for preventative measures, which should focus on issues of basic skills and those in vulnerable sectors. Support for such support could be drawn from Measure 16, Assisting People Back to Work.
- The Measure to tackle **gender imbalances** in the labour market also remains relevant to the needs of the sub-region with support also required under Measure 13 to ensure and retain the employability of those vulnerable to labour market segregation. The socio-economic analysis suggests that that the substantial increase in workforce participation in South Yorkshire is due to the increase of female employment in low wage part-time service-based occupations. There remains a strong economic case for tackling gender imbalances in the labour market, specifically to address pay differences and wider issues of employability, including the provision of childcare.

8 REVIEW OF PRIORITY 3: BUILDING A WORLD LEADING LEARNING REGION WHICH PROMOTES EQUITY, EMPLOYMENT AND SOCIAL INCLUSION: PRIORITY 3B PROMOTING EQUITY, EMPLOYMENT AND SOCIAL INCLUSION

8.1 Introduction

Priority 3B is designed to address tackle labour market inequalities which cut across South Yorkshire and in developing socially inclusive approaches to economic development, through both ILMs and the promotion of the social economy. The Priority has a strong focus on addressing the needs of specific 'communities of interest', including BME communities, lone parents, ex offenders and those with disabilities. This focus marks a departure with previous programmes. Priority 3B includes 3 Measures:

- 16 Assisting People Back to Work
- 17 Tackling Disadvantage
- 18 Expanding and supporting a thriving social economy

The financial allocation to the Priority is £72,920,000 with 39,000,000 being allocated to assisting people back to work. The Priority has received 11 percent of Programme resources. The key output targets set by the Priority are as follows:

- 47,662 beneficiaries
- 41,304 participating in training
- 295 new businesses created

The impact targets are as follows:

- 9,989 securing employment (ESF Measures)
- 192 net new businesses created
- 753 new jobs created (ERDF Measure)

These targets are challenging and may now be unrealistic in the light of socio economic changes: in particular falls in claimant unemployment and reduced the scope for interventions targeting the unemployed. This issue is discussed below.

8.2 External Influences and Policy Changes

There remains a strong need for a socially inclusive approach to be taken to economic development in South Yorkshire. Disparities in income and in opportunities are severe and could be exacerbated by neglect of social inclusion. However, the context in which Priority 3B is implemented has dramatically changed, primarily due to falls in claimant unemployment. Across the sub-region these have converged with the national average. However, disparities still remain and are now heavily concentrated on those who are economically inactive. This group often faces multiple barriers to accessing re-entering the mainstream labour market and for some this aim may be unattainable. Key barriers include poor health and disability, but also other factors which bare most heavily on

groups such as lone parents and BME communities. Forthcoming census data should also enable more effective targeting of specific groups for assistance.

A key policy change has been around the government's employment policies and in particular the extension of the employment New Deals and the establishment of Jobcentre Plus, with a specific remit to address issues of worklessness which persist outside the claimant unemployed. The New Deals are already used to co-finance ESF activities. However, New Deal support is being brought 'in house' by Jobcentre Plus offices. This may have two effects: it may reduce the available money for co-financing and it may reduce opportunities to engage the voluntary and community sector in project delivery.

A further policy change which will affect this Priority is the increasing attention being given to the social economy both by the DTI and the Treasury. The social economy is set to be given a much stronger focus in the delivery of public services and in the support of hard to reach groups. The Treasury's consultation paper, *futurebuilders* and the promotion of Community Development Finance Initiatives such as the Phoenix fund, recognise that investment in the voluntary and community sector maybe required to make the sector more sustainable and to engage in public sector service delivery. These developments have largely been anticipated by the Programme, with many local organisations being at the forefront of the social economy. However, they also present opportunities for the remainder of the Programme, both in terms of the finance available and the opening up of public sector contracts to be delivered by the voluntary and community sector and through social enterprises.

8.3 Relevance and Consistency

This Priority requires some significant changes for the remainder of the Programme which should be subject to significant partnership discussion and require the endorsement of key sectors, including the Jobcentre Plus and the Community and Voluntary sector. The first change should be to refocus the Back into Work measure around hard to reach groups and the economically inactive. Although ILM schemes provide a now established route for delivering such support, alternatives may need to be developed. There may also be opportunities in public sector employment following the significant increase in public sector expenditure in the sub-region, in areas such as the health sector. The refocusing of this Measure will also require new targets which can pick up on intermediate outcomes (such as accessing training, developing a training plan or addressing key barriers caused by ill health for example). However, these outcomes will be more 'expensive' in terms of programme resources, require more careful targeting and need to join up an array of employment and social services.

However, the falls in claimant unemployment in the sub-region also suggest that money could be vired out of this Measure to support in-work training, specifically in relation to basic skills and the support of the national Skills Strategy. Such activities could be supported through Measure 13.

The Tackling Disadvantage Measure should be reviewed in light of Census Data and budgets reprofiled. There may also be scope for the Measure to work more effectively alongside the community cohesion and social inclusion strategies of the LSPs – this is in line with the recommendations for the cross cutting themes around mainstreaming and the need for intermediary bodies to embed the themes in their activities.

Finally, there is currently a supportive environment for the growth of the social economy in the sub-region. The current audit and mapping work commissioned by the Programme Directorate should provide a clear picture of the state of social enterprise in the sub-region and how the package of support can be strengthened. However, the support of social enterprises will need to address specific technical barriers. The definition of social enterprise in terms of State Aids policy has developed rapidly. However, State Aids policy remains a barrier to this sector and in particular the definition of a social enterprise.

Key issues appear to be: the proportion of the enterprise's income which comes from commercial trading (in which case an assessment could be made to support a specific proportion of activity); whether it is delivering Objective 1 eligible actions (in which case it should be eligible as a normal project sponsor); and whether it is a business which delivers social aims (in which case it should fall under State Aids policy). Clarification is required for the delivery of Measure 18.

8.4 Financial and Output Progress

8.4.1 Financial Context

Priority 3 has a total allocation of £207.6m of which £134.7m is assigned to Priority 3a and £72.9m to 3b. To date, Priority 3b has commitments of £41.5m and the percentage spent is 19 per cent. Measure 16: Assisting people back into work has the largest allocation with 5.6 per cent of the Priority's allocation.

Table 8.1: Priority 3B Financial Progress

| Activity | Allocation | % Allocation | Committed | % Committed | Actual spend | % Spend |
|----------------------------------|-------------------|--------------|-------------------|-------------|-------------------|-----------|
| 16 Assisting People Back to Work | 39,000,000 | 5.6 | 24,767,124 | 63.5 | 6,606,329 | 16.9 |
| 17 Tackling Disadvantage | 18,840,000 | 2.7 | 10,354,883 | 55 | 5,012,059 | 26.6 |
| 18 Social Economy | 15,080,000 | 2.2 | 6,436,784 | 42.7 | 2,464,273 | 16.3 |
| | 72,920,000 | 11 | 41,558,791 | 57 | 14,082,661 | 19 |

Source: Objective 1 Programme Directorate Monitoring Data

Priority 3b supports a considerable number of projects, 87 in total. These projects are fairly evenly split between measure 16 and 17. Large projects in this measure include:

- SYCON ILM (34.2 percent of sub-Priority resources) CFFE SYCON Unit
- Pathways to inclusion (22.2 percent) LSC
- Coalfields consortium – SYSEN (4.2 percent) Barnsley Development Agency

8.4.2 Progress against Outputs, Results and Impacts

Progress across the Measures has been strong.

Measure 16: this Measure has supported a range of interventions to enhance support transition into the labour market. The Measure has committed 63.7 percent of its financial resources and output and results commitments are in excess of this figure. The target for the 'number gaining a qualification' appears to have been set too low, based on commitment levels. 50 percent would be a better target and be closer to the expectations of other ESF Measures. A range of ILMs have been implemented, including SYCON. Progress is strong, from 15 percent of resources committed, the Measure has assisted 9,531 beneficiaries, or 52 percent of the target. There is a balance between support for under 25s and those 25 and over. 52 percent of beneficiaries were female (7 percent above target). Concerns with the Measure include:

- A key concern with the Measure is the conversion of results into impact. As wider levels of unemployment have fallen dramatically during the period of support, there must be some concern that many of those supported would have found employment anyway – although the net impact target is only required to assess displacement (and not deadweight).
- Support for the economically inactive is low (in comparison to the unemployed). Only 118 beneficiaries were inactive, against a target of 4,953.
- The proportion of beneficiaries from P4a areas is also relatively low at 25 percent, especially for a Measure of this nature. Only 1 percent of beneficiaries have been supported with childcare costs (against a target of 10 percent).

Measure 17: 55 percent of resources have been committed and this is reflected in contracts which generally either meet or exceed this target. As with Measure 16, the target for the 'number gaining a qualification' appears to have been set too low. Considerable progress has been made in achieving the targets in this measure. Several targets including the percentage working towards a qualification, the percentage of beneficiaries that are women and the percentage securing employment (economically inactive) have been fully achieved or exceeded. 88.4 percent (14,275 beneficiaries) of the beneficiary target (16,149). Transitional projects contribute 9,018 of these beneficiaries. Key issues with the delivery of the Measure include:

- Data by target group (ex offenders, BME, lone parents and disabled) was not available. A significant proportion of ESF data has not recorded the learner/beneficiary background.
- Some support has been provided to those already in employment (667) and these have had to be excluded. The matched data also has weaknesses, particularly on identifying whether beneficiaries are unemployed.
- 60 percent of beneficiaries come from P4a areas which is the highest proportion of any Measure. This may reflect the local and community focus of the Measure's delivery.
- 11 percent of beneficiaries have been assisted with childcare costs which is just above target.

Measure 18: Overall progress against the measure's targets is very good. A few outputs are nearing the 50 per cent mark in terms of achievement. However, little progress has been recorded against an equal number of targets, the number of beneficiaries that are women and business starts survival. This is to be expected for the latter as there is clearly a need for a long time span in which to assess this target. The current level of commitment ranges from fairly to very high across most targets, particularly for the

number of businesses assisted. Numerous projects have contributed to the attainment of the measure's targets including South Yorkshire Key Fund, Childcare in the Social Economy and Infrastructure Development for Learning and Skills Enterprise.

Progress across the Measures is very strong. Key issues concern evidence that individuals outside the target groups have been assisted (in particular those in employment in Measure 16), weaknesses in the collection of beneficiary background data, and risks that levels of deadweight may be high. However deadweight is not considered within the target framework for Measure 16. There is also concern that Measure 16 is not focusing sufficiently on the economically inactive. Most beneficiaries have been claimant unemployed. In a general climate of low unemployment this raises concerns about the additionality of this Measure.

8.5 Emerging Impact

It is too early to comment of the likely impact of the projects funded to date as many projects are only just reaching their main phase of implementation. The SYCON ILM scheme has been effective with over 60 percent placed into permanent jobs. However, the net impact is likely to be lower as many would have obtained jobs anyway. An issue for investigation will be whether the sustainability of those jobs and the long term opportunities for the beneficiary increased.

A notable success of the Priority has been the establishment of a 'managing agent' for the **voluntary and community sector** that has enabled the delivery of a number of new projects under Measure 17, co-financed by the LSC. These projects are clustered around four key disadvantaged groups, namely: ex-offenders; lone parents; ethnic minorities; and the disabled.

The Social Enterprise Business Support Framework and the Key Fund (which builds on an intervention in the previous Programme) were cited as representing good practice in consultation. Moreover, they were also held to be leading examples of their type within the United Kingdom.

8.6 Management and Implementation

Priority 3B is managed by the People, Skills and Communities team in the Programme Directorate. The management of the Priority was found to be highly effective, especially given the number of projects which needed to be developed and appraised. The Priority is also making a significant contribution to the Cross Cutting Themes, especially those of social inclusion, employability and equal opportunities. These issues are discussed in more detail in a later section. Consideration is also given to specific projects which promote both the aims of the Priority and the Cross Cutting Themes.

8.7 Key Issues

Commitments are at a high level in Priority 3b with strong evidence of delivery. However, the fall in claimant unemployment and the launch of Jobcentre Plus warrants the role and use of Objective 1 funding to be reviewed. The socio-economic analysis highlighted that although claimant unemployment is low there is still a need for active labour market policies, such as intermediate labour market initiatives targeted at the claimant

unemployed. There is also a continuing and urgent need to address the low level of basic skills in the sub-region.

Evidence from the 2001 UK Population Census should also be used to inform the targeting of specific groups within Measure 17 (Tackling disadvantage). The Programme has effectively responded to the needs of key groups but a stronger focus may be required on addressing the barriers individuals face in entering the labour market and the remit of the Programme to fully and satisfactorily address these barriers.

Support for social enterprise and its contribution to economic development, public service delivery and support of communities has been given increasing recognition by the UK government. However, the strong direction of this policy, and of forthcoming initiatives such as *futurebuilders* will be on the sustainability of the sector and not on the need for short term grant funding. This reflects the approach taken in the delivery of Measure 18. Evidence from initiatives such as SYSEN and the Key Fund suggest that a combination of enterprise support, grants and loans is already being used and can be highly effective in reducing grant dependency.

However, there were also found to be considerable differences in social enterprise support between Sheffield and the other local areas. Activity in the former coalfield areas was of a smaller scale and progress had also been slower. Activities in Sheffield were more diverse and a greater array of social enterprises supported - reflecting a different context but also a longer history of support. These differences should be recognised in Programme deliver and further support may be required in the former coalfields areas to develop a viable social economy.

The reduction in unemployment and in the numbers eligible for New Deal may have an impact on the **ILM projects**. These should be reprofiled and targeted at hard to reach groups. There is also some urgency in undertaking this work as the ILM project is set to finish in 2004. Given the recruitment time and then period in which beneficiaries are on the scheme, the project will not be able to recruit new participants from the autumn. However, given the fall in unemployment, there is also scope to vire money out of this Measure to support work-based activities, particularly through the implementation of basic skills and preventative measures.

The **capacity of the partners to deliver** is felt to be adequate, but there have been some issues because of the significant organisational change that has taken place in the delivery agencies over the period of the programme.

Some clarity is required on some targets in the Priority. Definitions of **capacity building** were in some cases unclear and may not assist in the delivery of the Priority.

A wider concern, highlighted by Priority 3A and 3B, but reflected in the results from the other Priorities is the contribution of ESF Measures to the target to assess the draw down **childcare** costs. In some cases this cross-cutting theme target appears inappropriate (e.g. in work based provision where childcare may also be arranged). However, this was highlighted in stakeholder consultation as a key barrier in terms of entry into the labour market and also progression. Concerns were raised that the Programme had given insufficient attention to childcare. It was highlighted that key barriers to childcare were both the provision of childcare places but also the number of qualified childcare professionals and childminders – often due to a lack of funding to support NVQ 2 and 3 childcare qualifications. Gaps in childcare provision were highlighted in consultation with the community and voluntary sector, especially in the former coalfield areas where there was seen to be a lack of an appropriate childcare

infrastructure. The consultation also highlighted that investment in childcare can bring wider benefits, and in particular to the social economy, as childcare can often be provided through social enterprises.

8.8 Recommendations

The following recommendations can be drawn from the assessment of this Priority:

- Measure 16 (Assisting People Back to Work): the **focus on the economically inactive** needs to be reinforced as insufficient numbers of economically inactive are being supported (according to claims data), yet this remains the a key target group and the major barrier to increasing South Yorkshire's labour force participation rate.
- Falls in **claimant unemployment** warrant a reduction in the allocation of funds to Measure 16. This should be reflected in a reduction in targets. Funds should be vired to Measure 13, with Measure 13 implementing preventative unemployment activities and providing support for basic skills.
- Measure 17 (Tackling Disadvantage): to ensure the **sustainability of activities beyond the lifetime of the Programme** there is scope to increase alignment with Local Strategic Partnership's inclusion activities. This recommendation, and in particular the need for greater support by key agencies (such as the LSPs and intermediary bodies) is intended to better embed the cross-cutting themes of social inclusion and equalities in Programme delivery.
- **UK Census 2001 data** should be used to refresh the targeting of key groups in Measure 17. This should strengthen the targeting of the Measure.
- Measure 18 (Expanding and supporting a thriving social economy): the policy environment for **social economy** initiatives is currently extremely positive. However, clarification is urgently required on the treatment by State Aids policy of social enterprises. This should remove a key barrier to the development of the sector.
- The take-up of **childcare provision** under ESF Measures was found to be mixed and in general found to be very low. However, childcare was identified as a key barrier to labour market participation, particularly in consultation with the voluntary and community sector. A range of barriers were identified (including provision of support and shortages in the number of childcare professionals). The LSC has commissioned and completed research in this areas and it appears that the key issue to be addressed is moving from planning and analysis to the delivery of childcare support. This should involve the Programme Directorate, the Learning and Skills Council and the Voluntary and Community sector.

9 REVIEW OF PRIORITY 4: DEVELOPING ECONOMIC OPPORTUNITIES IN TARGETED COMMUNITIES: 4A SUPPORTING COMMUNITY ECONOMIC DEVELOPMENT

9.1 Introduction

Priority 4 of the Objective 1 Programme for South Yorkshire, 2000-2006 is concerned primarily with '*using communities themselves as a key agent in economic regeneration*' (Single Programming Document, part 3 p.402). The overall Priority is subdivided between 4A (Supporting Community Economic Development) and 4B (Helping communities make the transition to economic renewal). The theme of the Priority is progression. Priority 4A measures include:

- 19 Helping Communities access jobs and training (ERDF)
- 20 Building Neighbourhood Strength (ERDF)
- 21 Developing ICT as a tool to fight social and economic exclusion (ERDF)
- 22 Tools for Reintegration (ESF)

The financial allocation to Priority 4A is £50,120,000 or seven percent of Programme resources. Over 40 percent of resources in the Priority are allocated to Measure 20. The main output targets for the Priority are:

- 24,852 helped to access the internet/e-learning
- 2,523 capacity building projects
- 5,551 beneficiaries (ESF)
- 4,441 participating in ESF training
- 5,952 provided with the means to access employment and training
- 59,520 users of new transport services

The main impact targets for the Priority are:

- 12,426 helped to secure a minimum of NVQ2 ICT competency
- 236 securing employment

The quantification of CED based activities is a perennially difficult task and reflects the 'distance many beneficiaries need to travel' to secure economic outcomes such as employment.

However, Priority 4A is distinctive in the Programme for being genuinely community led. The most disadvantaged communities, containing 36 percent of the population of the area, are targeted by the Priority. The location of the targeted communities is shown on the following map.



The Priority is delivered through a Community Development Framework, which supports the development of community capacity and a Community Action Plan for targeted area. Considerable emphasis is placed in building the capacity of the community to identify key needs and appropriate projects. The population of target communities ranges from 4,000 to 20,000.

The focus for delivering Priority 4A is similar to previous Objective 2 programmes in the region and follows a Community Economic Development approach – although the longer programming period has allowed this approach a greater lead time enabling longer time to be dedicated to capacity building activities.

However, the implementation of the Priority has attempted to address issues of equity which hampered previous programmes. The Prospectus for Priority 4 outlined the need to support Pioneer Areas which had not received previous assistance and the need to distribute funding more evenly, for example most targeted areas receive just over £100 per resident. Regeneration in P4a areas is designed around each target community developing a Community Action Plan (CAP) which reflects the needs of the area and provides the basis for developing a series of projects. The CAPs can also be used to identify opportunities outside the community and to encourage other projects or provides to address local needs. An example of this is the provision of transport.

9.2 External Influences and Policy Changes

Most of the policy and socio-economic changes are similar to those outlined for Priority 3B. These include, the fall in claimant unemployment and the residual problem of high levels of economic inactivity. Government policies have followed this pattern and increasing emphasis is placed on developing a sustainable model for local regeneration. This recognises wider issues such as crime, community cohesion, health and housing in tackling local disadvantage. These issues generally fall outside the remit of Structural Funds programmes, however, consultation activities highlighted that although developing local capacity has in many cases given communities a greater voice in a wider range of policy areas.

A further policy development is the increasing role of Local Strategic Partnerships both as the recipients of NRF support but also in tackling local authority wide issues of social exclusion. LSPs, through plans for social inclusion, are adopting community led approaches to regeneration which are typically geographically focused. With all four South Yorkshire LSPs receiving NRF support there is potentially considerable overlap between the aims of LSP neighbourhood strategies and Priority 4A target communities. The sub regional action planning process should provide the basis for greater alignment of these strategies with the Objective 1 Programme.

Finally, Census data released in July 2003 is can highlight population changes at the local/ward level. This may warrant some reappraisal of the Priority 4A communities map. However, this may undermine the rationale of community led approaches, as embedded in the CAPs. Census data should therefore be used for two main purposes: to provide a new set of baselines as to the population of targeted areas; and if CAPs underspend, to provide a mechanism for the redistribution of this funding.

9.3 Relevance and Consistency

The approach taken in Priority 4 is highly relevant to the needs of disadvantaged communities in South Yorkshire. The approach builds on the experience of previous programmes and considerable efforts have been made to support the process of developing CAPs. These should guide the implementation of the Priority for the remainder of the Programme. The division of the sub-Priority into 4 measures may place an undue barrier on the delivery of CAPs. There may therefore be some merit in combining the existing ERDF Measures but in retaining the broad scope of the eligible actions. There may also be merit in agreeing indicative allocations to transport, CED and ICT related activities to ensure that these issues are addressed.

The focus of transport activities should be revised and be much more closely linked to accessing employment opportunities, particularly to the sites being supported through Priority 5. This would strengthen the contribution of Priority 5 to the social inclusion cross cutting theme. Planning for the delivery of community transport initiatives under Measure 19 is being undertaken in partnership, led by Sheffield Community Transport, but involving the South Yorkshire Passenger Transport Executive. This approach should ensure that communities can influence passenger transport planning, but that delivery brings the cost advantages of involving mainstream providers.

9.4 Financial and Output Progress

9.4.1 Financial Context

The financial allocation for Priority 4A is £50.1m. To date 48 per cent has been committed while 9 per cent has been spent. Priority 4A contains 4 measures, measure 20: Building neighbourhood strength with the largest allocation has the highest level of commitment and actual spend at 69.8 per cent and 14.5 per cent respectively. Whilst measure 19 has the lowest level of spend, 15.8 per cent of the measure's resources has been committed compared to 8.9 per cent for measure 21. Measure 20 provides the focus for the delivery of the CAPs.

Table 9.1: Priority 4A Financial Progress

| Measure | Allocation | % Allocation | Committed | % Committed | Actual spend | % Spend |
|--|-------------------|--------------|-------------------|-------------|------------------|----------|
| 19. Helping Communities access jobs and training (ERDF) | 7,440,000 | 1.1 | 1,172,612 | 15.8 | 180,765 | 2.4 |
| 20. Building Neighbourhood Strength (ERDF) | 21,000,000 | 3 | 14,649,932 | 69.8 | 3,035,328 | 14.5 |
| 21. Developing ICT as a tool to fight social and economic exclusion (ERDF) | 12,430,000 | 1.8 | 1,108,223 | 8.9 | 378,274 | 3 |
| 22. Tools for Reintegration (ESF) | 9,250,000 | 1.3 | 7,229,206 | 78.2 | 762,652 | 8.2 |
| | 50,120,000 | 7 | 24,159,973 | 48 | 4,357,019 | 9 |

Source: Objective 1 Programme Directorate Monitoring Data

Priority 4a has a total of 51 projects and noticeably 32 of these are funded through measure 20. The Priority has a few large projects, which represent a sizeable proportion of the Priority's financial allocation.

- South Sheffield Area Renewal Plan (29.9 percent) Manor and Castle Development Trust
- Netherthorpe and Upperthorpe CAP (11.1 percent) NUCA
- Pioneer Community Development (10.9 percent) Voluntary Action Sheffield
- Conisburgh and Denaby Capacity Building (5.4 percent) Conisburgh and Denaby Development Trust

In the case of the Manor and Castle and VAS projects, these organisations are acting as local intermediary bodies. The allocation to NUCA builds on, and recognises, that this area was the focus of URBAN funding between 1995 and 1999 and has also received substantial SRB funding. All CAPs have ring fenced allocations, which provides a sound basis for planning and implementation.

9.4.2 Progress against Outputs and Results Targets

Overall, Priority 4A has made moderate progress towards achieving its targets. However while some targets have been exceeded in measure 19, 20 and 21, measure 22 as yet does not have any recorded output information. Measure 21 stands out as having made the most significant progress within the Priority.

Measure 19: Whilst the level of commitment ranges from 20 – 113 per cent across the targets this has not as yet impacted on the actual level of achievements. Only one output has made considerable progress this being the number of uses of new transport services. Several projects funded under this measure are yet to record any progress against outputs; this contrasts with Netherthorpe and Upperthorpe Community Alliance, which has met or exceeded all of its targets.

Measure 20: The level of commitment in measure 20 ranges from moderate (32.5 percent) for capacity building projects committed to exceedingly high (157.1 percent) Community plans implemented. Similar to measure 19 this high level of commitment is yet to translate through the actual achievements. The target for the number of organisations particularly in CED capacity building is the exception having achieved in excess of its target (121 percent). However, with the agreement of all CAPs in April 2003, this picture will change during with communities developing projects.

Measure 21: Considerable progress has been made in achieving the targets for the outputs in this measure. One output has been exceeded – ICT learning centres (137 percent). The data shows that only 9.1 per cent of uses helped to access e-learning have secured a minimum of NVQ2 ICT competency against an anticipated 50 per cent. The vast majority of these users have been support through the Grimethorpe Electronic Village Hall (continuing) project. However, activity across the target areas will increase and links have been identified through the e-Learning partnership to Priority 3.

Measure 22: 78.2 percent of funds in this Measure have been committed. Progress appears to be strong, especially in terms of the numbers of beneficiaries assisted and the numbers working towards a qualification. The target for the proportion of beneficiaries who are women (at 36.5 percent) is beneath the target of 60 percent. This should be reviewed. The proportion of beneficiaries working towards a qualification and achieving a qualification is also low and this should be also reviewed. All beneficiaries will be from P4a areas and this should make a substantial contribution to this cross-cutting theme indicator. However, only 4 percent of beneficiaries are anticipated to receive support with childcare, against a target of 10 percent and this should also be reviewed. Progress towards actual achievements is difficult to judge at this stage as data from sponsors is still being collected. However, progress towards achieving beneficiary targets is strong (at 34.8 percent). There is evidence that Key projects funded under this Measure are the Academy for Community Leadership (led by the Northern College and supported by Yorkshire Forward) and the Regen School will make a strong contribution to the delivery of the Priority. Both projects are regarded as key sub-regional initiatives, which will help build community skills in regeneration and support community development workers.

Several measures within Priority 4A have moderate to high levels of commitment and there is a need to ensure that commitments do translate into actual achievements. This will be the focus of the CAPs. However, in many cases Priority 4A is working those furthest from the labour market and activity will take time to translate into 'hard' results. Moreover, the CAP-approach recognises that communities have different starting points, a key goal is building community capacity to shape and influence wide agendas, and that as a result the 'end point' for each community will vary and reflect their own needs and aims.

There is a need to ensure that active links between the Priorities are maintained. In order to ensure that the jobs created in Priorities 1 and 2 and the training provided in Priority 3 are readily accessible by Priority 4 beneficiaries and participants. Although

direct job creation in other parts of the Programme has been relatively low (see previous sections), the delivery of CAPs needs to be closely tied to employment opportunities created either elsewhere in the Programme or in the wider regional economy. The fall in claimant unemployment suggests that this has happened to some extent without Priority 4. However, there is some evidence to show that more isolated communities, such as the former coalfield villages, face considerable barriers to reinsertion into the labour market which are masked by local area unemployment data. In particular, there is a high level of economic inactivity and areas face multiple barriers to economic development.

9.5 Emerging Impact

It is too early to comment on the impact of Priority 4A as there has been limited expenditure to date. A key issue is whether Measure 20 and the CAPs are only creating a temporary community development vehicle or whether they will have a long term impact on inclusion and employment. The challenge is whether the Priorities 4a, 4b and rural communities have the capacity to continue community led regeneration when the plans are complete and the money and support begins to dry up. As the experience of the Manor and Castle Development has shown, community economic development is a long term process, requires considerable commitment and vision on the part of key individuals within the community, and needs a range of assistance.

The Priority “is reaching communities that haven’t been engaged before” (respondent interview) and putting in place key building blocks. Although some concerns were raised that there is the issue of community representatives not wanting to go down the route of employing “suits that do not live in the area” to run a development trust, initiatives such as the Regen School and the Academy for Community Leadership should help address this and provide communities with greater choice and the capacity to influence the delivery of mainstream services in local areas.

There is also the issue of sustainability and the development and role of the social economy as a significant contributor to social inclusion. In the short term, the “painful process” of assembling the Community Action Plans has come to a close. One respondent commented that “Communities that were losing interest are now coming back” and the CAPs have provided the necessary focus for this. This is an important response, as the success of bottom-up approaches requires the sustained commitment of key individuals within communities together with supportive public sector agencies.

A key issue for the sustainability of community based activities is generally regarded to be the acquisition of an income generating capital asset (e.g. premises that can be let for meeting rooms, office space and businesses). This approach is appropriate for many communities as they build capacity and develop initiatives to regenerate their areas and support employment. However, it has also been found that state aids rules can operate against the success of such assets, particularly through the treatment of social enterprises (with primarily social objectives) as commercial businesses.

Priority 4a has also made a significant contribution to the Programme’s cross cutting themes. This has been through the development of projects which address issues of social exclusion, but perhaps as significantly, through providing the basis for disadvantaged communities to engage in other parts of the Programme.

9.6 Management and Implementation

The implementation of Priority 4A is overseen by the People, Skills and Communities team in the Programme Directorate. The approach to the delivery of Priority 4 was strongly led by the Driver Partnership and included extensive consultation and involvement of the voluntary and community sector. This process was supported by the Open Forum, which also provided community advocates.

However, the focus of the Programme is now firmly on delivery and while there is a strong need for communication to be effective between key partners and the Programme Directorate, there are also considerable needs which need to be addressed if the CAPs are to be implemented. These centre primarily on the skills of development workers in communities and the wider support framework required to ensure that matching funding is in place and that claims are processed.

Key barriers to address include the identification of matching funding for the CAPs, support to allow advance payments and the simplification of application procedures. Matching funding for Priority 4a was highlighted in consultation and in the review of PMC papers to be limited. This issue is discussed below. The consultation also highlighted that project development and monitoring systems can be a barrier to developing small-scale community projects. However, between the Programme Directorate and the Open Forum there is sufficient capacity in place to assist in project development. This would follow on the 'hands on practical support' provided by the Programme Directorate in developing the CAPs. The simplification of guidance and provision of good practice guides may help this process.

Finally, the consultation with the voluntary and community sector highlighted that payment in arrears can be a stumbling block to developing sustainable community led activity. Current Treasury rules state that payments may be made in 'advance of need' and recent guidance in the Treasury's Cross-Cutting Review of the Voluntary and Community sector states that 'need' should refer both to financial need, but also more broadly to requirements to achieve sustainable community development. Although the Programme Directorate has made advance payments, there appears to be scope for this to be extended.

9.7 Key Issues

The last of the Community Action Plans was recently agreed. These provide the rationale for the delivery of this Priority. As a result levels of expenditure are relatively low. A barrier to faster progress has been the need to secure matching funding. This is still not in place and there is an anticipated shortfall of £6.8 million against an ERDF allocation to Measure 20 (*Building Neighbourhood Strength*) of £20 million. Match funding is either from organisations such as local authorities and Yorkshire Forward (through for example already committed resources from SRB or Single Pot) or from the in-kind time of those involved in projects.

The level of the disparity in matching funding to the ERDF allocation could feasibly be met through a combination of residual SRB funding and new funding from the Neighbourhood Renewal Fund. Although not all NRF budgets are eligible (some support going to crime prevention and health related activities), there should be scope to address this shortfall. Resolving this barrier will require joint working by partners and the voluntary and community sector, and should involve the LSPs and local authorities.

Given the time taken to agree the CAPs attention now needs to switch to their delivery and in particular to ensuring that there is sufficient capacity for delivery and that interventions are focused on initiatives with lasting economic benefits for the targeted communities. For many Priority 4A areas, regeneration will be a long-term process. However, evidence from the Neighbourhood Renewal Unit suggests that success is contingent on support of mainstream service providers to the targeted communities and the creation of employment opportunities for local residents. Without either of these elements the CAPs may not be sustainable and will fall short of their ambitions.

The implementation of Priority 4A would be more straightforward if Measures 19 (Helping Communities access jobs and training), 20 (Building neighbourhood strength) and 21 (Developing ICT as a tool to fight social and economic exclusion) were merged. Although the rationale for interventions under the three measures remains, the division creates artificial barriers to the implementation of CAPs. A further and continuing barrier to the implementation of CAPs is the payment of ERDF in arrears. It is recommended that a mechanism for advance payments should be introduced, reflecting the wider definition of 'in advance of need'.

It is anticipated that the forthcoming release of ward level population statistics will highlight that resources in Priority 4a are being concentrated on a smaller number of people. This trend was anticipated by the SPD. These data should be used to revise baselines, and if additional funds become available (e.g. if projects in CAPs do not draw down all earmarked funding), used for its allocation.

A vital component in the social economy and CED becoming self sustaining is asset development. There are opportunities for the Programme to take a stronger lead on developing a range of Community Development Finance Initiatives which can act as 'patient capital'. This would include a combination of grants and loans with variable conditions of repayment. This package is currently not available from the South Yorkshire Investment Fund. However, a barrier to progressing this area is the lack of clarity on whether social enterprises should be treated as commercial enterprises under State Aids rules. This is discussed in the recommendations to Measure 3B.

Wider government policy on the voluntary sector should also be reflected in the Mid Term Review of the Programme. Either within Priority 3B or 4A there should be scope to develop a form of local *futurebuilders* fund. This is about developing communities of interest and not just of place (for BME and disabled groups for instance).

9.8 Recommendations

The following recommendations can be drawn from the review of Priority 4A.

- **Merging Measures 19, 20 and 21** should be investigated. This would ease the delivery of the Priority and reduce administrative burdens which communities face in managing multiple projects. However, activities to support ICT and transport should be ring fenced and some activities (e.g. around transport access) may be more effectively addressed at a local or sub-regional level.
- **Matching funding** problems of CAPs should be addressed, both in the level of funding available and ensuring that matching funding is in cash. **Mechanisms to ensure Payment in advance ('of need') should also be explored.**
- The scope of **result targets** should be expanded to reflect the links between activities (action plans and capacity building projects) and impacts (jobs). These

should be designed to provide a clearer progression route for communities. The lack of linkage between activities and impacts may weaken the economic focus of CAPs. However, these should emphasise the 'progression' of local areas' and assess engagement in other parts of Programme and initiatives outside the Programme (which have a stronger economic and employment focus). Appropriate results targets include the number community enterprises developed, the number of community assets with a revenue generating capacity, and the number of gross jobs created. Additional targets should be consistent with, and the support the implementation of, the locally led CAPs.

10 REVIEW OF PRIORITY 4: DEVELOPING ECONOMIC OPPORTUNITIES IN TARGETED COMMUNITIES: 4B HELPING COMMUNITIES MAKE THE TRANSITION THROUGH ECONOMIC RENEWAL

10.1 Introduction

Priority 4B is designed to assist areas which are facing transition from a traditional economic base to a more sustainable model of development. The Priority focuses on three such areas: former steel and coal communities in specific geographic areas; and agricultural areas. The Priority contains four Measures:

- 23 Integrated Development in targeted Coalfield and Steel Areas (ERDF)
- 24 Promoting the adaptation and development of rural areas (EAGGF)
- 25 Developing Forestry Resources (EAGGF)
- 26 Broadening the Agricultural and Forestry Skills Base (EAGGF)

The coalfield and steel areas are predominantly those which received assistance under the RECHAR and RESIDER programmes in the previous programming period. In contrast EAGGF funding is new to South Yorkshire. Although the agricultural and forestry economy in South Yorkshire is relatively small, it nonetheless is one which has some specific and urgent needs, especially the upland farms located to the west of the sub-region. The receipt of EAGGF is therefore necessary and welcome to the area.

The financial allocation to the Priority is £30,030,000 with the majority of funding (over £19m) being targeted at the former coalfield and steel areas. The results targets set by the ERDF Measure in the Priority include:

- £96m of safeguarded sales
- £32m of new sales (or £1.67 of additional sales for every £1 of ERDF)
- 459 gross jobs created
- 1,378 gross jobs safeguarded
- 57,150 sq m of floorspace created

The impact targets include for the ERDF Measure include:

- 231 net jobs created
- 694 net jobs safeguarded
- £19m new safeguarded GDP
- £6m of net additional GDP

The key results targets for the EAGGF Measures include:

- 120 Gross jobs created
- 399 gross jobs safeguarded
- 6 Organisations involved in CED capacity building

- £8m of new sales
- 400 hectares of forestry land benefiting
- 20 percent increase in participation in training in targeted businesses

The key impact targets for the EAGGF Measures include

- 60 Net jobs created
- 201 Net safeguarded jobs
- 70 percent in receipt of EAGGF training receiving a qualification

The delivery mechanism used for the Measures in the Priority is predominantly through intermediary bodies. The EAGGF Measures are match funded by DEFRA and are closely aligned to the relevant EAGGF regulations which set out the eligible activities. The EAGGF Measures are also led by a limited number of intermediary bodies, although a few smaller scale projects were funded at the beginning of the Programme. The location of the rural areas in South Yorkshire, which are eligible for EAGGF assistance, is shown on the following map:



In contrast the ERDF Measure is delivered in a way which combines elements of the Priority 4A approach, with a strong level of community participation, but also elements of Priority 5 with the use of an Integrated Development Plan as a mechanism to plan and prioritise interventions. Measure 23 includes both capital and revenue funding, and in contrast to Priority 4A, harder, business focused. targets are used, including business sales and floorspace created. The success of IDPs and intermediary bodies is that they provide a supportive framework for small organisations to engage in programmes of regeneration.

10.2 External Influences and Policy Changes

The main external influence to the ERDF areas in this Priority has been the continuing fall in claimant unemployment. However, there have also been some specific shocks to the P4B IDP areas with the restructuring of Corus' operations in the sub-region and the announcement of job losses. The closure of the Selby coal mine will also have knock-on effects in the sub-region as it is estimated that the pit employed approximately 500 in the north Barnsley and north Doncaster areas (according to local consultation with Barnsley and Doncaster LSPs). The restructuring of Corus operations in Stocksbridge and Rotherham may have some highly localised effects although it is anticipated that the residential location of employees is not highly concentrated. This issue needs to be explored further before consideration can be given to whether additional geographically targeted assistance is required.

The rural economy has faced considerable pressures since the agreement of the Programme. Although Foot and Mouth Disease did not affect South Yorkshire directly, it did suppress an already weak livestock market. More broadly, although few rural communities in South Yorkshire are solely reliant on agriculture, the prospects for those remaining in the industry continues to be weak. The national Rural Recovery Plan and the region's rural renaissance plans are therefore to be welcomed as too are initiatives to support the role and function of market towns. Under the Market Towns Initiative (delivered by the Countryside Agency and Yorkshire Forward), Penistone has received support.

10.3 Relevance and Consistency

The approach taken to the delivery of Priority 4B is consistent to the wider strategy and with wider economic and policy changes. The approach to ERDF embeds activities commenced under RESIDER and RECHAR in a way which has a strong alignment to community economic development. The delivery of the EAGGF Measures, through intermediary bodies, has also allowed projects to be developed by organisations with expertise in specific areas. As the sub-region had not received EAGGF in the past, at least for rural development activities, this approach is appropriate. The key concern raised in consultation was whether the targets for Measure 23 (on floorspace and business) sales and the mix of capital and revenue support are entirely relevant to community-led approaches. Consultation with stakeholders suggested that a wider range of targets could be used. This reflects the long lead times of CED: although Measure 23 focuses on 'communities in transition' many of the needs of the areas remain the same as those in Priority 4A, and support to sustain community capacity is still required.

10.4 Financial and Output Progress

10.4.1 Financial context

Priority 4B is the smallest priority in financial terms. It has an allocation of £30m of which £10.9m has been committed and 4 per cent has been spent. Measure 23 is the largest

measure with a budget of £19m, however this Measure's commitments at 15.3 percent are significantly lower than any of the other Measures within this Priority. This reflects the different approach being used to deliver this Measure: although the Manor and Castle Development Trust has acted as an intermediary sponsor on behalf of other communities, the development of projects is still bottom-up and community led. The percentage spent follows a similar pattern, with strongest spend by Measure 24, at 8.6 percent: Rural Development has incurred the highest level of expenditure.

Table 10.1: Priority 4B Financial Progress

| Activity | Allocation | % Allocation | Committed | % | | |
|---|-------------------|--------------|-------------------|-----------|------------------|----------|
| | | | | Committed | Actual spend | % Spend |
| 23 Integrated development in targeted coalfield and steel areas | 19,050,000 | 2.8 | 2,909,797 | 15.3 | 308,530 | 1.6 |
| 24 Promoting the adaptation and development of rural areas | 8,400,000 | 1.2 | 6,510,168 | 77.5 | 722,070 | 8.6 |
| 25 Developing forestry resources | 1,580,000 | 0.2 | 994,885 | 63 | 98,452 | 6.2 |
| 26 Broadening the agriculture and forestry skills base | 1,000,000 | 0.1 | 525,518 | 52.6 | 45,623 | 4.6 |
| | 30,030,000 | 4 | 10,940,368 | 36 | 1,174,675 | 4 |

Source: Objective 1 Programme Directorate Monitoring Data

Priority 4B supports 14 projects. Large projects that have already committed significant resources in the Priority include:

- Enabling body for rural areas (35.9 percent) Yorkshire Rural Community Council
- Rural growth (32 percent) Business Link South Yorkshire
- Coal and steel areas IDP (12.3 percent) Manor and Castle Development Trust
- Intermediary body for forestry resources (10.6 percent) SY Forest Partnership

10.4.2 Progress towards Outputs and Results Targets

Measure 23: No target has achieved more than 10 per cent of its targets. This is mirrored in terms of the level of commitments that are also fairly low, albeit with one or two exceptions. The exceptions are the number of SMEs assisted (63.2 percent) committed and Integrated Community Regeneration Initiatives (70 percent) committed. Stockbridge Business Development Forum represents a key project contributing to the vast majority of outputs achieved to date for this measure. A key barrier in the implementation of this Priority has been the application of State Aids policy to community led social enterprises which has reduced the grant rate projects had anticipated. This issue is discussed in the review of Priority 3B.

Measure 24: Delivery is through two intermediary bodies, the Yorkshire Rural Community Council and Business Link South Yorkshire. In terms of actual achievements progress has been fairly limited. 77.5 percent of resources have been committed in this Measure. This is intended to deliver 75 percent of the target for floorspace refurbished and 112.5 percent of the target for agribusinesses supported (189 businesses). To date 14.4 percent of the floorspace target has been achieved and 26.2 percent of the agribusinesses supported target. Both represent strong progress in the delivery of the Measure. Strong progress is also being made towards achieve jobs created and jobs

safeguarded targets (19.2 percent and 37.2 percent respectively). This progress is welcomed, although there are some concerns as to whether the impacts targets will be achieved. This is for the following reasons:

- Data on VAT registrations suggests that there were 805 agribusinesses (agriculture and related sectors) in 2002. This is a fall of 30 since 2000. Many of these small businesses will be small holdings and only employ the owners. The delivery of the Measure therefore relies on supporting approximately 23 percent of all businesses in the sector.
- Net sales and jobs targets may be hard to achieve in a sector which is declining. Although the Measure aims to foster diversification of the sector (into higher value added sectors), these sectors can still be marginal for the agribusinesses and relatively volatile (such as tourism).

On balance and given the relatively low level of resource commitments to this Measure it is recommended that support be continued. The Measure also provides the basis for underpinning wider policies in the region to enhance the rural renaissance agenda, including the Market Towns Initiative and the Countryside Agency's Village Plans.

Measure 25: The intermediary body for this Measure is the South Yorkshire Forest Partnership. 63 percent of resources available have been committed in this Measure. This will deliver a substantial part of the key outputs: 100 percent of hectares of land subject to forestry investment; and 86.7 percent of forestry related enterprises assisted. Achievements to date are also strong: 32.5 percent of the targets for hectares of forestry have been achieved and 86.7 per cent of the forestry related enterprises assisted. Although VAT data highlights that the number of logging and forestry firms is very small (less than 25), the remit of the Measure also includes wood-related businesses. This should allow the wider targets to be met. Support delivered under this Measure supports forestry projects and the development of wood-related businesses, primarily through business advice and a grants scheme (both led by the South Yorkshire Forestry Partnership). There maybe some scope to better integrate this support with the Business Link's Rural Growth and Invest for Growth projects.

Measure 26: This intermediary body for this Measure is LANTRA, the sector skills council for agriculture-based businesses. 52.6 percent of the resources available to this Measure have been committed. However progress has been slow with only 6.4 percent of the target for beneficiaries helped being achieved. The proportion of those working towards a qualification (at 53 percent) is also below significantly target. Progress against the cross cutting themes is also very slow. For example, only three percent of beneficiaries come from P4A areas and no support has been provided to meet childcare costs. However, and as would be expected from the Measure, the 12 beneficiaries have received environmental training (or 27.9 percent of the target).

Progress across Priority 4B is reasonably strong. The main concerns are with Measure 23 and Measure 26. Measure 23 has a strong community led approach. However, this is to some extent in conflict with a Measure which has substantial resources and targets for infrastructure investment: although the rationale for the Measure is that the supported communities should be 'in transition', these areas still face pressing needs and continued softer support. Measure 26 is making slow progress. Although LANTRA (the main intermediary body) have links with the other EAGGF intermediary bodies (RCC, BLSY and SYFP), these could be strengthened in terms of delivery to offer benefiting businesses an integrated package of support. As with the recommendations for Priorities 1 and 2, this would better link training and business support. There may also be some

scope to deliver support for wood based businesses through approaches such as Invest for Growth and Rural Growth, and with stronger signposting and referral to the South Yorkshire Investment Fund. This would help expose supported businesses to a wider range of business support.

10.5 Emerging Impact

It is too early to assess the impact of this Priority. Although progress to date is strong, in terms of commitments (especially for the EAGGF Measures) it was also highlighted that outputs can take far longer to translate into impacts in the agricultural sector. As with Priority 4A a key issue, especially for Measure 23, is whether support is creating a temporary community development, supported largely by grants, or whether this will bring sustainable economic development vehicle. However, to a large extent this reflects the long lead times of community economic development. Nearly all the targeted communities were found to have active partnerships and a range of appropriate interventions had been identified. Moreover, the role of the Manor and Castle Development Trust, which had acted as the sponsor for all the communities, had allowed a single organisations to provide technical and financial advice to the other communities.

Measures 24 and 25 will meet or exceed their impact targets. Progress in Measure 26 is much slower and it is questionable whether the target of 70 percent in receipt of training will receive a qualification. The current profile of the project suggests that this will not be achieved: it was unclear from the assessment of the project whether this is due to specific characteristics of the agricultural sector or a weakness in the delivery organisation. This should be assessed for any changes to this target are made. More generally, the agriculture sector continues to decline (in terms of the number of VAT registered businesses). Projects are therefore operating against the prevailing market conditions although there may be some niches which support can continue to help businesses to exploit (e.g. in tourism, better marketing and promotion of produce). This is reflected in the Rural Growth project.

Priority 4B also makes a significant contribution to the cross-cutting themes, in particular social inclusion (through Measures 23 and 24) and environmental sustainability (Measure 25). Greater progress in Measure 26 would also allow help contribute to the employability theme.

10.6 Management and Implementation

This Priority is managed by the People, Skills and Communities team in the Programme Directorate. Progress has been strong reflecting the previous experience of the Coal and Steel areas in Structural Funds and the approach taken to the delivery of the EAGGF Measures. However, given the inclusion of capital funds in the ERDF Measure, the Infrastructure and Development team also have a specific involvement in the delivery of this Priority. However, some concerns have been expressed with delays in implementation. For example, one respondent commented that 'shouldn't the first year have been spent on sorting out the guidelines and matching funding out ... lessons have not been learnt from previous Objective 2 evaluations'. This comment was made of Measure 23. In contrast the approach to the EAGGF Measures has been better

received, 'Objective 1 is more responsive'. A further concern was raised with the CED approach, 'the community is consulted to death; they want to see something happen. The process as it stands just puts them off'. However, the approach taken to Measure 23 appears appropriate, with the Manor and Castle Development Trust acting as an intermediary and support organisation to the other communities. The delivery of the other Measures, through intermediary bodies was found to be appropriate.

10.7 Assessment of EAGGF Progress

The Mid Term Evaluation of the Objective 1 Programme is required to respond to the "common questions with criteria and indicators" (VI/12004/) set for the assessment of EAGGF funded interventions. The following table sets out the EAGGF Measures in the Programme: except for Measure 9, these are contained in Priority 4B, hence the assessment of EAGGF Progress is made in this section of the report.

Table 10.2: Financial Allocations to EAGGF Measures

| Measure | Allocation (£) |
|---|-------------------|
| 9 Improving processing and marketing of agricultural products | 2,850,000 |
| 24. Promoting the adaptation and development of rural areas | 8,400,000 |
| 25. Developing forestry resources | 1,580,000 |
| 26 Broadening the agriculture and forestry skills base | 1,000,000 |
| Total (EAGGF Measures) | 13,830,000 |
| Programme Total | 692,150,000 |
| % of EAGGF Resources | 2 |

Source: Objective 1 Programme Directorate Monitoring Data

The guidance for these criteria suggests that they should be applied in proportion to the scale of EAGGF activities in the Programme. This is relatively small in the Objective 1 Programme, at just under 2 percent. Moreover, the assessment of the contribution of EAGGF activities needs to be made in the wider context of the eligible area. Although 85,000 hectares of land in South Yorkshire is agricultural (SPD Chapter 9) there are relatively few enterprises (just over 800 according to the most recent VAT data). Moreover, the rural businesses are not a key driver of the sub-regional economy, or sustain a significant amount of employment, and this is reflected in the priorities which have been set by in the SPD. The key objectives predominately focus on urban areas and the growth opportunities provided by the manufacturing and services sector. This context has guided the selection of criteria recommended in the European Commission's guidance. This has helped to reduce data gathering requirements: again in proportion to the contribution of EAGGF to achieving the overall objectives of the programme.

The following table sets out the questions which have been selected, the criteria and indicators recommended, and then quantitative and qualitative information extracted from the wider evaluation.

The European Commission guidance requires that an assessment be made on the basis of analysis contained in the following tables. The first question set in the guidance asks: in terms of its eligible actions and/or the budget allocation to different parts of the Programme? On balance there have been no significant changes to the context in which

the EAGGF Measures operate. The agriculture sector (based on the number of registered businesses) continues to decline, although this was largely anticipated in the SPD. Moreover, the lead time for interventions is likely to be long, and in many cases changing the functioning of the agribusiness base will take longer than in the manufacturing or services sectors. Investments in forestry have particularly long lead times of between 30 and 50 years, depending on the type and purpose of forest resources. As the sector remains vulnerable, the level and scope of support appears to remain relevant.

Table 10.3: Assessment of EAGGF Measures against Common Criteria Evaluation (VI/12004/)

| Chapter | Question | Criteria | Indicator | Measure | Output Progress | Other Evidence | Assessment |
|---|--|--|--|---|---|---|--|
| I. Investments in Agricultural holdings | QI.5 To what extent has the diversification of on-farm activities originating from supported alternative activities helped maintain employment | CI.1.5: Employment is maintained or increased through alternative activities on the holding | II.1.5: No. of FTE jobs maintained of created thanks to the assistance of alternative activities. | 24. Promoting the adaptation and development of rural areas. £8.4m allocated to Measure of which 77.5% is committed | Target = 120 jobs created (23 achieved); and 360 jobs safeguarded (134 achieved). | Measure delivered through BLSY's Rural Growth. Wider targets are for 168 enterprises to be supported. However, business base is falling. | Measure is on track to achieve jobs targets. Employment prospects in agriculture remain weak. Opportunities may come through the development of other rural based businesses (from the RCC project). |
| III. Training | QIII.2: To what extent have the acquired skills/competence acquired by the trainees helped improve the situation of the trainees and the agriculture/forestry sector | CIII.2.1: The skills/competence acquired by the trainers helped improve their employment conditions. | IIII.2.1.1: Share of assisted trainees (both holders and employees) experiencing job improvements related to the training: a. of which farm/forest holders; b. of which employees. | 26. Broadening the Agricultural and Forestry Skills Base. £1m is allocated to the Measure and 52.6% is committed. | Target: 1,431 beneficiaries (6.4% achieved) and 70% achieving a qualification (17% progressing to a qualification on achievements). | Measure is delivered by LANTRA (Sector Skills Council). The target for qualifications is likely to be missed, although beneficiaries target will be exceeded. | Job improvements will take time to occur. There is a mismatch between the SPD targets (qualifications based) and the EAGGF criteria (job improvement based). |
| VII. Improving processing procedures and marketing of agriculture products. | QVII.1-1: To what extent have the supported investments helped to increase the competitiveness of agricultural products through improved and rationalised processing and marketing of agricultural products? | CVII.1.1: Rational(ise) procedures in assisted processing & marketing lines | IVII.1-1: Evidence of more rational processing and marketing procedures (description, e.g. including the trend in beneficiaries having ISO 9000) | 9. Improving processing and marketing of agricultural products.. £2.85m allocated to Measure of which 75.5% is committed. | Target: 323 SMEs with new practices and processes of which 275 have been contracted (6% achieved against Measure target). | Delivery is through a BLSY Invest for Growth initiative. The main target sector is food (mainly processing businesses). Separate research is investigating the scope of a food cluster in S. Yorks. | Progress in achieving target is slow. In part this reflects weaknesses in the sector but also because main focus to date in Priority 2 has been other sectors. |
| VIII. Forestry | QVIII.1.A To what extent are forest resources being maintained and enhanced through the programme ... particularly by influencing land-use and the structure of growing stock. | QVIII.1.A-1: Increase of wooded area on previous agricultural and non-agricultural land. | IVIII.1.A-1.1: Area of assisted plantings (has) | 25. Developing forestry resources (EAGGF). £1.58m is allocated to the Measure of which 63% has been committed. | Target: 600 Has of land subject to forestry resources. Project commitments are for 605 Has. 32.5% of the target has been achieved. | Delivery of through South Yorkshire Forest Partnership. Outputs also include businesses assisted. Forestry may be on agri. And non-agri based land. | Progress in the Measure is strong. |

The guidance also requests that an assessment is made of the implementing arrangements for EAGGF funds. Assessment on this basis suggests that the design of implementing arrangements is still appropriate. Except for some early projects which gave direct financial assistance to agribusinesses, the Measures are delivered through intermediary bodies: RCC, BLSY, LANTRA, and the South Yorkshire Forest Partnership. This approach appears appropriate and concentrates resources in organisations with specialist expertise and knowledge of the food, agriculture and forestry sectors, and in the case of the RCC, of rural communities. There was found to be some scope for introducing Rural Growth and Invest for Growth type approaches to Measure 26, and its support to wood-based businesses. This would help 'feed' businesses into the wider framework of business support in South Yorkshire.

The key issues with the delivery of the EAGGF Measures are as follows:

- It is not possible to assess 'job improvements' from training interventions. Although beneficiary targets will be exceeded, Measure 26 will fall short of its target for qualifications achieved. Although some reduction in the target may be warranted, the Programme Directorate need to identify with the sponsor how support can lead more effectively to qualifications.
- Progress by Measure 9 towards 'SMEs improving processing and marketing of agricultural products' is slow (at 6 percent), although the contracted project will deliver 275 SMEs towards the target of 323 SMEs. It is recommended that the project with BLSY be reviewed. A recommendation which may be drawn is that wither outputs are reprofiled or that support is vired to other Measures if it is considered that the agribusiness and food base is found to be too small and offer too few prospects for growth.

These conclusions follow from the application of the EAGGF evaluation criteria.

10.8 Key Issues

Progress is strong in each of the EAGGF measures with less progress in the Measure for regenerating steel and coalfield areas. This reflects the need to establish IDPs for this Measure and the community led approach that Measure 23 takes. However these should form the basis for strong progress in the remainder of the programme. Measure 23 combines revenue and capital funding and has set hard business and infrastructure targets. Although targeted communities are in transition, this not sufficiently recognise the need to sustain and build local delivery capacity and that many appropriate outcomes for these communities will be softer.

EAGGF funds are pre-matched by DEFRA and are delivered by intermediary bodies. This approach is working well and the key intermediary bodies (Rural Community Council, South Yorkshire Forest Partnership, LANTRA and Business Link South Yorkshire) making variable degrees of progress. Key issues related specifically to the achievement of qualifications (Measure 26) and whether support for wood-based businesses could be delivered through or in closer conjunction with Business Link South Yorkshire.

There may be some scope for EAGGF projects to underpin wider regional strategies for a rural renaissance and to make a larger contribution to the environmental aims of the programme. This was insufficiently developed in the projects, having being funded before regional rural renaissance policies. The EAGGF supported projects effectively address key EU drivers for the rural economy around increasing the

competitiveness of agricultural businesses, increasing the market potential of the sector and strengthening rural development.

Following the restructuring of Corus (at Rotherham and Stocksbridge) and the closure of the Selby coal mine, some consideration should be given to the balance of funding between the areas and whether additional initiatives can be supported within the Measure 23 (Helping communities to access jobs and training).

10.9 Recommendations

The following recommendations can be drawn from the evaluation of Priority 4B

- **Targets and funding arrangements** in Measure 23 need to be adjusted to include a wider range of capacity building outcomes and a shift from capital to revenue spending. Both changes would strengthen the CED approach of the Measure and reflect the lead time of such interventions. Maintaining harder outputs and capital funding is likely to diminish the community led approach. These changes should also be reflected in the **eligible actions** for the Measure.
- EAGGF projects were found to be making a significant contribution to the **environmental sustainability cross cutting theme**. There is some potential for EAGGF Measures to support other Priorities more effectively. For example, using Measure 25 to help 'green' Priority 5 sites and for rural agribusinesses to contribute to the support of the Food cluster in Priority 2.
- The progress of **Measure 26** towards the target for achieving qualifications was poor and the target may be missed. It is recommended that the intermediary body project be reviewed and the need for the project to achieve qualifications emphasised. The projects to deliver this Measure should be contributing more strongly to the employability of individuals in agribusinesses and rural areas.
- Business support provided by **Measure 25** was found, to some extent, to duplicate initiatives such as Rural Growth and Invest for Growth. Consideration should be given to engaging Business Link in the delivery of this project. This would assist in opening up wood-based businesses to a wider array of business support.
- EAGGF projects were only making an **indirect contribution to rural renaissance** and support for market towns initiatives. However, to some extent, the projects predate rural renaissance policy and could provide models for the delivery of rural initiatives in the wider region. This is particularly the case for the two intermediary body projects in Measure 24 led by BLSY and the Yorkshire RCC.

11 REVIEW OF PRIORITY 5: SUPPORTING BUSINESS INVESTMENT THROUGH STRATEGIC SPATIAL DEVELOPMENT

11.1 Introduction

Priority 5 of the Objective 1 Programme for South Yorkshire, 2000-2006 aims to *'maximise job creation by developing a limited number of Strategic Economic Zones and business districts in urban areas'* (SPD p. 433). Alongside Priority 1, Priority 5 is regarded as a key catalyst for the Programme in bringing about a transformational change for the South Yorkshire economy. Priority 5 is being implemented through strategic spatial development frameworks (Integrated Development Plans) which will develop a series of strategic sites capable of attracting and developing companies within the key clusters and sectors for the programme. The rationale of the Programme assumes a strong link between the supply of high quality sites and demand by companies within the target sectors. The Priority includes four Measures:

- 27 Seizing the opportunities of strategic economic zones (ERDF)
- 28 Developing Sheffield City Centre (ERDF)
- 29 Realising Economic Opportunities in Urban Centres (ERDF)
- 30 Embedding the benefits of new business investments (ERDF)

The Priority is targeted at the following zones: three SEZs (M1 Corridor, M18 Corridor and Dearne Valley Zone), the four urban centres and support of supply chain companies necessary to embed new investment. The location of these areas is shown in the following map:



Key results targets from the Priority include:

- 908,811 sq m of floorspace constructed
- 17,567 gross jobs safeguarded
- 25,371 gross jobs created

The key impacts from the Priority include:

- 8,264 net jobs safeguarded
- 11,935 net jobs created
- £322m of net GDP added

The impact targets for this Priority are ambitious and reflect the levels intended to be generated by Priority 1. However, considerable planning has been undertaken to ensure a strong concentration on sites which will deliver high levels impact. However, given the timescales involved in realising sites, the subsequent work necessary to ensure a high level of occupancy, the impact targets are unlikely to be realised within the Programming period.

11.2 External Influences and Policy Changes

The delivery of the Priority has responded to a key need in South Yorkshire for high quality and accessible sites to be developed. The Priority is also closely aligned to delivering urban centre regeneration, based strongly on commercially oriented capital investments. To a large extent this approach preceded the roll out of regional policies for an urban renaissance.

The delivery of the Priority has a strong private sector focus. Most sites are being developed in conjunction with private sector developers and sites are therefore developed where there is likely to be a strong demand for the sites or premises. The Priority is therefore an indicator of wider trends in the economy and may be susceptible to economic downturn. The balance of site development across South Yorkshire also reflects the strong demand led approach of the Priority: no sites have been brought forward for development in the Dearne Valley.

The main policy developments have been national policy for Urban Renaissance, the South Yorkshire Spatial Study, commissioned by the four local authorities, and the announcement of the development of an international airport at Finningley. The roll out of the government's Urban Renaissance White Paper (*Our Towns, Our Cities*) informed the recent revisions to the Regional Economic Strategy and will inform changes to Regional Planning Guidance. Both will focus much more on the sustainability and function of the urban centres in the region. Changes brought by the White Paper to national planning policy emphasise that economic development should be closely aligned to the promotion of 'compact cities' (based on existing urban areas), creating viable mixed use development in urban areas, and ensuring that urban development is integrated and sustainable. These developments are also reflected in, and underpin the South Yorkshire Spatial Study.

The South Yorkshire Spatial Study, which has produced a range of development scenarios and options for South Yorkshire seeks to apply principles of the European Spatial Development Perspective and implement national Urban Renaissance policies at a sub-regional level. The Spatial Study is intended to provide the basis for a spatial strategy for South Yorkshire in the future: with implications largely beyond the Programming period. The key scenarios outlined in the study include: South Yorkshire Now (a continuation of current development patterns into the future); Moncentric (based around Sheffield as the growth motor of the sub-region);

Polycentric (highlighting the diverse roles each urban centre plays); Polycentric Plus (which recognises an economic function for the Dearne Valley); Bi-polar (based around centres of Sheffield/Rotherham and Doncaster while recognising the potential of Barnsley as a Market Town); and Don-Deerne axis (which maps out a wider spatial development map of the area along the main rivers in the sub-region). Of these development scenarios, the Bi-polar and Polycentric models are supported in the sub-region. This is because they would ensure a focus on the two 'compact urban areas' (Sheffield/Rotherham and Doncaster), whilst providing the potential for Barnsley to grow as a significant market town.

The approval of planning permission for an airport to be constructed at Finningley represents a major economic opportunity for the sub-region. The site is within the M18 SEZ. An airport at Finningley will bring significant prospects for business and related development in the immediate area and in the longer term across South Yorkshire. However, and as discussed in Section 3 of this report, it is not anticipated that the airport will require direct public financial investment. Although there may be opportunities to increase the wider economic contribution the airport makes, existence of the airport also means that the viability of a range of property developments in the area will become much more viable and require little, if any financial assistance. Areas where there are likely to be stronger cases for assistance from Objective 1 are in the improvement of surface (road and rail) links to the airport (currently the subject of a study) and the contribution of the airport to local social inclusion and employability initiatives. Evidence from other airports (including Birmingham and Stansted) has shown that they have engaged with a range of employment initiatives – for example Stansted Airport has engaged in employment initiatives in the North East London NDC areas, maximising the use of its rail link into London). Finally, direct employment opportunities from the airport are likely to come in two areas, through construction and development of the airport, and then through employment in a range of aviation services. The second area of employment will largely be outside the scope of the Programme, but should be a consideration for initiatives in future programmes.

11.3 Relevance and Consistency

The approach for the delivery of Priority 5 was found to be consistent with the original aims of the Priority. The implementation of the Priority has however, to a large extent, been decoupled from the delivery of Priority 1. This is likely to lead to faster progress and maintain a focus on providing high quality sites. The direct link to Priority 1 has been broken. Instead the focus is on developing sites which will be commercially sustainable.

With few exceptions it was noted that most sites and premises do not have specific requirements. Except for requirements around some specialist property (particularly the provision of wet labs in bioscience business incubators or digital industries) most property required to deliver the IDPs reflects a typical array of B1 and B2 commercial property. The delivery plans it has put in place (IDPs for SEZs and urban centres) are robust and have undergone thorough scrutiny, including ex ante appraisal.

However, there have been significant policy changes in the planning environment since the agreement of the SPD. These require the approach of Priority 5, and more broadly the Programme's approach to spatial development, to be updated in the Mid Term Review. Although considerable planning and resources have gone into the development of IDPs for the SEZs and Urban Centres, and in establishing delivery capacity for the IDPs (for each Urban Centre and the SEZs as a whole), this approach is to some extent now out of line with the Urban Renaissance agenda and

in particular with the likely option to be followed from the South Yorkshire Spatial Study.

It has been recommended by local and regional partners that a more focused approach would be to maintain the existing boundaries of the SEZs and Urban Centres but to streamline and focus delivery and future planning arrangements around Urban Economic Zones. In practice, UEZs may not mean significant changes to Programme Delivery (with Delivery Teams already in post) and with most resources anticipated to be committed by next year. However, it would provide the basis for the allocation of any further funding and a logical platform on which to prepare and build future Programmes (either Structural Funds or through the Single Pot).

11.4 Financial and Output Progress

11.4.1 Financial Context

Priority 5 is the second largest priority in financial terms with an allocation of £152.7m (after the allocation of £208m to Priority 3). To date 33 per cent of its allocation has been committed and 4 per cent has been spent. Although the level of commitment for Measure 30: Embedding New Investment is 43 percent there has been little progress in terms of expenditure. With 10.2 per cent of the Programme's allocation Measure 27: Strategic Economic Zones is by far the largest measure within this Priority.

Table 11.1: Priority 5 Financial Progress

| Measure | Allocation | % Allocation | Committed | % Committed | | Actual spend | % Spend |
|---|--------------------|--------------|-------------------|-------------|--|------------------|----------|
| | | | | | | | |
| Seizing the opportunities of strategic economic zones | 70,800,000 | 10.2 | 29,027,002 | 41 | | 5,152,245 | 7.3 |
| Developing Sheffield City Centre | 34,950,000 | 5 | 2,717,101 | 7.8 | | 489,382 | 1.4 |
| Realising economic opportunities in urban centres | 34,950,000 | 5 | 13,329,626 | 38.1 | | 288,664 | 0.8 |
| Embedding the benefits of new business investment | 12,000,000 | 1.7 | 5,134,174 | 42.8 | | 0 | 0 |
| | 152,700,000 | 22 | 50,207,903 | 33 | | 5,930,291 | 4 |

Source: Objective 1 Programme Directorate Monitoring Data

A total of 16 projects have been approved under this Priority. The following list those projects, which have a sizeable proportion of the Priority's financial allocation.

- Sheffield 35a (27.2 percent) St Paul's Development plc
- Yorkshire Forward Delivery Team (13.9 percent) Yorkshire Forward
- Regeneration Delivery (19.1 percent) Sheffield City Council
- Barnsley Delivery Team (7.9 percent) Barnsley MBC

The role of the delivery teams was explored in the project assessments. These aim to address specific capacity gaps in local and regional partners which could hamper deliver. However, they have very low outputs associated with them. The main outcome of the delivery teams will be the assembly of projects for either further Objective 1 assistance or Single Pot funding. Although they have absorbed a considerable proportion of commitments to date, the delivery teams are a relatively small proportion of the overall scale of the Priority. The need for the delivery teams may highlight some concerns in the long-term sustainability of urban renaissance policies and the lack of core capacity in the sub-region.

The review of the project pipeline suggests that 70-80 percent of Priority 5 resources will be committed by the end of 2003 and nearly all resources committed by May 2004. This progress is welcomed and reflects the work of the Programme Directorate and Delivery Teams to develop viable projects. However, this progress is also necessary as most site development projects will take between three and five years to complete. Holding commitments back beyond the middle of 2004 would jeopardise the delivery of the Priority.

11.4.2 Progress towards Outputs and Results Targets

Overall Priority 5 has made limited progress towards the achieving the targets in most measures. Whilst the level of commitment varies across the measures, some measures such as Measure 27: Seizing the opportunities of strategic economic zones, have managed to commit substantial proportions of the budget, this has yet to be converted into actual achievements. Measure 27 also appears to have achieved 26.7 per cent of its target for km of motorway to be constructed/improved. However, this did not involve the construction of new motorway, rather link road and junction improvements. This should be reflected in changes to the Programme targets.

Measure 27: This measure appears to have made the most significant progress in terms of the level of commitments and percentage actually achieved. Targets have a percentage committed ranging from 0.2 per cent for net jobs safeguarded to 123 per cent of km of motorway constructed (again, this target should be revised). Considerable levels of commitment have been recorded against other outputs but are yet to be realised. As a result the percentage achieved is very low across most targets in this measure. This is as anticipated for such a Measure.

This is further demonstrated on a project level. The majority of projects have not recorded any progress against stated targets. A few projects have started to commit resources including the Managed workspace at Kirksandall, Sheffield 35a, Park Square Junction 35a and Yorkshire Forward Delivery Team.

Measure 28: Very little progress has been recorded in terms of the percentage committed or achieved. No target has a commitment or achievement in excess of 2 per cent. Analysis at the project level reveals that the Regeneration delivery vehicles projects are well underway and are making good progress. In contrast the Scotia Works development is still to record any outputs – reflecting that it is just underway and will record outputs on physical completion.

Measure 29: Whilst Measure 29 has a higher level of commitment than Measure 28 the realisation of these commitments has yet to impact on actual achievement of targets. The most significant progress has been recorded against Sq m of floorspace constructed; this output is 69.2 per cent committed and 1.8 per cent achieved. With the exception of gross jobs safeguarded no other output has achieved more than one per cent of its target. A few projects are yet to record any outputs including Moorgate Croft and the Frenchgate Interchange. In contrast Barnsley urban centre delivery team has achieved and in some cases exceeded its outputs. Progress reflects the nature of the projects.

Measure 30: Some progress has been made in terms of the level of commitment made which in the main are around 20 per cent. No actual achievements have been recorded to date. As this is a revenue funded Measure greater progress would have been expected. There should be some concern with the delivery of this Measure as it should be closely aligned to inward investment activity, including Measure 1.4 (Attracting Growth Sector Champions) but in particular through helping to meet the aftercare needs of investors on the supported sites. The Measure contains considerable scope to support a range of SMEs which may help embed inward

investment. These include firms in normally non-eligible sectors for Structural Funds support.

However, with sites only now being developed, the continued rationale for should be refreshed in the Mid Term Review. As the delivery of this Measure has shown, the Programme has supported projects to aid delivery, which, except for a South Yorkshire Aftercare initiative which is led by the Barnsley Development Agency, may not strictly be consistent with the rationale of the Measure. However, this has reflected a positive approach on the part of the Programme Directorate to speed up commitments.

The low level of actual achievement for some targets in the Priority is to be expected given the long lead in time required for infrastructure / development projects. The low level of commitment at this stage in the Programme particularly for Measure 28: Developing Sheffield City Centre may present an issue, as a considerable number of projects will need to progressed and managed simultaneously. This should be feasible given the existence of the URC, Sheffield One, in the city.

No sites have been brought forward in the Dearne Valley for Objective 1 funding. This reflects the private sector focus of the Priority and the prioritisation of sites within individual IDPs and local authorities.

11.5 Emerging Impact

Of all the Priorities in the Programme it is most difficult to make an assessment of impact to date for Priority 5. Most benefits have been in the form of a new approach to spatial and site development in the sub-region. This includes considerable progress in developing a genuine South Yorkshire approach, collaboration between the four local authorities and the South Yorkshire Forum. A key test for the remainder of the Programme will be in developing a clear role for Renaissance South Yorkshire in delivery with respect to the urban centre Delivery Teams.

There was found to be a high level commitment to support the implementation of the cross cutting themes. Priority 5 had built the cross cutting themes into best practice guidance for project sponsors, including the development of a Design Guide and adherence to BREEAM building standards. However, it was also recognised that embedding the cross-cutting themes has often come with additional expense. The Delivery Teams reported that most developers were willing to incorporate the cross-cutting themes, as long as the contribution from the Programme was increased to meet additional costs.

Priority 5 has helped South Yorkshire Partners feed into the RPG and other regional strategies. The creation of a MOU group involving planners from the four local authorities and the Programme Directorate had helped identify and agree upon strategic planning issues. The operation of such partnerships should help in the ensuring the delivery of any future South Yorkshire Spatial Strategy.

11.6 Management and Implementation

The Infrastructure and Development team in the Programme Directorate lead the delivery and coordination of Priority 5. It was recognised by stakeholders that the formation of this team had brought specialist expertise to the delivery of infrastructure and property developments. Project development is steered by the IDPs. These have provided a clear and transparent framework for sites to be developed and for the Programme Directorate together with the LSPs to prioritise sites for development. This approach represents good practice and should be embedded in future

programmes. The IDPs also provide the Programme Directorate with measure against which to assess the progress of each delivery team in bringing forward projects.

Resources have been made available through Priority 5 to boost capacity to deliver within the sub-region. Some of the delivery teams have experienced initial problems, but evidence indicates that the structures are now nearly in place. However, although there may be a need to boost capacity to ensure delivery, there are also concerns that recruitment to some of the delivery teams has proved difficult. The sharing of resources and in particular the specialist support provided by Renaissance South Yorkshire may be of use in this respect. However, as noted above, a key issue to address is the operational relationship and division of responsibilities between Renaissance South Yorkshire and the local delivery teams. This issue needs to be addressed urgently to avoid unnecessary duplication and to begin to develop inward investment packages which combine sites and premises but also the range of other business support and skills support.

The capacity of partners to bring forward projects, and secure matching funding, does present some barriers to delivery. The South Yorkshire sub regional action plan should provide the appropriate mechanism to address the alignment of the Single Pot and Objective 1 and be assisted through joint appraisal processes.

11.7 Key issues

Progress in this Priority is strong and work to develop IDPs has provided a sound basis for the implementation of the Priority. The Programme Directorate, with the local authorities and Yorkshire Forward, has used the IDPs to prioritise sites. Prioritisation has considered both the site's economic contribution and the timescale in which they can be delivered. Although resource commitments are low, there is a strong pipeline of projects that should commit over 70 percent of resources by the end of 2003 and that full commitment will be achieved during 2004. However, site development may take up to five years and therefore this progress is necessary.

The development of key flagship sites such as the Advanced Manufacturing Park (AMP) has been slow with complex ownership and land remediation issues having to be examined and addressed. However, this site in particular is intended to be a key driver, beyond the Programme life, of the Advanced Manufacturing and Metals Cluster. Other flagship site developments, such as the e-Campus in Sheffield, have also faced delays, and in the case of this site have had to undergo significant repackaging to create a viable development plan. Both projects reveal the complexity of delivering flagship projects in urban and semi-urban areas on land in mixed ownership and requiring an array of site and infrastructure developments. Such projects would not be considered by the private sector without significant public sector assistance. However, such developments are seen as an integral part of the Programme and will contribute, if successful, to wider economic regeneration and urban renaissance. Their slow delivery has had knock-on effects on other parts of the Programme and in particular the development of clusters in Priority 1: these specialist sites are intended to be part of the cluster and inward investment package of the sub-region.

Direct links to Priority 1 clusters have not occurred in the way foreseen by the SPD. The approach taken is more pragmatic with development of high quality sites in the key IDP areas. This reflects a key mismatch in the timing of developments and that both Priorities need to focus on delivery. Moreover, Priority 5 will support sites which will attract businesses which may not need further assistance from the Programme.

An exception to this is the development of specialist sites such as the AMP and e-Campus which are intended to have strong links to the clusters.

No sites have come forward for development in the Dearne Valley which requires Objective 1 funding. The out-turn of prioritised sites reflects demand from developers. Although the SEZs and Urban Centres have provided a useful focus to date some rationalisation of activity could be achieved through focusing on four Urban Economic Zones. This would retain the same spatial boundaries at present but provide a stronger driver to policies for urban renaissance and help underpin the delivery of a future South Yorkshire Spatial Strategy.

Difficulties have been encountered in assembling matching funding, and the complexity in securing a funding package for projects. A more specific problem was identified that although the SEZ and Urban Centre areas had overall marketing plans, there were still a lack of specific sites to market – reflecting the time taken to develop sites. This issue should be addressed by Renaissance South Yorkshire as part of developing a coordinated approach to inward investment and should bring a stronger focus to Measure 30 (Embedding the benefits of new business investment). The progress of this Measure is slow (in terms of spend) and except for the South Yorkshire project on aftercare, led by the BDA, has not been fully embedded in South Yorkshire inward investment and site development initiatives.

11.8 Recommendations

The following recommendations can be drawn from the review of Priority 5.

- **The IDP process has been effective** in developing sites and this should continue to develop in the remainder of the Programme. No changes to the boundaries of IDP areas are warranted in the Mid Term Review.
- The South Yorkshire Spatial Study and wider policies for an Urban Renaissance, suggest that delivery could be given a much sharper focus through the establishment of **Urban Economic Zones (UEZs)**. These would effectively combine the existing SEZs and Urban Centres. Although it is inappropriate to alter the current projects in development for Priority 5, UEZs would provide a stronger focus for the allocation of any additional funds (e.g. to support urban renaissance initiatives) but also provide the platform for planning future programmes and strategies (either through Structural Funds or the Single Pot).
- The creation of local and sub-regional delivery teams (Renaissance South Yorkshire) are intended to address issues of delivery capacity. An area which needs to be clarified urgently is the role and function of **Renaissance South Yorkshire** in relation to local delivery teams. One approach would be for Renaissance South Yorkshire to provide common resources for site development to each UEZ to draw upon, to manage initiatives of a sub-regional significance, and critically to coordinate and deliver the integration of inward investment, cluster development and site activities. Without such integration, there are risks of duplication. This should also provide Renaissance South Yorkshire with a much stronger focus on coordinating delivery, and in particular, the assembly of competitive inward investment packages.
- Progress in **Measure 30** has been slow. Although resources have been committed (to two schemes in particular, an Invest for Growth scheme and a Aftercare initiative led by the BDA), Renaissance South Yorkshire should have a stronger role in delivering this Measure and in commissioning appropriate support from BLSY or other partners.

12 REVIEW OF PRIORITY 6: PROVIDING THE FOUNDATIONS FOR A SUCCESSFUL PROGRAMME

12.1 Introduction

Priority 6 of the Objective 1 Programme for South Yorkshire, 2000-2006 is concerned primarily to '*remove bottlenecks which act as overall constraints on South Yorkshire's potential to take action to encourage economic growth.*' (Single Programming Document, p447). The Priority is designed to tackle both physical and economic bottlenecks that may undermine the implementation of the Programme: in particular transport and physical communication links and financial support to companies. The Priority includes two Measures:

31 Removing transport constraints on economic growth

32 Improving access to finance for SMEs

The financial allocation to the Priority is £49,530,000 or 7 percent of the Programme resources. The results targets for Measure 31 were not set in the Priority Complement or addressed by the requantification exercise. This should be addressed following the Mid Term Evaluation. The result targets for Measure 32 are as follows:

- £387m gross additional sales
- 5,534 gross FTE jobs created
- 2,851 Gross jobs safeguarded

The impact targets for Measure 32 are:

- 2,789 net additional jobs created
- 1,437 net jobs safeguarded
- £75.3m net GDP added
- £39m net GDP safeguarded

These are ambitious targets. Measure 32 is aiming to support 1,017 SMEs with financial assistance. Although the SYIF project, together with the Money with Management initiative, are committed to support 1,902 SMEs with financial assistance this level is high given the need to target assistance on companies which have viable investments and which are likely to generate significant additional sales outside the sub-region (to ensure a high net impact). This is discussed in more detail below.

12.2 External Influences and Policy Changes

Measure 31 has been heavily influenced by changes in national and regional transport policies. These include: the restructuring of Railtrack and the establishment of Network Rail; the policy of the Strategic Rail Authority to concentrate new rail investment in the South East and along the main rail routes (the upgrading of the West Coast Mainline from London to Manchester and Glasgow); and the SWYMMS study (South and West Yorkshire Multi Modal Study). The Department of Transport recently announced the widening of stretches of motorways including increases to the capacity of part of the M18. Other proposals have been made to increase the

capacity along stretches of the M1 in Nottinghamshire and to increase capacity of the M1 in parts of West Yorkshire (in particular at the junction with the M62). These may have indirect effects on traffic flow through South Yorkshire (for example to increase access to the south and north from the sub-region).

The announcement that an airport at Finningley may also present some opportunities to Measure 31 and in particular investment in targeted transport improvements and access to the airport from the M18 and from the East Coast Mainline / Doncaster-Lincoln rail link. Such surface links are the subject of a separate study. However, such links should attract private sector support from the developer of the airport. Objective 1 assistance should therefore be considered on three main grounds: the extent to which public assistance is required; the contribution of the investments to the long term economic goals of the Programme; and whether transport improvements can be delivered within the lifetime of the Programme. The final criterion may present a stumbling block for rail developments.

The general weakening in economic conditions has influenced the context in which Measure 32 is implemented. The fall in share prices and general fall in business confidence has also affected the delivery of the Measure. Tax changes and the launch of other loan and equity finance instruments since the Programme was agreed have also impacted on the delivery of the Measure. For example the extension and increase in tax breaks for R&D expenditure, the launch of regional venture capital initiatives and the introduction of community development finance initiatives such as the Phoenix Fund.

12.3 Relevance and Consistency

The assumptions underpinning Measure 31 have been severely challenged by policy changes. Although many of the bottlenecks identified in the SPD (restrictions in capacity on the M1 and the lack of a fast Sheffield-Barnsley-Leeds rail link) are still valid none can be addressed by large-scale infrastructure investment in the lifetime of the Programme. The scale of funding available in Measure 31 is also insufficient for infrastructure investment on this scale. However, there may be opportunities for targeted improvements to junctions, through the use of active traffic management systems, possible investment in new rolling stock, and subject to assessment support to provide road and rail access to Finningley.

National and regional policy has paid increasing to the establishment of regional financial instruments and the provision of finance to SMEs. Despite these developments, the South Yorkshire Investment Fund still appears to have a specific role to play: it is larger than other publicly supported investment products available in the region and it appears to focus on a specific need, that is to increase the access by SMEs to finance. This was reflected in consultation and the review of this project. The rationale for the investment fund and 'money with management' appears robust. It fills a key gap between commercial finance and grant schemes (such as IfG) through providing a mix of loan and equity support coupled to business advice.

12.4 Financial and Output Progress

12.4.1 Financial Context

Priority 6 has a total financial allocation of £49.5m of which 46 per cent has been spent; this level of expenditure is significantly in excess of any other priority. This is because the establishment of SYIF effectively committed and spent all Measure 32

resources. The current level of commitment stands at 60 per cent. Measure 31 has a sizeable budget of £23m although it has yet to make any significant commitments, with only 0.6 per cent committed.

Table 12.1: Priority 6 Financial Progress

| Measure | Allocation | % Allocation | Committed | % Committed | Actual spend | % Spend |
|--|-------------------|--------------|-------------------|-------------|-------------------|-----------|
| 31 Removing transport constraints on economic growth | 23,440,000 | 3.4 | 3,118,564 | 13.3 | 134,436 | 0.6 |
| 32 Improving access to finance for SMEs | 26,090,000 | 3.8 | 26,838,040 | 102.9 | 22,558,690 | 86.5 |
| | 49,530,000 | 7 | 29,956,604 | 60 | 22,693,126 | 46 |

Source: Objective 1 Programme Directorate Monitoring Data

Key projects include in this Priority include:

Measure 31

- Study on transport constraints to economic development (10.6 percent of commitments to date) GOYH
- Sheffield – Rotherham Link Road (64.9 percent) Sheffield City Council
- Sheffield Leeds express rail service (7.9 percent) SYPTE
- South Yorkshire light rail expansion – supertram (16.6 percent) SYPTE

Measure 32

- Investment Fund (83.8 percent) South Yorkshire Investment Fund (SYIF)
- Investment Fund – Money with Management (16.2 percent) SYIF

12.4.2 Progress towards Outputs and Results Targets

Measure 31: the total number of research projects have been committed (10) and most of these are underway or are now complete (although monitoring records indicate that only one of the studies has been completed - the Supertram extension feasibility study). However, as highlighted, no results or impact targets for the Measure were set in the SPD or complement.

Measure 32: The level of commitment for Measure 32 is high and exceeds target figures. The level of commitment ranges from 100 to 228 per cent. This is because the Measure committed its resources through support for two projects at the beginning of the Programme. Most progress has been recorded against gross jobs safeguarded at 14.5 per cent (of target achieved), 3 per cent of the target achieved for SMEs receiving received financial assistance and 3.8 per cent of target for gross FTE jobs created. The project review of Measure 32 reveals the SMEs assisted is now closer to 44 (13 higher than claimed) although still considerably short of the overall target for the Measure. However, it is anticipated that the majority of the key targets, for business sales and jobs created, will be achieved by a relatively small number of companies: probably less than 50 out of the original target of just over 1,000.

The key issue for the Mid Term Review to consider is whether Measure 31 will spend its committed resources. The scope of the Measure should be expanded to reflect the reorientation of the Measure away from major transport improvements (motorway and rail infrastructure upgrades) to more focused developments that either remove

specific bottlenecks or open up new sites. This issue is discussed in more detail below.

The key issue for Measure 32 is whether the original targets will be achieved, particularly as economic conditions are weak and that it is unlikely that there will be a significant upsurge in companies being created under Priority 1 in the lifetime of the Programme. The number of companies supported is considerably below profile. Notwithstanding the argument that relatively few assists will provide the key results targets, the project appears to be failing short of its wider remit to increase the access to financial and investment products for companies. It is appropriate to reduce the targets for SMEs assisted with financial support (from over 1,000 to closer to 500) in Measure 32 in light of socio-economic changes and in light of progress to date. This would increase the focus of the Measure in meeting business sales and jobs created targets. However, an additional target could be considered which allows 'advice to SMEs' to be claimed as an output target. This would more fully reflect the scope of the activity in the Measure.

12.5 Emerging Impact

The agreed impact targets for the Priority are all in Measure 32. Although it is too early to comment on actual observed impact, the progress in Measure 32 suggests that impact targets may be achieved, although through focusing on fewer companies. This raises wider issues of additionality. SYIF is operating in close proximity to commercial investors (banks, venture capitalists and business angels) and to the grant support of other Measures (notably Invest for Growth). The review of the SYIF project suggests that the case for investment in companies is made on a careful case-by-case basis. Moreover, the project is engaged with commercial investors and with business support agencies (BLSY) to identify the most appropriate package of finance for companies. These steps suggest that additionality is maximised.

To date the Fund has dealt with over 800 enquiries of which 200 (25 per cent) have resulted in actual applications. The Fund has approved 44 applications to the value of £2m. In terms of the geographical distribution of investments the vast majority have taken place in Sheffield (70 per cent) with the remainder being fairly evenly spread between Barnsley, Doncaster and Rotherham (PMC papers, February 2003). With regards to the forecast outputs the Fund has assisted in the creation of 212 jobs, approximately one quarter of the target. Business sales at £23 million represents half of the initial forecast. It is therefore evident that the measure is making progress in the achievement of its outputs. More broadly, SYIF is playing a wider role in the development of the financial services sector in South Yorkshire, and has established partnerships with the key financial service providers in the area.

In the area of transport, although there is little progress towards actual impacts which in any case would be long term given the economic lifetime of transport projects, there has been a high level of collaboration between South Yorkshire partners in the identification of key transport bottlenecks; some of which were anticipated in the SPD. However, it is now inappropriate for the Programme to make a major financial contribution to removing these bottlenecks. This is for two reasons: the scale of the investment required for many transport schemes will run to hundreds of millions of pounds; and that many schemes can not be delivered within the lifetime of the programme.

The PMC has agreed that the focus of this Measure should be on the following four initiatives:

- Tinsley Viaduct transport initiatives (the 'Halfpenny Transport Scheme) to relieve pressure around Junctions 33-34 of the M1
- Extension of the Supertram urban light railway system
- Sheffield-Barnsley-Leeds rail services
- M1-M18 motorway widening and junction improvements

This followed a more extensive study on transport blockages by Buchanan and Partners. The basis for this study and subsequent work is consistent with the Measure description in the Programme Complement.

The focus of funding is on the support of feasibility studies into each of these initiatives. However, some funds may be held back in case development begins in the programme lifetime. Interviewees highlighted that a key role of Measure 31 and the Programme Directorate has been to stimulate links with between the four local authorities and with strategic agencies including Yorkshire Forward and the Highways Agency. This has reflected in the inclusion of key transport initiatives in Yorkshire Forward's Transport Priorities and in the SWYMMS study (South and West Yorkshire Multi-Modal Study).

The approach adopted by the PMC appears appropriate for the delivery of this Measure. Transport blockages remain an obstacle to the functioning and growth of the South Yorkshire economy, and the resources available have provided the sub-region with the capacity to identify issues, foster partnership working and attempt to influence the transport decisions of key agencies (including Network Rail, the Highways Agency and the Department of Transport).

12.6 Management and Implementation

Measure 31 is managed by the Infrastructure and Development team in the Programme Directorate and Measure 32 is managed by the Business and Enterprise team. This is the appropriate division of tasks. The management of both Measures is appropriate and it was found that both have triggered the development of wider strategic partnerships in the sub-region. These include work between the four local authorities and with the Highways Agency in Measure 31 and around financial services in Measure 32. Both are examples of the Programme supporting wider developments which should be sustainable beyond the lifetime of the Programme.

12.7 Key Issues

Transport (Measure 6.31 – Removing Transport Constraints on economic growth): although there has been significant progress in forming strategic partnerships around transport, with both the Highways Agency and the local authorities, and in the analysis of transport requirements, expenditure has been slow and this is likely to remain the case due to national transport policy. The SWYMMS study has also slowed progress.

The focus for the remainder of the programme should be on specific projects. These are anticipated to include: M1 junctions 33-34 (the Halfpenny Scheme), Active Traffic Management systems to improve traffic flow, and Quality Bus Corridors (to better link

employment opportunities to areas of need). These appear appropriate and have been based on feasibility studies commissioned by the Programme Directorate and supported by the PMC.

The programme may also invest in specific transport links that improve access to business sites. Other considerations are around new rail franchises and new rail rolling stock in 2004 and whether the Programme can address specific transport bottlenecks, which prevent disadvantaged geographic communities, especially in the Dearne Valley, from accessing employment opportunities elsewhere in the sub-region, or further a field. This range of activities should be achievable within the lifetime of the programme.

Consideration is also being given by the partners to investment in surface links to the Finningley Airport. This is likely to involve a mix of rail and road improvements, some of which may be eligible for Objective 1 support. However, these investments should also be capable of attracting investment from the developer of the airport.

Investment Fund (Measure 32 – Improving access to finance for SMEs): This project has committed significant resources and spend levels are high (as spend was achieved by establishing the fund). The rationale for the project still exists but the focus in the remainder of the programme should be on the key clusters, better integrating Invest for Growth into the wider package of support which SYIF offers and continuing to develop links between companies and a range of financial providers. Work to address this is underway and a key activity of SYIF has been working with other financial service providers and with Business Link South Yorkshire to create the most appropriate financial package for companies and is tied to a robust business plan.

Discussions with stakeholders indicated that there is no need for fundamental change of the programme strategy or the focus of Measure 32. However, a number of specific areas do require further consideration and potentially some adjustment.

- The Fund is currently rejecting over half of the received applications for financial support on the basis of ineligibility or bids being of a low quality. Consideration must be given as to what support is or ought to be available to reduce this figure, and educate potential applicants as to how to make successful bids and properly inform them of the eligibility criteria.
- Linked to the above point is the concern that Fund managers may initially have been excessively risk averse. There may be a need to review the emphasis and understanding of value added and the balance of risks against returns. However, SYIF receives substantial private sector support, from Barclays, and the Fund needs to ensure that it retains its long term viability.

12.8 Recommendations

The following recommendations can be drawn from the review of Priority 6:

- Measure 31 (***Removing Transport Constraints on economic growth***): progress has been slow and the Measure has not been implemented as anticipated in the SPD. Resources should remain in the Measure and be targeted at initiatives that can be delivered within the Programme lifetime.
- Measure 32 (***Improving access to finance for SMEs***): there is still a strong rationale for the South Yorkshire Investment Fund and it serves a key purpose in the delivery of other business support packages. However, consideration should be given to reducing the output target for 'SMEs assisted with financial assistance' and introduction of a larger target for 'SMEs assisted'. This would

better reflect the activities and wider rationale of the project. Progress to date suggests that results targets (jobs and business sales will be met). Recommendations have been made in the review of Priority 2 that stronger mechanisms for referral and signposting are built by the Invest for Growth schemes to ensure that businesses receive advice on a wider package of financial support.

13 PROGRAMME IMPLEMENTATION AND MANAGEMENT SYSTEMS

13.1 Introduction

This section of the report addresses Question 8 of the Mid Term Evaluation:

How effective are the processes used to deliver the programme?

The focus of this question is on the systems and structures required to implement the programme. These include:

- Programme management
- Project selection, appraisal and approval processes
- Grant offers and claims processing
- Financial inspection, irregularity reporting and clearance action
- Project management

Three further issues also need to be addressed in answering this question:

- Do the different Structural Funds (ERDF and ESF in particular) operate together or separately from each other across the Programme
- Has the Programme implemented other systems on results and outputs to enhance performance monitoring
- Compare monitoring systems for the programme against requirements for the monitoring in the RES and RPG

13.2 Programme management

13.2.1 Introduction

Responsibility for day-to-day delivery of the programme rests with the *Objective 1 Programme Directorate* (O1PD). The establishment of the O1PD marks a break with previous programmes in the region in establishing a dedicated team responsible for the delivery of a single programme. The need for the O1PD was anticipated in the SPD. The core tasks of the O1PD are discussed below. Feedback from key stakeholders and from the stakeholder questionnaire suggest the O1PD provides significantly enhanced support to programme delivery (in comparison to previous programmes). However, the O1PD was only established with the agreement of the SPD in July 2000. Furthermore, a significant amount of time was then required to fully staff the O1PD. This substantially delayed the start of the programme and the speed of its early implementation. Moreover, this hiatus had adverse effects in terms of maintaining partnership support and providing support to develop projects.

As with all Structural Funds Programmes, Objective 1 is overseen by a *Programme Monitoring Committee*. In South Yorkshire the PMC is chaired by the Director of the Government Office for Yorkshire and the Humber (as the implementing authority) and members are drawn from all key sectors: public and private sectors, community and voluntary sector organisations, together with representatives of the European Commission and UK government departments. Elected members of the local councils sit on the PMC. The Objective 1 Programme Directorate provides the

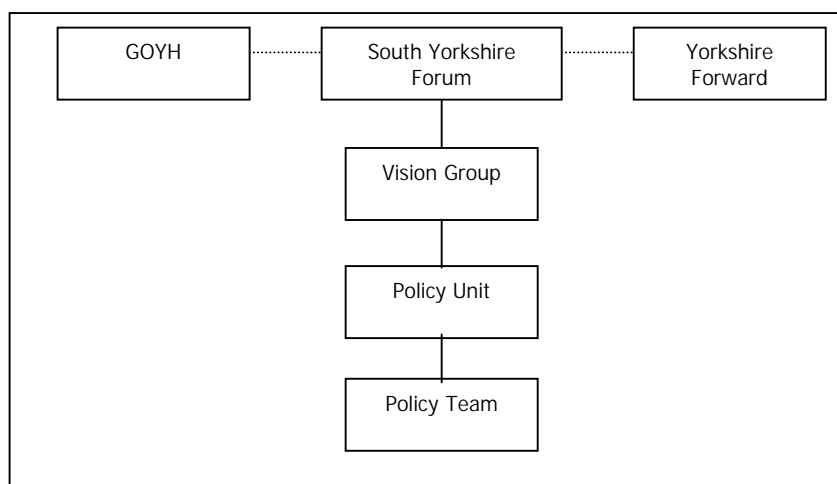
secretariat to the PMC. Assessment of the papers and interviews with key stakeholders suggest that the PMC functions effectively, that papers are appropriate to decisions required and the agreed actions are implemented.

In a break with previous programmes, the PMC has established a *Performance Management Board* charged with overseeing strategy development, the delivery of the programme and importantly, close performance management to ensure financial and output targets (including N+2 and the Performance Reserve) are met. Major projects (e.g. SYIF and urban centre IDPs) report on a regular basis to the PMB. The membership of the PMB is drawn from key stakeholders represented on the PMC (Yorkshire Forward, local authorities, BLSY, LSC and the private, community and education sectors). It is chaired by the Chief Executive of Yorkshire Forward. As with the PMC, assessment of papers and interviews with members suggest that the PMB is highly effective and adds value to the other structures, primarily in ensuring Programme delivery of regularly monitored.

Following the review of the Driver Partnerships two new structures have been established: *Strategy Groups* (around the core programme themes of business, people and communities, and infrastructure) and time limited *Task Groups* (for example around employability).

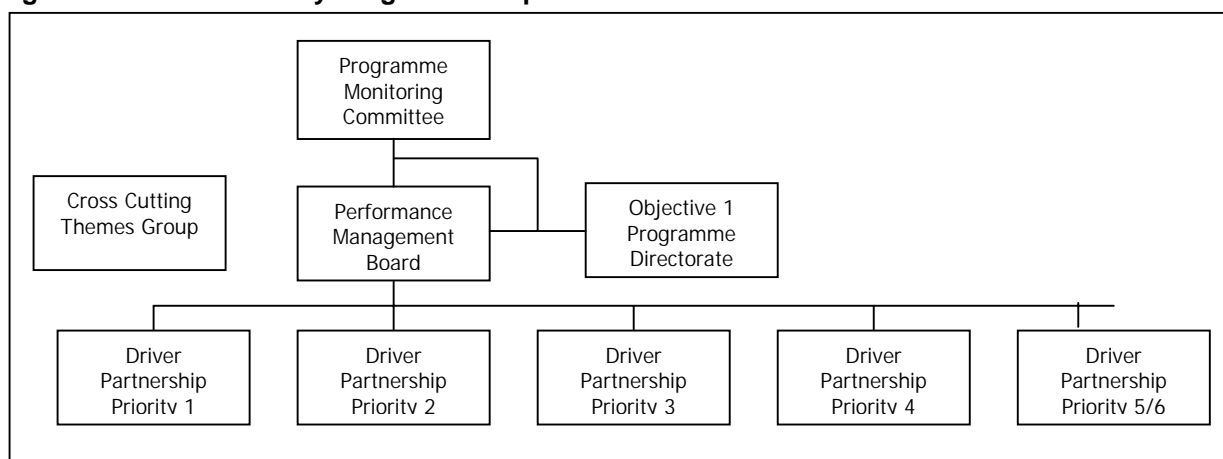
13.2.2 Partnership Structures

Three distinct phases in the partnership and management arrangements of the programme can be observed. The first phase involved the preparation and negotiation of the programme and lasted up until the agreement of the programme by the European Commission in July 2000. In contrast to previous programmes in the region, where programme development was led by GOYH, the development was undertaken through a tripartite partnership involving the South Yorkshire Forum (tasked with developing the Programme), the GOYH (with the role of implementing authority) and the regional development agency, Yorkshire Forward (with the role of implementing the Regional Economic Strategy). However, most activity in this period was undertaken under the auspices of the South Yorkshire Forum. Figure 1 shows the groups set up to develop the programme.

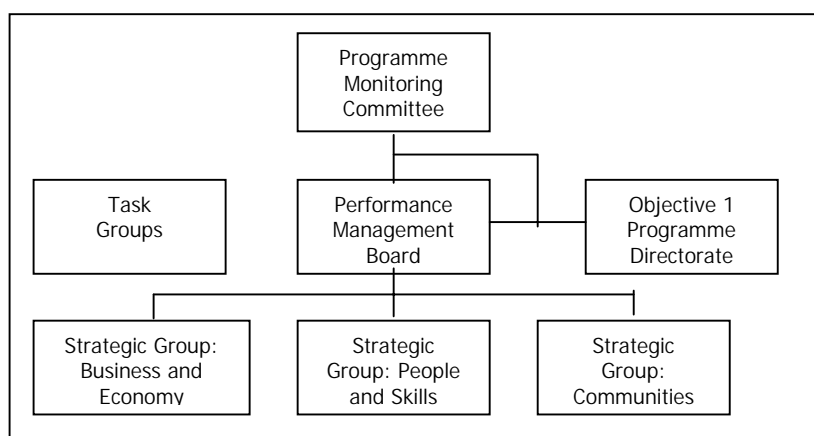
Figure 13.1: Phase 1 Preparation and Negotiation of the Programme

Given the scale of the South Yorkshire Forum, with over 40 members, a smaller 'Vision Group' was formed comprising the chief executives of the local authorities and the Training and Enterprise Councils. This group oversaw the development of the programme, socio-economic analysis and the commissioning of a strategy for the sub-region, 'A Vision for South Yorkshire'. A small policy unit provided the capacity to develop the programme. This drew on a wider group, a policy team, from key partner organisations in the sub-region.

Following the agreement of the programme the formal structures for the implementation of the Programme were established, primarily the Programme Monitoring Committee as the formal partnership overseeing the programme and the Objective 1 Programme Monitoring Committee as the implementing authority. The Objective 1 Programme also established other structures designed to ensure that the programme developed delivery frameworks capable of realising the strategy. These consisted of a Performance Management Board, essentially a sub-group of the PMC charged with ensuring programme delivery, and Driver Partnerships for each priority. The Driver Partnerships were chaired by a lead organisation for each and oversaw the development of Priority prospectuses, IDPs (Priorities 4 and 5) and Cluster Plans (Priorities 1 and 2) as well as selection of early projects. A cross-cutting themes group was also created to ensure that the implementation of the Programme was consistent with the cross-cutting themes or horizontal priorities of the Programme (e.g. gender mainstreaming, environmental sustainability, information society, equal opportunities). Figure 2 shows the structure of the partnership during this period.

Figure 13.2: Phase 2 Early Programme Implementation

These structures remained until the main delivery frameworks were in place and the O1PD was fully staffed. With the completion of the delivery frameworks (e.g. cluster development plans for Priorities 1 and 2), the Driver Partnerships were disbanded in late 2001 and structures established which could focus on implementation. These are outlined in Figure 3.

Figure 13.3: Phase 3 Programme delivery

In the delivery phase of the programme all project development, selection and monitoring activities are undertaken by the O1PD, which reports to the PMB and PMC groups. Three strategic groups were formed to be used as 'think tanks' for the Programme. The role of the strategic groups was not to develop strategy but to be used to test out issues surrounding the implementation of the strategy. Time limited task groups have also been created to provide support and guidance on particular issues facing the programme.

The three phases outlined above show how Programme partnerships and management have been highly adaptable in responding to the different challenges of programme development and implementation, at least in the first part of the programming period.

13.2.3 Sectoral Involvement in the Programme

The design of the Programme was undertaken through a thorough process of consultation with key stakeholders and with the wider public, private and voluntary and community sectors. Representatives from each of the main sectors have been represented at an appropriate level on the decision-making structures of the Programme (PMC and Driver Partnerships). This diversity of partnership members has increased from previous programmes and this is a recognised strength of the partnership structures.

Funding from the Technical Assistance has also been used to continue the work of the Open Forum in representing the Voluntary and Community sectors on key partnership groups, providing advocates and in disseminating information to the wider sector. Although the Open Forum has had a strong input into each of the Priorities, through membership on the Driver Partnerships, the Forum's main input was into Priority 3b and Priority 4. The Open Forum has for the first time in a regional development programme provided the voluntary and community sector with a voice on key regional policy decision-making partnerships.

13.2.4 Use of Technical Assistance

The Programme Directorate is staffed by civil servants (funded by the UK government) and staff funded through the Technical Assistance budget of the programme. This is matched by contributions from partner organisations (through a voluntary levy on projects) and the contribution of staff resources from GOYH. As a result the Programme Directorate has considerably more resources to support Programme implementation than the European Secretariats used to implement Objective 2 programmes in the 1994-99 programming period. The Programme Directorate has a total headcount of approximately 45. Staff have also been appointed with specialist expertise in key parts of the Programme, for example for each Priority and in Research and Evaluation.

The approach taken to develop the implementation capacity for the Programme was advocated by local partners and supported by the Government Office. The increased capacity for implementation has enabled a more strategic approach to be taken to Programme delivery. Evidence for this was highlighted in the review of the Priorities, and in particular through the development of development frameworks (Cluster Development Plans, Prospectuses, Community Action Plans etc.), in greater levels of partnership working, and the commissioning of strategic projects (in contrast to open bidding in previous Programmes).

Technical Assistance resources have also supported the development of the Programme's research and evaluation capacity. This includes the appointment of specialist staff (in research, analysis of socio-economic data and in IT and GIS) and the commissioning of research and evaluation to support Programme delivery. Examples include contributing to project level evaluations and the support of sub-regional strategies (e.g. South Yorkshire Spatial Study). The Research and Evaluation budget has also co-funded (with the Economic and Social Research Council) thirteen CASE PhD studentships (of which eleven are underway). These undertake fundamental research into Programme issues (for example, the role of the social economy in South Yorkshire, spatial development and the operation of clusters in South Yorkshire). The students are registered at one, and in some cases both, universities in South Yorkshire (Sheffield and Sheffield Hallam) and are co-supervised by staff from the Programme Directorate.

13.2.5 Conclusions

Four broad conclusions can be drawn from the review of the Programme Management structures. Firstly, the division of responsibilities between different partnership groups and their relationship to Programme Directorate is appropriate. The core functions of the different groups are undertaken effectively and there are clear mechanisms for reporting actions.

Secondly, the resources allocated to Programme Implementation, through Technical Assistance match funded by a voluntary levy on sponsors (in proportion to the scale of projects funded), are appropriate for the implementation of a Programme on the scale of the Objective 1 programme. This is reflected in far higher quality of applications and of strategy development. The appropriate resourcing for programme implementation has allowed the Programme Directorate to play a much fuller role in delivering the Programme strategy. This has included the development of projects at a sub-regional level.

Thirdly, Programme Management has evolved from programme design, to early implementation to delivery. Most notably this has involved moving from Driver Partnerships to oversee project development to the formation of strategic groups. Although some partner organisations when consulted argued strongly that the Driver Partnerships should have been maintained, the analysis of minutes suggests that membership was reducing on many groups and that it was inappropriate for these groups to have a direct role in the selection of projects. The recently formed strategic groups have a specific remit to advise the Programme Directorate, and the PMC and PMB, on issues of strategy. A key purpose of these groups should be to input into the Mid Term Review of the Programme, based on the findings of the Mid Term Evaluation. The groups should retain their advisory status and be used in a focused way. Membership should be refreshed periodically to ensure the input of new ideas. Members should have expertise at a senior in the specific areas of policy covered by groups.

Finally, the Programme is delivering the majority of its funding through large strategic projects, match funded by key intermediary bodies with a specific strategic role, for example the LSC in skills and workforce development. This approach has allowed for much greater alignment of the programme with wider strategies and to use matching funding in a strategic way. As these projects begin to deliver activities, the role Performance Management Board will need to develop strong links of accountability to ensure delivery. Supporting a relatively small number of key projects, rather than many projects, concentrates the risk for Programme delivery in a small number of sponsors. It was found that 30 projects account for over 60 percent of resources committed (based on data at the end of 2002). It is not anticipated that this proportion will change significantly. The key sponsors will be: the Learning and Skills Council; Business Link South Yorkshire; the LEAs; local authorities; Jobcentre Plus; and Yorkshire Forward. Funds in Priority 4 were most dispersed, although some organisations were leading on 'umbrella' projects on behalf of a range of organisations (e.g. Manor and Castle Development Trust).

13.3 Communication

13.3.1 Introduction

In comparison to previous programmes the Programme Directorate has a dedicated Communications team of three people. This reflects the importance given by the

Programme Directorate and by partners to ensuring effective communication, including both dissemination of information, public relations and communication with partners.

13.3.2 Outline of Activity

The Objective 1 Programme has dedicated considerably more resources to communication than previous programmes. This reflects the work undertaken around the 'Vision for South Yorkshire' and the emphasis placed on ensuring consultation and support from partners, overseen by the South Yorkshire Forum, and the emphasis placed on ensuring the wider public profile of the Programme, both within South Yorkshire and further a field. The communications strategy of the programme is founded of the overall aims and objectives of the Programme, in particular the focus on step change and strong partnerships, and involved both partnership working and public relations. In comparison to previous programmes, the stakeholder consultation revealed that the Objective 1 Programme has a greater profile in the local press and has also received some national press coverage.

Based on the assessment of projects and a review of guidance, European Commission regulatory requirements for the acknowledgement of EU Structural Funds support is being adhered to and to extent the wider public relations work of the programme is going significantly beyond minimum EU requirements.

13.3.3 Stakeholder and Project Manager Results

The stakeholder survey asked a specific open question relating to the communication of the Programme: What is your perception of the effectiveness of the general publicity and communication of the Programme?

The response to this question was wide ranging and included: poor, very limited, ineffective, quite good, good; and excellent. On balance stakeholders believed that communication was appropriate and adequate although most noted areas where there could be improvement. Typical comments included:

'Newsletters and electronic access [the website] are good features' although 'the website is sometimes out of date'

'Not sure if it reaches all parts – seems to be aimed at those in the know'

'Communication with partners is acceptable but more could be done, for the wider community, especially the business community'

'More large scale projects would make the task easier'

'The Objective 1 brand is becoming recognised'

Consultation with specific groups (Open Forum, Local Strategic Partnerships) also recognised that there were now clear routes of communication at a strategic level to the Programme Directorate and these were welcomed. However, there were also wider comments that there needed to be greater information sharing at an operational level (both on the impact projects maybe having on specific localities and in the development of projects). It was also noted that Structural Funds expertise resided across partner organisations and that partnership working was effective in addressing problems faced by the Programme.

However, with the Programme delivered through large strategic projects, responsibility for much communication, especially as more resources become committed, should be shared between the Programme Directorate and its partners.

When project managers were asked how useful the publicity information for the Programme was they responded overwhelmingly (81.4 percent or 92 managers) that it had either been very useful or of some use. The full results from this question are contained in the following table.

Table 13.1: Usefulness of publicity and information from the Programme

| | Frequency | Percent | Cumulative Percent |
|------------------|-----------|---------|--------------------|
| Very useful | 23 | 20.4 | 20.4 |
| Of some use | 69 | 61.1 | 81.4 |
| Of little use | 14 | 12.4 | 93.8 |
| Of no use at all | 2 | 1.8 | 95.6 |
| Don't know | 5 | 4.4 | 100.0 |
| Total | 113 | 100.0 | |

Source: Project Managers Survey (question 5)

13.3.4 Conclusions

The complexity of the Programme makes the implementation of a communications strategy difficult. The strategy needs to work on different levels, use different media and link to a range of organisations. Given these challenges the approach appears to be effective. However, a frequent comment from stakeholders and sponsors is that communication could sometimes be clearer given the 'copious volumes of strategy and planning' which sometimes make the Programme impenetrable to new sponsor organisations. Although guidance is becoming clearer, the Programme Directorate should continually recognise that the language and requirements of Structural Fund programmes can be a significant barrier.

The main recommendations for the future of the Communications strategy are that: the Programme needs to develop and maintain a positive image with emphasis on clarity and on action; communication of Objective 1 related activities is not the sole responsibility of the Programme Directorate and should continue to be shared jointly between the Programme Directorate and key stakeholders. Communication to the business community and to marginalized groups are both difficult. Communication and dialogue with these groups should be shared with specific lead organisations, including the Chamber of Commerce, Business Link and voluntary and community groups such as the Open Forum.

13.4 Project selection, appraisal and approval processes

13.4.1 Introduction

Project selection, appraisal and approval processes have evolved significantly since the agreement of the SPD. The O1PD has been responsible for their development and all processes have been signed off by the PMC or PMB, as appropriate. The current systems are appropriate to the requirements of the programme and that

communication to project sponsors of appraisal and selection requirements has improved. A particular example is the embedding of the cross-cutting themes into project selection process (see Question 3 in a later section).

However, responses to the stakeholder survey suggest that many sponsors remain unclear about selection and appraisal requirements. This in part reflects the complexity in Structural Funds programmes and also the breadth of the programme: many sponsors are new to the EU Structural Funds. However, it also reflects the strategic decision not to reveal selection and scoring criteria to project sponsors. This is in contrast to previous programmes where criteria were open and there was a perception that projects were successful because of the quality of the presentation of an application, rather than its content and the capacity of sponsors to deliver projects. The approach taken by the Programme Directorate is to ensure that applications and business plans are of a high quality and deliver the broad objectives of the Programme, and not solely designed around meeting specific criteria.

It should also be noted that in addition to appraisal and monitoring, the O1PD also has significant responsibilities to support applicants develop projects. Although time consuming, this has added to project quality, alignment with the strategy and the implementation of the commissioning approach to project development.

13.4.2 Project Development

Functions for project development and monitoring are split within the Programme Directorate. This approach allows the teams of Business and Enterprise, People, Communities and Skills, and Development and Infrastructure to provide more extensive and wide ranging support which is independent of the appraisal process. Project development has been strongly oriented towards large strategic projects. Although over 300 projects have been funded, 30 account for 60 percent of the resources allocated by the Programme.

Project development, in strong contrast to previous programmes, has not involved open bidding rounds. Most projects have come through two routes. Large, strategic projects have typically been developed at the Measure level, or Multi-Measure level, and led by a strategic organisation. This approach has been used in each of the Priorities, as the priority assessments highlighted. A strength of this approach has been the alignment of strategies and funding. This approach has been applied to LSC co-financed projects and the LEA projects. Project development was quickest where there was a clear lead organisation which had already been planning the project prior to the Programme launch.

Many projects however have been developed in response to the delivery frameworks established for each Priority, typically through a Prospectus or an Integrated Delivery Plan. Registrations of Interest submitted against these have provided the initial basis for projects to be developed into full applications. However, except for Measure level activities, this approach has not 'ring-fenced' funds but required sponsors to meet set criteria.

During the stakeholder consultation the community and voluntary sector highlighted that a key hurdle to accessing regeneration funding was the need to apply for and then manage multiple funding streams, each with different application, appraisal and monitoring requirements. Moves towards joint application processes would help remove this burden as would, alternatively, increasing the role of intermediary organisations to act as managers of a portfolio of funding. Both approaches are being used in the Objective 1 Programme (e.g. either through co-financing or proposals for joint appraisal with Single Pot applications).

When asked whether the scope of the project had changed significantly during the development process most project sponsors responded that it had not (80.4 percent). This may be for a number of reasons and clearly this survey result is limited because it does not pick up projects which were either rejected or withdrawn from the process.

Table 13.2: Did the scope of the project change during the development process?

| | Frequency | Percent | Cumulative Percent |
|------------|-----------|---------|--------------------|
| Yes | 17 | 15.2 | 15.2 |
| No | 90 | 80.4 | 95.5 |
| Don't know | 5 | 4.5 | 100.0 |
| Total | 112 | 100.0 | |

Source: Project Managers Survey (question 13)

Project managers were asked to comment whether their project was an integral or a freestanding part of the Objective 1 Programme. The overwhelming majority (87.2 percent) believed that their project was integral to the Programme's aims. This is an impressive score and is some endorsement of the Programme's approach.

Table: 13.3: Are Projects Freestanding or Integral Parts of the Programme

| | Frequency | Percent | Cumulative Percent |
|--------------------------------|-----------|---------|--------------------|
| An integral part of Obj 1 Prog | 101 | 90.2 | 90.2 |
| A freestanding activity | 6 | 5.4 | 95.5 |
| Don't know | 5 | 4.5 | 100.0 |
| Total | 112 | 100.0 | |

Source: Project Managers Survey (question 14)

13.4.3 Project Appraisal and Approval

Systems for appraising and approving projects are largely common for all projects. However, there are specific differences relating to Priorities (depending on the existence of an IDP or a Cluster Strategy for instance) and especially between the three Structural Funds in the Programme (ERDF, ESF and EAGGF).

Project Appraisal is undertaken by the Implementation and Management Team of the Programme Directorate. All projects are 'double appraised' by officers with delegated limits for approvals to the Head of Section, to the Programme Director and the Regional Director (of GOYH). Ensuring consistency with the Programme strategy was recognised to be strongest for ERDF projects, primarily because of the requirement for a business plan to be prepared. This was seen as a strength of ERDF and is something which will be adopted for ESF and EAGGF applications at the beginning of 2004. However, within the scope of the ESF application form, the Implementation and Management team had developed criteria which were seen to be effective in scoring ESF activities. Scoring systems included weighting for strategic fit, quality of the application and relevance to needs, and to the cross cutting themes.

Appraisal systems were part of a Service Level Agreement with the wider partnership and ensured the projects were appraised within 8 weeks. The role of the development offices and the commissioning approach meant that considerable support had been given in the development of projects.

The assessment of 27 projects as part of the Priority Reviews in the evaluation revealed that 24 projects had robust systems in place to measure performance and that 26 projects approved were of a high quality. The criteria for assessment were: the depth of justification used in the application, the use of local evidence and market research, and the realism of targets. When these 27 projects, from most Measures, were examined against the programme objectives, all were found to have either a clear linkage with the aims and eligible actions of a particular measure and at least some link to the wider aims of the Programme. Most projects were also either wholly additional to the area or were substantially additional (e.g. where Structural Funds have either brought forward an investment or significantly increased the quality of a project). However, in many respects it would be expected that these projects would be highly consistent with Programme strategies given their size and contribution to programme targets.

As the following table reveals most applicants were clear as to the criteria their application would be subject to with 62.6 percent responding positively. The same result was obtained when applicants were asked as to whether they were clear as to the appraisal process. This is an interesting response as scoring criteria should not be revealed to applicants. It either suggests that project managers had a good general knowledge of the criteria through working up projects with development

officers, or that they had seen the criteria. There is no further evidence to support this. However it would be interesting to compare this response to those of unsuccessful applicants.

Table 13.4: Clear as to the appraisal criteria for applications

| | Frequency | Percent | Cumulative Percent |
|------------|-----------|---------|--------------------|
| Yes | 72 | 66.7 | 66.7 |
| No | 24 | 22.2 | 88.9 |
| Don't know | 12 | 11.1 | 100.0 |
| Total | 108 | 100.0 | |

Source: Project Managers Survey (question 8)

13.4.4 Stakeholder Consultation

Although the systems appear robust and mark an enhancement on previous programmes, with additional resources available, comments from stakeholders reflected that applying for Structural Funds remains for many a frustrating and complex process. Typical comments included:

‘The process is bureaucratic, complex and opaque’.

‘Decision making timescales can prevent consultation’.

‘Decision making processes are satisfactory, given the complexity’.

‘Only “funding anoraks” stand a chance accessing funds’

There were also some concerns that funding processes were further complicated by the introduction of LSC co-financing. However, most recognised that these problems to some extent were being overcome. Despite this the application process is a major barrier to many small organisations, whether they are applying directly to the Programme Directorate or to the LSC or another organisation using co-financed assistance. This is particularly the case for Voluntary and Community organisations with limited resources and experience of receiving public assistance. However, initiatives such as the Key Fund and locally delivered Community Chests were seen as appropriate ways round these barriers. Views from the business community were more mixed. Some recognised that projects such as the grants scheme Invest for Growth or the South Yorkshire Investment Fund were business focused and responsive. Businesses bidding directly into the Objective 1 Programme had encountered what they perceived to be considerable delays, in part reflecting inexperience in applying for Structural Funding, but also the complexity of the process. However, on balance, there is already sufficient guidance on funding and without wider regulatory and policy changes, the application process has been made as straight-forward as it can be.

When project managers were asked to estimate the length of time to develop an application from the original expression of interest, most responded that it took more than 6 months although for a significant group, 46.8 percent, the process took less than six months. Given the complexity of the programme and the focus on large projects this suggests quite considerable progress. However, it should also be recognised that many applications, for small and large complex projects, have required considerable development support before they could be formally appraised and issued with an offer letter. The length of time it takes to develop a application is

also often under-estimated by organisations, particularly those new to the Structural Funds.

Table 13.5: Time between expression of interest and offer

| | Frequency | Percent | Cumulative Percent |
|-------------------------------------|-----------|---------|--------------------|
| Less than 1 month | 1 | .9 | .9 |
| 1-2 months | 12 | 11.0 | 11.9 |
| 2-3 months | 14 | 12.8 | 24.8 |
| 3-6 months | 24 | 22.0 | 46.8 |
| More than 6 months | 41 | 37.6 | 84.4 |
| Don't know/can't remember | 16 | 14.7 | 99.1 |
| n/a - not yet received offer letter | 1 | .9 | 100.0 |
| Total | 109 | 100.0 | |

Source: Project Managers Survey (question 11)

Unfortunately, most applicants thought that this length of time was too long. Given that the majority of projects (by number) are with small organisations, through Priorities 3B and 4, this assessment shows that faster processes may be required as significant delays can jeopardise the development of community based economic activities.

Table 13.6: Was this a reasonable length of time?

| | Frequency | Percent | Cumulative Percent |
|------------|-----------|---------|--------------------|
| Yes | 35 | 37.6 | 37.6 |
| No | 52 | 55.9 | 93.5 |
| Don't know | 6 | 6.5 | 100.0 |
| Total | 93 | 100.0 | |

Source: Project Managers Survey

13.4.5 Conclusions

The project development, appraisal and selection systems are robust, appropriate to the purpose of the Programme, and are designed to ensure strong alignment between the Programme and the projects funded. Barriers still appear to exist in the processes used by intermediary organisations although mechanisms such as co-financing should in time make it more straightforward to access support, particularly for voluntary and community sector organisations.

13.5 Grant offers and claims processing

13.5.1 Introduction

Grant offer letters and claims are processed quickly and with due diligence. The core monitoring systems for the programme are developed and represent an enhancement of standard Structural Funds monitoring systems. There is also a strong link between these systems and the key programme decision-making committees. However, development work is still ongoing, particularly around monitoring project performance against results impact targets and the cross-cutting themes.

A top-level review of these systems suggests that the Programme Directorate have invested considerable time in developing these systems and these should improve performance monitoring in the second half of the programme.

13.5.2 Project Assessment and Survey Results

Analysis of the project assessments undertaken for the Mid Term Evaluation shows that there is a high level of satisfaction with claims and payment systems. All sponsors believed that they were paid on time and that there was sufficient support from the Programme Directorate in completing claims. One area which was identified as a barrier was the practice of payment in arrears for ERDF projects. This was recognised by many voluntary and community sector as a unnecessary burden to running projects and involved the balancing of budgets from different funding streams. Although the Programme Directorate have paid grants 'in advance of need', in particular where there is a financial need, more recent policy statements from the Treasury also suggest that 'advance of need' should be broadened and take account of wider policy goals to develop a 'thriving voluntary and community sector'. This issue is explored in more detail in the assessment of Priority 4.

Project managers also appear to be very satisfied with the payments process, with 78.6 percent responding positively.

Table 13.7: Satisfaction with Payment Systems

| | Frequency | Percent | Cumulative Percent |
|---------------------------------|-----------|---------|--------------------|
| Yes | 88 | 78.6 | 78.6 |
| No | 9 | 8.0 | 86.6 |
| Don't know | 6 | 5.4 | 92.0 |
| n/a - haven't submitted a claim | 9 | 8.0 | 100.0 |
| Total | 112 | 100.0 | |

Source: Project Managers Survey (question 16)

13.5.3 Conclusion

Grants offer and claim processing by the Programme Directorate is undertaken effectively. Payments are made through the Government Office systems but most claims processing is undertaken in the Programme Directorate. The systems appear robust and collect financial information effectively for payment purposes.

13.6 Monitoring

13.6.1 Introduction

A review of monitoring requirements has been undertaken from a number of perspectives, including: the collection of monitoring information by project sponsors (through the project managers survey and project assessments); the collection, storage and use of monitoring data by the Programme Directorate (through interviews); and the use of monitoring data by the PMC and PMB (through the analysis of papers and stakeholder consultation).

13.6.2 Project Managers

Nearly all project managers (either from the Project Managers Survey or the Project Managers Survey) were clear as to the monitoring requirements. 93 percent responded to the survey that they were clear as to what required in terms of monitoring expenditure

Table 13.8: Clarity as the requirements for monitoring expenditure

| | Frequency | Percent | Cumulative Percent |
|------------|-----------|---------|--------------------|
| Yes | 107 | 93.0 | 93.0 |
| No | 5 | 4.3 | 97.4 |
| Don't know | 3 | 2.6 | 100.0 |
| Total | 115 | 100.0 | |

Source: Project Managers Survey (question 17)

A similar score was achieved for the monitoring of output targets.

Table 13.9: Clarity as the requirements for monitoring output targets

| | Frequency | Percent | Cumulative Percent |
|------------|-----------|---------|--------------------|
| Yes | 106 | 92.2 | 92.2 |
| No | 4 | 3.5 | 95.7 |
| Don't know | 5 | 4.3 | 100.0 |
| Total | 115 | 100.0 | |

Source: Project Managers Survey (question 18)

Moreover, most project managers (68 percent) felt that the targets they had were the appropriate ones although clearly this does allow some room for improvement and development.

Table 13.10: Clarity as the requirements for monitoring expenditure

| | Frequency | Percent | Cumulative Percent |
|------------|-----------|---------|--------------------|
| Yes | 25 | 24.3 | 24.3 |
| No | 70 | 68.0 | 92.2 |
| Don't know | 8 | 7.8 | 100.0 |
| Total | 103 | 100.0 | |

Source: Project Managers Survey (question 20)

13.6.3 Use of Monitoring Information within the Programme Directorate

Responsibility for the use and analysis of monitoring data crosses two teams in the Programme Directorate. The Management and Implementation team are primarily responsible for the analysis of financial data while the Research and Evaluation team are primarily responsible for the analysis of output data. This division of responsibilities is appropriate. The national monitoring systems for the Objective 1 Programme have been enhanced to allow for a series of standard reports. These seem appropriate and provide sufficient information for the Management and Implementation team to monitor progress towards targets, such as N+2 and the achievement of key targets such as jobs and business sales.

Systems for the analysis of output monitoring data, particularly for non-core targets, are largely established, although there remain some areas for further development. This should improve the monitoring of the Programme's progress towards cross-cutting theme objectives to be examined more systematically. A key barrier in developing the systems further appears to be the collection of the full range of monitoring data from intermediary bodies. For example, while the collection of LSC data on Structural Fund outputs is available, there have been difficulties in the collection of data on 'co-financed' outputs. Moreover, as the analysis of ESF Measures has shown (Sections 5-9 of this report), extensive cleaning of data is required to be undertaken by the Programme Directorate to ensure that only eligible outputs are recorded. This is an area which needs to be addressed and is discussed in more detail below. There is also further scope for development in particular in the production of more timely management reports which show a fuller range of information (including the co-financed or match funded activities and expenditure). However, it should be noted that the existing national monitoring systems, in particular that for ESF, is limited in its capacity to record progress towards the cross-cutting themes (e.g. number of beneficiaries coming from particular communities).

There has also been some progress in harmonising the use of monitoring information across the thematic/priority teams. A current gap in the system however is that the formal monitoring systems do not contain any information on pipeline projects – those which are still to be approved or are being worked up for development. Such data are maintained by the Priority Executive teams. Although these systems appear robust, it does appear to be a gap in the system which should be addressed by central government.

The Management and Implementation team is also responsible for monitoring visits to projects. These include both proof of existence visits (undertaken by this team) and progress visits (on an annual basis) which are undertaken jointly with a project development officer. These procedures appear robust and can provide a more timely check on project progress.

13.6.4 Use of Monitoring data by PMC and PMB

The review of PMC and PMB papers highlighted that an appropriate balance of information is provided to each committee. The papers do not include long lists of projects, but provide summary information and key areas of concern. This supports the efficient conduct of business by these groups.

However, a key challenge in the second half of the programme will be ensuring delivery and the necessary accountability of projects to the Programme Directorate, PMC and PMB. Monitoring data should be used more effectively to inform these groups on the progress of the Programme. Although data is often six months old when it is available (due to the claims process) this does nonetheless provide a useful starting point to establishing progress.

13.6.5 Conclusion

Considerable progress has been made in Programme monitoring and, in general, monitoring is being undertaken to a level higher than previous programmes. This development reflects the organisation of the Programme Directorate and the resources at its disposal. However, further progress is required in second half of the programme. Although most sponsors appear satisfied with the information they are required to produce, and recognise its importance, the use of monitoring needs to be more systematic within the Programme Directorate and by the PMC and PMB. This will be important as projects enter their main delivery phase.

13.7 Financial inspection, irregularity reporting and clearance action

The Financial Audit and Monitoring (FAM) team at the Government Office (Leeds) undertake financial inspection of projects. This team is responsible for certifying 5 percent of expenditure each year. This involves a sample of visits across project sponsors.

A recent inspection by the National Government Office Audit Team revealed that the processes used by the Programme Directorate were robust and complied with financial reporting requirements by the UK government and by the Structural Funds.

13.8 Project management

13.8.1 Project Manager Experience

The project managers involved in the Objective 1 Programme also have considerable previous experience of running or being involved in Structural Fund projects. The project managers' survey suggests that over 55 percent of project managers have more than three years experience in Structural Fund projects.

Table 13.11: Experience of Project managers

| | Frequency | Percent | Cumulative Percent |
|--------------------|-----------|---------|--------------------|
| Less than 6 months | 2 | 1.8 | 1.8 |
| 6-12 months | 9 | 7.9 | 9.6 |
| 1-3 years | 39 | 34.2 | 43.9 |
| 3-5 years | 27 | 23.7 | 67.5 |
| More than 5 years | 37 | 32.5 | 100.0 |
| Total | 114 | 100.0 | |

Source: Project Managers Survey (question 1)

When asked what experience project managers had of directly managing projects in previous Programmes, again, over 55 percent had experience of over three years. This provides some assurance that the projects are being managed effectively.

Table 13.12: Experience in Previous Programmes

| | Frequency | Percent | Cumulative Percent |
|--------------------|-----------|---------|--------------------|
| less than 6 months | 8 | 7.1 | 7.1 |
| 6-12 months | 14 | 12.4 | 19.5 |
| 1-3 years | 48 | 42.5 | 61.9 |
| 3-5 years | 17 | 15.0 | 77.0 |
| more than 5 years | 26 | 23.0 | 100.0 |
| Total | 113 | 100.0 | |

Source: Project Managers Survey (question 2)

This picture is confirmed when managers were asked to outline the size of the largest Structural Funds project they had managed in the past. Although 28 percent of respondents were managing their first project, 35 percent had previously managed projects of over £250,000 and 19 percent had managed projects of over £1,000,000.

Table 13.13: Size of largest Structural Funds Project Managed

| | Frequency | Percent | Cumulative Percent |
|---------------------------|-----------|---------|--------------------|
| Less than £24,999 | 3 | 2.6 | 2.6 |
| £25,000-£99,999 | 15 | 13.2 | 15.8 |
| £100,000-£249,999 | 21 | 18.4 | 34.2 |
| £250,000-£1,000,000 | 19 | 16.7 | 50.9 |
| More than £1,000,000 | 22 | 19.3 | 70.2 |
| Don't know/can't remember | 1 | .9 | 71.1 |
| N/a - first proj managed | 33 | 28.9 | 100.0 |
| Total | 114 | 100.0 | |

Source: Project Managers Survey (question 3)

13.8.2 Conclusion

Using project manager experience as a proxy of management quality is clearly problematic. For example, it also may reveal that those involved in Structural Programmes remains broadly the same and may have the same ways of working. However, it does provide an indication that the majority of managers have experience of Structural Funds. This has probably helped the programme to make considerable progress to date in committing resources. However, there are also a group with little or no experience. This group is primarily in Priorities 3 and 4. Project assessment interviews revealed that this group has a wide range of development needs, ranging from project management, to regeneration and effective partnership working. To some extent these needs are met by the Programme Directorate through workshops, monitoring visits and generally, and an openness to questions relating to project delivery. However, further support maybe required, particularly if these projects are to deliver a sustainable change in the target areas. This support may be provided by the Programme Directorate, although given resource constraints and the need to ensure long term sustainability, it may be more effective if support needs are met by an organisation such as the Open Forum or through Local Strategic Partnerships' inclusion activities.

13.9 Other Aspects of Programme Management

The Mid Term Evaluation is also required to assess the Management of the Programme in light of other more wide ranging issues. In part these have been dealt with elsewhere (e.g. integration of ESF and ERDF is discussed with respect to the Cluster Strategies).

13.9.1 Integration of the Funds

An aim of the Programme was to develop integrated support packages, whether these are for business support, communities or inward investors locating on a new site. This should have generated opportunities to integrate ERDF and ESF funds.

At a strategic level specific references are made to the integration of ESF and ERDF in the programme and in key delivery strategies, such as the Cluster Development Plans. This work involved considerable cross-agency working. However, it is at the delivery and operational levels that the integration of the funds is more difficult.

The assessment of the priorities found that attempts are being made to integrate business development and workforce development activities, for example with links being made between Invest for Skills and Invest for Growth. Similarly, there are cluster skills strategies which sit alongside the cluster development plans and these have identified activities which could be integrated. Specific examples include work underway to develop skills for advanced manufacturing and metals cluster. This is closely linked to a series of ERDF projects connected to the Advanced Manufacturing Park development with workforce development activities focusing on the development of a small skills hub which can coordinate and facilitate links between the supply and demand side. A similar approach is being used in the Digital and Creative Industries cluster. However, it is in Priority 3 that there are the closest links between the funds; with ERDF being used to invest in an e-Learning infrastructure through which developments such as an enhanced curriculum can be delivered. To a lesser extent the Community Action Plans in Priority 4 should provide opportunities for community economic development to be tied to key skills, for example the Academy of Community Leadership.

There are however barriers to the integrated working of the funds. These specifically relate to the different aims and eligible actions of the funds being very different and to there typically being separate lead organisations for the funds (for example Business Link South Yorkshire and the Learning and Skills Council). Barriers can be reduced through effective and purposeful partnership working between agencies with a common agenda (for example workforce development and competitiveness). There is some evidence that with the major projects now established that there is integration between the funding. This was highlighted through the project assessments, and particularly those in Priorities 1, 2 and 3. It is however difficult at this stage to judge whether such links are effective and create a greater impact than if the funds were implemented completely separately. The evidence suggests that there is now better integration at a strategic level but not at the beneficiary level (whether an individual or company) where training and business support are less well coordinated.

The issue of whether support is coordinated at the beneficiary level can only be effectively explored through the systematic analysis of monitoring data, and at this stage such analysis is not possible, as training beneficiary data does not necessarily contain employer details.

13.9.2 Monitoring system developments

At the core of the monitoring system are the national databases for each of the funds. However, the Programme Directorate has enhanced these through a series of Microsoft Access based reports. This has contributed to some improvements in reporting and enabled data to be manipulated more effectively.

The Programme Directorate has also invested in systems to capture a wider array of data than required by previous programmes and which is captured using national databases. This is primarily to ensure compliance with the cross-cutting themes. These systems should allow for a more detailed assessment of the cross-cutting themes to undertaken as the programme moves to its main delivery phases.

Finally, the Programme Directorate is developing its capacity to use GIS systems to allow for a detailed analysis to be undertaken of the geographic location of beneficiaries, whether these are individuals or companies – or both. This will provide an extremely rich source of monitoring data in assessing the distribution of beneficiaries across South Yorkshire and with respect to the geographically targeted parts of the Programme, specifically Priorities 4 and 5. It will also provide the basis for monitoring the contribution of the Programme to the cross-cutting themes (particularly for social inclusion which is using the number of beneficiaries from P4a communities as an indicator).

13.9.3 Contrast with RES and RPG

The monitoring of the RES is undertaken at a number of levels, similar to the Objective 1 Programme. Yorkshire Forward are responsible for monitoring progress against Tier 1, 2 and 3 targets, with Tier 3 targets being specifically applied to the performance of Yorkshire Forward and the delivery of the Single Pot. These targets are set in the Regional Economic Strategy and are monitored in various ways, in part depending on the nature of the target. Typically monitoring involves a combination of top-down and bottom-up approaches. The top-down approaches involve undertaking regular socio-economic assessments of the region and an econometric forecast for key sectors. Bottom-up approaches are undertaken both a project specific level (e.g. where identified projects contribute to urban renaissance) but also through Yorkshire Forward's Performance Management Framework. This approach is broadly similar to

that adopted in Structural Fund programmes. However, there are significant differences. These include both the purpose of monitoring, receipt of funding from different organisations, and differences both in the design and range of targets. These three issues are such that any approaches to coordinate monitoring would necessitate running parallel systems and manually mapping targets across the RES and Objective 1 Programme. However, such a top-level exercise, rather than relying on the mapping of individual project targets may have some merit in helping to align the RES, and in particular the sub-regional action plan to the targets, of the Objective 1 Programme.

Regional Planning Guidance provides a framework for spatial planning at a regional level, and through mediating national planning guidance (contained in the PPGs) with local planning needs and aims. It is therefore very different to the Programme with funding resources attached. However, there may be some scope for the spatial elements of the Objective 1 Programme (Priority 4 and especially Priority 5) to be mapped onto RPG. This would show, for example, that whilst the Dearne Valley SEZ is a priority for RPG and is a key area for Objective 1, that no sites have come forward for Objective 1 funding. Greatest scope for alignment of monitoring, which to some extent is already undertaken, is the monitoring of brownfield land developments, including the use of previously used land and contaminated land. This should show a strong alignment with RPG as the Objective 1 programme targets brownfield land developments, for example through land remediation.

13.10 Key Issues

Programme management, partnership structures and implementation arrangements, are appropriate with robust systems (in particular project appraisal and financial monitoring) in place to deliver the programme. This is reflected in three main areas: an appropriately resourced Programme Directorate; structures appropriate to developing a culture of performance management (reflected in the remit of the Performance Management Board); and the sub-regional approach to major projects.

Substantial programme resources have been committed to intermediary bodies. These include the Local Education Authorities, Yorkshire Forward, Business Link South Yorkshire, the Learning and Skills Council, the local education authorities, and the four local authorities. These have allowed a sub-regional and strategic approach to be taken to the delivery of the programme. This is a key improvement on previous programmes. The approach reflects the rationale set out in the SPD which predicates the success of the Programme on, identifying sub-regional approaches for transforming the economy of South Yorkshire and the full commitment of key programme stakeholders to the delivery of the Programme.

However, the review of the Priorities (in previous sections) has shown that there are areas of slow delivery. These issues cannot be divorced from the overall management and implementation arrangements for the Programme. Specific concerns were raised over the progress of inward investment (Measure 1.4), the delivery of cluster strategies (Priority 1) and workforce development (Measures 1.5 in particular). Alongside Priority 5, these were seen as critical to transforming the business base of South Yorkshire and improving competitiveness. Measures 1.4 and 1.5 are delivered through intermediary bodies. The slow delivery of these Measures may jeopardise the achievement of N+2 targets and the achievement of Programme outcome targets. The Priority reviews have recommended actions to address slow delivery in these Measures. However, these recommendations need to be agreed with the sponsors concerned and progress overseen by the PMB.

Although the remit of the Performance Management Board was found to be appropriate, and represented an improvement on previous Programmes, it has a critical role to play in ensuring the Programme is delivered effectively and in particular that the performance of slow or under performing projects is driven up. This is a difficult task. The difficulty of the task may also be compounded by the composition of the PMB – its membership is drawn from the PMC and comprises representatives of each of the key sectors and organisations involved in project delivery. This membership is appropriate for holding key sponsors to account and jointly identifying steps to improve delivery. Although PMB members declare where they have an interest in particular projects, the dynamics of the group may operate against such issues being raised. An area, which could assist in changing the dynamics of the group, would be to involve individuals independent of the delivery of Programme.

A separate issue was found to be the recording and use of monitoring data, particularly for ESF co-financed projects. Levels of ESF expenditure in previous programmes were poor and co-financing, particularly by the LSC, has helped commit funds. However, the analysis of monitoring data (particularly for Measures 1.5 and 2.10) was found to include both eligible and non-eligible beneficiaries and indicated that the level of qualifications (e.g. NVQ 3) may be below those required by the Measure. These problems highlight that co-financing systems, and in particular the harmonisation of data collection on ESF beneficiaries and beneficiaries funded by own resources, is taking time but that systems are becoming more closely aligned. This issue is the subject to ongoing work between the Programme Directorate and the Learning and Skills Council. Moreover, monitoring requirements should not act to remove necessary flexibility in project delivery (for example in tying assistance to a tightly defined beneficiary group). However, it is an area where further improvements could be made through further joint working between the Programme Directorate and key sponsor organisations such as the LSC and Jobcentre Plus.

Finally, the Programme Directorate and Yorkshire Forward are currently piloting a joint appraisal system for projects seeking Objective 1 funding and Single Pot funding. This should help to align the Sub Regional Action Plan with the Objective 1 Programme and help to deliver the RES in South Yorkshire. Joint appraisal recognises that key funding streams should work in concert and that without such alignment resources may not be deployed to greatest effect. The process already covers the joint development of business plans and the setting of targets. However, further work is required to harmonise targets and to agree common definitions. In preparation for the management of future programmes, such pilot activity should be extended post-award monitoring activities. Each of these activities would make a significant contribution to integrating economic development in the region. This could be extended to formal financial monitoring, claims procedures and audit inspection and ensure that there is compliance with the regulations of the different funding streams. Integrating this area of activity further will require changes in the monitoring systems of national government departments. However, it would greatly support the effective delivery of regional policies.

13.11 Recommendations

The following recommendations can be drawn from the review of the management and implementation arrangements of the Objective 1 Programme:

- **Programme management** should continue to develop a culture of performance management. Partnership structures and the capacity of the Programme Directorate to implement the programme are appropriate and have added value

to project activities. However, the key focus of the Programme partners now needs to be on delivery.

- A key concern raised in the evaluation is how the **performance of key projects and the delivery of key Measures** can be improved. To a large extent this is the responsibility of individual sponsors, and in particular the intermediary bodies, to identify how performance can be improved and how key Programme targets achieved. This is particularly important if N+2 (spend) and outcome targets (jobs created, companies established and business sales) are to be achieved. This should build on ongoing work by the Programme Directorate to improve the monitoring of key projects.
- The **Performance Management Board (PMB)** has a key role addressing areas of under performance across the Programme, through agreeing specific actions and committing the necessary resources, whether in terms of capacity, addressing technical and procedural barriers or recommending financial support. Consideration should be given to the current operation of Performance Management Board, and in particular to, the inclusion of individuals independent of the delivery of the Programme.
- Systems for the **monitoring of projects** were found to be generally robust. However, improvements should be considered to the monitoring of ESF co-financed projects to ensure that data collected is consistent with the requirements of ESF Measures and the Programmes as a whole. It is recommended that joint work between the Programme Directorate and the LSC and Jobcentre Plus continue, so as to address these issues.
- Following the current pilot phase, the joint appraisal of projects applying for Single Pot and Objective 1 funding should be continued. This should be extended to the development of **joint and common systems for target setting, project development and monitoring**. This would help align the delivery of the RES and the Objective 1 programmes. Such developments should also help to inform the preparation of future Structural Funds and UK regional policy programmes in the region.

14 CROSS CUTTING THEMES

14.1 Introduction

This section responds to Evaluation Question 3 on the agreed horizontal priorities, or cross-cutting themes, which underpin the programme. The question set is as follows

Have the agreed horizontal priorities – equal opportunities and protection of the environment in particular – been integrated successfully into the programme?

14.1.1 Evaluation Aims

The aims of this part of the evaluation are as follows:

- To investigate what attempts have been made to incorporate the cross-cutting themes into the fabric of the programme (its systems), and judge whether this has been successful
- Look at major initiatives that have been commissioned to address inequalities and horizontal activity
- Compare this programme with other Structural Fund programmes and their attempt at involving horizontal themes into mainstream activity
- Assess the fit of the cross-cutting themes against regional strategies (RES, RPG and RSDF)
- Assess the contribution of the horizontal themes to the National Action Plan for Employment and the European Employment Strategy.

14.1.2 Key Evaluation Questions

Within the broad parameters of Evaluation Question 3, the investigation of cross-cutting themes sought to answer ten more specific questions. These were as follows:

- a) How have the cross-cutting themes been incorporated into the programme (considering the programme design, negotiation and implementation stages)?
- b) What partnership structures have been established to develop policies for the cross-cutting themes?
- c) How have the themes been incorporated into the formal programme systems (appraisal, selection and monitoring)? How have these evolved? How effectively have the cross-cutting themes been embedded into the programme systems?
- d) What barriers have been encountered and how have they been overcome? (e.g. in the partnerships, in project development, appraisal etc.).
- e) What remain the most significant barriers to the incorporation of the horizontal themes?
- f) What is the relationship between the cross-cutting themes and the RPG, RES and RSDF? How has this relationship been managed and with what effect?
- g) What have been the major initiatives developed to advance the cross-cutting themes?

- h) What evidence exists of the implementation of the horizontal themes? How does this reflect against the programme's promises?
- i) How have the horizontal themes contributed to the National Action Plan for Employment?
- j) What evidence is there of mainstreaming in partner organisations?

14.1.3 Research Undertaken

The evaluation of the progress made with cross-cutting themes has been conducted by gathering evidence from six main sources:

- Focused review of programme documentation and relevant regional, national and EU policy documentation.
- Interviews with key players, including Programme Directorate staff, partner officials, project sponsors and other external personnel.
- Two discussion workshops involving key players in the sub-region, one on equal opportunities and gender mainstreaming, and the other on sustainable development and protection of the environment. These involved testing of the key findings of the mid-term evaluation with respect to these themes, and a review of changes that should be introduced and actions that need to be taken during the remainder of the programme period.
- Relevant sections of the survey of stakeholders.
- Relevant sections of the survey of project managers.
- The review of projects.

14.2 Incorporation of the Cross Cutting Themes

14.2.1 Rationale for the Cross-cutting Themes

The South Yorkshire Objective 1 programme for 2000-2006 currently contains six horizontal or "cross-cutting" themes. The current list was defined in a summary paper presented to the Cross-cutting Themes Task Group on 3rd September 2001 (ref. CCTG0901/A). This paper was the product of work by the Cross-cutting Theme team in the Programme Directorate to refine and sharpen the nature, aims and objectives of the themes as outline in the SPD and PC (see below for more detail). In alphabetical order, the summary titles, objectives and justification of each theme are as follows:

Employability: The objective of this theme is "to maximise opportunities for local people to access employment by increasing participation and attainment in education and training, and removing barriers to work". This is in line with Programme Theme 6 in the SPD (pp.487-493). It is seen as the principal mechanism through which the programme can contribute to the implementation of the European Employment Strategy (EES) and the National Action Plan for Employment (NAPE). The theme is structured around the five policy fields identified by the UK Policy Frame of Reference; these are in turn a repeat of the priority areas for ESF intervention in this funding round. The five policy fields are as follows: active labour market policies; equal opportunities for all and promoting social inclusion; lifelong learning; adaptability and entrepreneurship; and improving the participation of women in the labour market. Targets are set in the SPD for each of these fields. While reference is made to the need to ensure that ERDF activities also contribute to the EES, the emphasis in seeking to pursue this theme is exclusively on the nine Programme

Measures that draw on the ESF. While there may be other activities that could potentially contribute, the direct link with ESF Measures (and especially Priority 3) means that the theme is already well integrated into the structure of the programme.

Environment: The overall theme objective is "to ensure that economic development makes prudent use of natural resources, protects and enhances environmental quality and realises the potential to create competitive advantage through good environmental performance and the development of new market opportunities". This maps on to Programme Themes 1 and 5 (SPD, pp.460-465 and pp.484-486 respectively). Provision of a high quality environment is seen on the one hand as a prerequisite for attracting and retaining business investment and residents with appropriate skills, and on the other as an opportunity for the development of new environmental industries. There are five operational measures associated with this:

- creation and support of environmentally sustainable and competitive businesses, linked mainly to Priorities 1, 2 and 5;
- integrated area-based environmental improvement and land reclamation, addressed via Priorities 4 and 5;
- provision and use of sustainable transport, to form part of the sub-regional spatial development strategy and achieved through actions under Priorities 5 and 6;
- provision of environmental infrastructure and services to ensure efficient energy and renewable resource use by new economic activity, supported by Priorities 4 and 5;
- provision of training in environmental management and sustainability skills for workers and business leaders, assisted by Priorities 1, 2 and 3.

These measures are closely linked with securing progress towards "sustainable development", a key principle underpinning the Treaty of Amsterdam and one of the main aims of European collaboration. This is the explicit focus of Programme Theme 5, which identified four main concerns:

- high levels of economic growth and employment;
- social progress to meet the needs of everyone;
- prudent use of natural resources; and
- environmental protection.

In terms of Objective 1 in South Yorkshire, this approach to sustainable development stresses the integration of environmental protection and resource use issues with the programme's social and economic goals. In this sense, it could be seen as an overarching guiding principle, rather than a cross-cutting theme. This is one reason why the environment and sustainability themes were merged as part of the clarification of cross-cutting themes during 2001 (see below).

Equal Opportunities: The theme objective here is "to work towards equal access to and benefit from the programme for men and women and all those from other target groups who experience economic disadvantage on the grounds of race disability or age". This is the equivalent of Programme Theme 3 (SPD, pp.476-478). It is based on a recognition that people from disadvantaged groups face multiple barriers to participation in economic and civic life, including institutional discrimination and structural inequality. Systematic intervention across all parts of the programme is required if these problems are to be addressed effectively. As well as building such considerations into core project guidance, appraisal and selection criteria, project

proposals are to receive an additional assessment with respect to their potential contribution to promoting equal opportunities.

Gender Mainstreaming: The objective of this theme is "to mainstream gender equalities into all aspects of the Programme to ensure equal access to and benefit from economic regeneration for women and men". This is the same as Programme Theme 2 (SPD, pp.466-475). The focus is on efforts to combat the "gender blindness" or "gender neutrality" that has characterised most actions taken in the past under the banner of local and regional development. It is also aiming to ensure that differences in the resources, needs and interests of women and men are reflected in all programme interventions. Where clear disparities exist, support will be given to positive actions that aim to bridge such gaps. The theme has four associated operational measures:

- a) development of capacity and expertise in programme management and implementation;
- b) designing and adopting a comprehensive monitoring and evaluation strategy;
- c) actions to tackle the gender pay gap, either through direct work with employers in Priorities 1 and 2, or by helping women to gain higher level skills and access to other support via Priorities 3, 4 and 6;
- d) provision of affordable and accessible childcare, partly through employer action and sectoral support through priorities 1, 2 and 5, and partly through ensuring availability of workers with the requisite skills via Priority 3.

Information Society: The objective of this theme is "to ensure that the economic and social benefits arising from information and communication technologies (ICT) are maximised through the programme". This is the same as Programme Theme 4 (SPD, pp.479-483). The low level of take-up and usage of ICT in the sub-region, particularly amongst business, has acted as a brake on economic development. This will need to be redressed if the ambition to build a dynamic and high growth economy based on high technology industry and knowledge-based services is to be realised. The intention is to harness ICT as an enabler of growth, rather than an end in itself, and to establish flexibility so that new or more appropriate technologies can be adopted as and when required. For this reason, the focus in terms of training is on generic ICT skills. This theme is strongly embedded in the design of most of the Priorities, and forms an explicit focus of Measures 2, 5, 8, 10, 12, 13, 14, 21, 24, 26 and 27.

Social Inclusion: The objective of this theme is "to achieve growth with equity by ensuring that geographically targeted communities of need in South Yorkshire are able to benefit from, participate in and contribute to economic regeneration". This does not align exactly with any of the original Programme Themes, though it does form part of one of the five policy fields of the ESF, and hence is included under the heading of Programme Theme 6 (see above). It was identified as a separate cross-cutting theme in the Programme Complement, but without further elaboration there. Subsequent clarification pointed to the importance of securing economic and social benefits for all residents of South Yorkshire as a result of Objective 1 interventions. This means that businesses that are assisted should seek to engage with local communities by helping to meet their needs or by minimising negative local impacts. Similarly, any jobs that are created should be open to local residents, via local recruitment policies or by linking into training and developmental measures being provided for people from disadvantaged groups. The aim is to ensure that companies understand the "business case" for operating in a "socially responsible" way, thus helping to build their reputation, to attract skilled employees, to motivate and retain staff, to forge links with policy-makers, and to manage risk more effectively. The social inclusion theme is the principal focus of Priority 3(B) (*Promoting Equity,*

Employment and Social Cohesion), but it also features prominently in Priorities 3(A) (*Building a World Leading Learning Region*) and 4(A) (*Supporting Community Economic Development*).

As the outlines above indicate, these current themes show some variance from what appears in the Single Programming Document (SPD) and the Programme Complement (PC). As table 14.1 illustrates, there is inconsistency in the definition of cross-cutting (or "programme") themes between these two documents. Although the SPD explicitly acknowledged that further work and tightening up was required with many of the cross-cutting themes, the PC did not take them forward as was originally intended. An example of this is the absence of equal opportunities (EO) baselines in the latter. With the release of the 2001 Population Census this could now be undertaken.

The problem is replicated in the considerable overlap that exists between the stated aims and objectives for the different themes in both the SPD and the Programme Complement. The PMC commissioned work, undertaken by the Programme Directorate, to bring greater harmony and clarity to the themes and ensure that the SPD commitments were met.

Table 14.1: Programme or Cross-cutting Theme Titles in the Single Programming Document (SPD) and Programme Complement (PC)

| Single Programming Document | Programme Complement |
|---|--|
| 1. Environmental protection and sustainability | 1. Environmental protection and sustainability |
| 2. Gender mainstreaming | 2. Mainstreaming equal opportunities between men and women |
| 3. Promoting equal opportunities | 3. Information society |
| 4. Information society | 4. Sustainable development |
| 5. Sustainable development | 5. Promoting employability in the labour market |
| 6. Promoting employability in the labour market | 6. Social inclusion |

The difference between the documents is not just a question of semantics. As the next section indicates, one of the key measures of progress for the cross-cutting themes over the first three years has been the development of procedures, mechanisms and processes designed to embed the redefined themes more firmly and centrally in programme implementation. These have been fully in place since the middle of 2002. However, this inevitably raises the question of the extent to which theme aims and objectives were properly addressed in the earlier stages of implementation. Some respondents commented that projects funded in the first 18 months of the Programme, particularly those involving infrastructure, did not make sufficient contribution to the cross-cutting themes.

It is also apparent that some themes have been more integral to the design of the Objective 1 programme in South Yorkshire than others. This is demonstrated by a brief analysis of the programme objectives and priorities, as set out in the SPD, and the extent to which they relate to or incorporate each of the six themes. The results of this are shown in tables 14.2 and 14.3. In table 14.2, the listing is based on a detailed reading of the eight programme objectives and the key messages upon which they are based (SPD, pp.333-336), and an assessment of whether they explicitly mention or are closely aligned with the themes.

Table 14.2: Relationship of Programme Objectives with Cross-cutting Themes

| Programme Objective | Relevant Cross-cutting Theme(s) |
|--|---|
| 1 To reshape the economy of SY by increasing the scale and presence of new and high technology | Employability; Information Society; Environment |

| | | |
|---|---|---|
| | growth sector companies | |
| 2 | To modernise the established business base and in particular maintain and develop a technologically advanced manufacturing sector | Employability; Information Society; Environment |
| 3 | To raise aspirations, attainment and employment prospects through ICT-related skills and enhancing the relevance, effectiveness and accessibility of learning systems | Employability; Information Society; Social Inclusion |
| 4 | To help those at greatest disadvantage re-engage with the world of work by making the SY labour market work more effectively | Employability; Equal Opportunities; Gender Mainstreaming; Information Society; Social Inclusion |
| 5 | To increase income and employment by releasing the skills and creativity of women and men in those communities which are most disadvantaged and reconnecting them to economic renewal | Employability; Equal Opportunities; Gender Mainstreaming; Information Society; Social Inclusion |
| 6 | To capture new opportunities for communities in the process of economic transition | Equal Opportunities; Information Society; Social Inclusion |
| 7 | To maximise job creation and economic investment by developing a limited number of strategic economic zones and business districts in urban areas | Employability; Environment |
| 8 | To remove bottlenecks which act as overall constraints on South Yorkshire's potential to take action to encourage economic growth | Environment |

The degree to which the six programme priorities are linked to the themes is based on a review of the objectives, description and targeting of each priority and its constituent measures (SPD, pp.351-450). To qualify for inclusion in this case, matters pertaining to a theme had to be mentioned in the overall aims and objectives, or to be highlighted at more than one juncture in the accompanying text.

Table 14.3: Relationship of Programme Priorities with Cross-cutting Themes

| Programme Priority | | Integrated Cross-cutting Theme(s) |
|--------------------|---|---|
| 1 | Stimulating the emergence of new growth and high technology sectors | Employability; Information Society; Social Inclusion; Environment |
| 2 | Modernising businesses through enhancing competitiveness and innovation | Employability; Environment; Information Society |
| 3 | Building a world-leading learning region which promotes equity, employment and social inclusion | Employability; Equal Opportunities; Gender Mainstreaming; Information Society; Social Inclusion |
| 4 | Developing economic opportunities in targeted communities | Employability; Environment; Equal Opportunities; Information Society; Social Inclusion |
| 5 | Supporting business investment through strategic spatial development | Employability; Environment; Information Society; Social Inclusion |
| 6 | Providing the foundations for a successful programme | Employability; Environment |

From this analysis (see table 14.3), it is clear that "employability" and "information society" were well integrated into the design and content of the programme from the outset, and that "social inclusion" was also prominent, albeit not quite to the same extent. The other three themes had more variable presence, implying that they should have a stronger significance as cross-cutting themes, in the sense of ensuring that the whole of the programme addresses the issues involved, rather than just those parts that have a ready affinity with them.

14.2.2 Stakeholder Perceptions

In the survey of stakeholders (PMC/PMB/Driver Partnership members and local partners) a series of questions were asked about the progress being made in terms of the cross-cutting themes. The results from this are shown in tables 14.4, 14.5 and 14.6.

Table 14.4: To what extent do you understand the Cross-Cutting Themes?

| Theme | Equal Oppor- tunities (%) | Gender Main- streaming (%) | Protection of the Environ- ment ¹ (%) | Employ- ability (%) | Information Society (%) | Social Inclusion (%) |
|-----------------|------------------------------|-------------------------------|---|------------------------|-------------------------|----------------------|
| Response | | | | | | |
| Not at all | 0 | 4.8 | 2.4 | 2.4 | 7.3 | 0 |
| Only slightly | 9.5 | 11.9 | 17.1 | 7.1 | 7.3 | 11.9 |
| Partly | 31.0 | 31.0 | 36.6 | 40.5 | 51.2 | 35.7 |
| Completely | 52.4 | 42.9 | 41.5 | 45.2 | 31.7 | 50.0 |
| Don't know | 7.1 | 9.5 | 2.4 | 4.8 | 2.4 | 2.4 |
| Respondents (n) | 42 | 42 | 42 | 42 | 41 | 42 |

Source: Stakeholder Survey

Notes: 1. "Protection of the Environment" is used through all surveys and is the term referred to in the evaluation specification. The Objective 1 Programme has, at different points, used the terms 'environmental sustainability' and 'sustainable development'

The responses in table 14.4 show that only "equal opportunities" and "social inclusion" are understood by more than 50 per cent of stakeholders. The "information society" theme is understood completely by the least number of stakeholders (31.7 per cent). These findings are reflected in the number of respondents answering 'Only slightly' or 'Not at all'.

Table 14.5: How effectively is each cross-cutting theme embedded in the Priorities and Measures?

| Theme | Equal Oppor- tunities (%) | Gender Main- streaming (%) | Protection of the Environ- ment ¹ (%) | Employ- ability (%) | Information Society (%) | Social Inclusion (%) |
|-----------------|------------------------------|-------------------------------|---|------------------------|-------------------------|----------------------|
| Response | | | | | | |
| Not at all | 4.8 | 9.5 | 9.5 | 2.4 | 9.5 | 7.1 |
| Only slightly | 21.4 | 19.0 | 21.4 | 14.6 | 9.5 | 21.4 |
| Partly | 33.3 | 38.1 | 38.1 | 26.8 | 38.1 | 35.7 |
| Completely | 19.0 | 11.9 | 9.5 | 29.3 | 21.4 | 14.3 |
| Don't know | 21.4 | 21.4 | 21.4 | 26.8 | 21.4 | 21.4 |
| Respondents (n) | 42 | 42 | 42 | 42 | 41 | 42 |

Source: Stakeholder Survey

Notes: 1. "Protection of the Environment" is used through all surveys and is the term referred to in the evaluation specification. The Objective 1 Programme has, at different points, used the terms 'environmental sustainability' and 'sustainable development'

The survey also asked stakeholders to assess the extent to which the cross-cutting themes are embedded in the Priorities and Measures of the Programme. The results reveal that only a minority of respondents believe them to be completely embedded, with "employability" with the highest response of 29.3 per cent (see table 14.5), perhaps reflecting the close links between employability and ESF Measures. Of all the different categories, the highest was for 'partly' embedded in the Priorities and Measures, all lying between 27 and 38 per cent. Taking the 'completely' and 'partly' responses together, only the "protection of the environment" theme scores less than 50 percent (47.6 percent). However, it should also be noted that for all themes over a fifth of respondents answered 'Don't know'.

Table 14.6: To what extent is each cross-cutting theme relevant to the needs of the area?

| Theme | Equal Oppor- tunities (%) | Gender Main- streaming (%) | Protection of the Environ- ment ¹ (%) | Employ- ability (%) | Information Society (%) | Social Inclusion (%) |
|-----------------|------------------------------|-------------------------------|---|------------------------|-------------------------|----------------------|
| Response | | | | | | |
| Not at all | 5.0 | 7.5 | 0 | 2.4 | 2.4 | 2.4 |
| Only slightly | 2.5 | 7.5 | 7.3 | 0 | 2.4 | 2.4 |
| Partly | 15.0 | 25.0 | 24.4 | 7.3 | 26.8 | 19.5 |
| Completely | 65.0 | 47.5 | 63.4 | 80.5 | 61.0 | 70.7 |
| Don't know | 12.5 | 12.5 | 4.9 | 9.8 | 7.3 | 4.9 |
| Respondents (n) | 40 | 40 | 41 | 41 | 41 | 41 |

Source: Stakeholder Survey

Notes: 1. "Protection of the Environment" is used through all surveys and is the term referred to in the evaluation specification. The Objective 1 Programme has, at different points, used the terms 'environmental sustainability' and 'sustainable development'

Table 14.6 reveals the perceptions of stakeholders on the relevance of the themes to South Yorkshire. This question received very positive and strong responses. Thus, four-fifths of respondents (80.5 per cent) thought that "employability" was completely relevant to the needs of the area, and four of the other themes received scores of over 60 percent. "Gender mainstreaming" scored less well, with only 47.5 percent of respondents believing that it was completely relevant to the needs of the area. In part this may reflect the nature of this theme which may be viewed as being a more elusive concept than "employability" for example. A quarter of respondents also saw it as 'partly' relevant, a higher score than for all other themes except "information society".

Stakeholders were also asked to comment on the progress being made in implementing the themes. The following are typical responses:

The cross-cutting themes although correct in policy terms have actually slowed the programme by making site development and premises development, and other project bids, too cumbersome and long-winded. A more fast-track flexible approach is required.

The cross-cutting themes should be focusing the programme on improving the quality of life for people – I don't know if this is the case.

Integration of the environment cross-cutting theme has been poor. There is little sign that it has affected the Priorities.

The cross-cutting themes have been useful in raising the profile of long-term issues and avoiding short-term decision making with respect to individual projects.

There are too many cross-cutting themes and there is a potential for confusion over differences between a) equal opportunities and gender mainstreaming and b) equal opportunities and social inclusion.

On balance these comments maybe expected as the cross-cutting themes are new to Structural Funds programmes and for some organisations will be seen as separate to the core activity of Programme delivery. However, the comments, together with the survey findings, also suggest that:

- the themes remain relevant to the Programme;
- there are significant differences in the nature of the themes; and
- progress has been variable.

14.2.3 Conclusion

There are different views about exactly what the cross-cutting themes represent, both in programme documentation and amongst those responsible for programme management and implementation. In one sense, they are presented as a mechanism for bringing greater coherence to the programme. The implication here is that the themes should be addressed by all actions supported by Objective 1. However, as the evidence presented in section 14.3 and 14.4 below illustrates, it is impractical to expect specific project activity to do this, and a more pragmatic approach of securing contributions to appropriate themes has been adopted. Moreover, the alignment of certain themes with specific Priorities and Measures, while essential in mobilising resources directly in favour of theme objectives, seems to have had the effect of diluting the impact in other parts of the programme.

Another way of looking at the cross-cutting themes is that they are the means of ensuring compliance or compatibility with relevant portions of EU policy not captured elsewhere in the programme. This is particularly relevant for environmental sustainability, equal opportunities and gender mainstreaming, which have been subject to separate ex-ante assessments, but it also relates to matters such as the European Employment Strategy and the e-Europe initiative. There are clearly strong arguments that a major EU funding programme should seek to assist with the achievement of these broader policy objectives. However, several respondents have asked the question: why are these ambitions best secured in this manner, rather than them being part and parcel of the central aims of the programme, and hence of the way that Priorities and Measures have been designed?

A third perspective provides a possible answer to this question. This contends that cross-cutting themes are about "mainstreaming" important subjects which would otherwise be neglected by programme activity. The theme approach is seen as promoting positive activity as a third "leg" to support legislative provisions and

specific policy initiatives, and as a dissemination mechanism that brings the benefits of such actions to the attention of a wider audience. The question that then arises is whether all of the current cross-cutting themes merit this treatment. As this section has demonstrated:

- some of the themes are much better embedded throughout the Priorities and Measures than others;
- it is not clear whether those themes with greater integration have advanced more quickly as a result;
- in spite of the refinement in the nature of the themes during 2001, there remains considerable overlap between several of the themes (in particular employability, social inclusion and equalities/equal opportunities);

The evidence gathered on programme management and implementation with regard to the cross-cutting themes will give a greater insight into these issues. This evidence is presented in the following two sections.

14.3 Partnership Structures and Formal Systems

14.3.1 Introduction

The delivery of the cross-cutting themes has involved a number of different mechanisms:

- the use of "task groups" to clarify aims and objectives and appropriate areas of activity to be pursued;
- the appointment of a Cross-cutting Themes team within the Directorate, comprising an overall manager and officers to oversee each separate theme;
- the development of a series of tools for commenting on project proposals and for negotiating additions to business plans;
- the provision of a range of advice, guidance and checklists for project sponsors and designers; and
- in the case of certain themes, the use of "champions" and "umbrella groups" to roll out the theme message and to push forward the theme agenda on a wider basis.

14.3.2 Strategy and Development

At an early stage in the implementation of the Programme, the cross-cutting themes were given a high profile. This approach was supported by the PMC and PMB and reflected the commitment of the partners to the themes but also the SPD requirement that the themes were embedded in programme delivery. To start this process, the Cross-cutting Themes Task Group (CTTG) was established around June 2000, constituted in a similar way to the Driver Partnerships. The original chair was a representative of Yorkshire Forward. During 2001 a team of "Cross-cutting Theme Managers", including an overall co-ordinator, was appointed by the Programme Directorate, and this staff base enabled the CTTG to take on a more proactive role.

The first tasks of the cross-cutting themes team were to revise and consolidate the themes, and to set an operational framework for embedding them in programme implementation and project design and for helping those working on the Priorities to take them on board. The six cross-cutting themes as listed above emerged from this

process. Other tasks undertaken by the cross-cutting themes team have been as follows:

- agreement of a Cross-cutting Themes Action Plan to guide activity both on the themes as a whole and on individual topics;
- development of indicators that would help in monitoring performance with respect to each theme;
- establishment and improvement of lines of communication with Priority and Development Managers and project sponsors. A good example of the latter is the "plain language" summary of cross-cutting theme aims and objectives which cross-cutting theme managers report has been widely used;
- key input to a revised ERDF project scoring and appraisal system (discussed below).

Once all these tasks had been completed, there was no longer a substantive role for the CTTG. Further specialist input, where required, was to be furnished by specific advisory groups for each theme. In practice, these were only set up for three of the themes - environment, employability and gender mainstreaming. Advisory groups for the other themes were seen as inappropriate, mainly because other forums of key experts already existed.

14.3.3 Project Appraisal and Selection Systems

The original project scoring framework for ERDF allocated 30 per cent of the marks to cross-cutting themes, but the questions asked were not a very good fit with their aims and objectives. Another key issue from earlier bidding rounds was that some projects only scored 10/30 on cross-cutting themes, but were approved anyway. This raised the danger that while low scores would still imply poor performance on those criteria, approval might suggest that little importance was actually attached to meeting theme aims. The message would then be that projects could get through without the need to take the themes very seriously.

As a result of detailed negotiations by the cross-cutting themes team and members of the CTTG, a revised appraisal and scoring system for ERDF was agreed, with "gateway" questions on each theme. These are then followed by "positive action" questions, which are directly linked to the revised cross-cutting theme aims and objectives listed above. Following this, each applicant can choose 3 out of the 6 cross-cutting themes on which to answer further detailed questions. This new system was introduced around June 2002, following PMC approval. Development managers have reported that it has been useful in getting applicants to think more deeply about what they want to do – in terms of them addressing Cross-cutting themes more thoroughly, it is a great improvement on the "tick box" approach.

In contrast, because the project application system for ESF operates as a standard framework for the whole of England, it has proved difficult to use this to ensure that the specific South Yorkshire cross-cutting themes are taken fully into account in scoring and appraisal. The application forms understandably reflect the horizontal themes set at national level (equal opportunities, local development and the information society), plus the need to show compliance with EU policies on matters such as sustainable development and social inclusion. There is clearly scope to use the information provided under these headings to examine the potential contribution to the South Yorkshire themes, but not in a fully consistent way. The standardised methods of project appraisal and selection also make it more difficult to enter a dialogue with the applicant on how additional benefits on, say, the environment or equal opportunities might be secured. To address this problem, it has been proposed

that the Objective 1 programme be permitted to adopt a similar set of questions to those used for ERDF, and to sit these alongside national scoring criteria, but this has not been agreed yet by national government (DWP) or EC.

In addition to standard project scoring and appraisal, there are further tools and procedures that provide opportunity for examining the extent to which proposals might contribute to cross-cutting theme aims. These include:

- equalities audit tool, used in conjunction with the preparation of business plans.
- business plan guidance issued to project sponsors when an ERDF application is approved. This includes a list of sustainable development indicators (see below).
- cross-cutting theme comment forms used to scrutinise draft business plans for ERDF-sponsored projects.
- building and environmental design guide to secure accessibility and sustainability goals.

14.3.4 Monitoring and Targets

Project monitoring is undertaken by the Programme Directorate. Projects are required to contribute to cross-cutting theme targets for outputs, results and impacts. These targets are embedded within the main targets for each Priority and Measure. Some Measures contribute more to specific themes than others, for example employability targets are drawn from the ESF Measures. Similarly, environment related targets are primarily embedded in EAGGF Measures (Priority 4b), those dealing with environmental business development (Priority 1), and site remediation and reclamation (Priority 5). These targets are embedded within the ERDF monitoring system.

However, for ESF Measures, additional information is collected and analysed using systems developed by the Programme Directorate. Three key indicators monitored by the Programme Directorate are the number of ESF beneficiaries who are female, the number of ESF beneficiaries from Priority 4 communities and the number of beneficiaries helped with childcare costs. The first and third are indicators of equal opportunities between men and women and of actions to increase female participation in the labour market, and the second is an indicator of social inclusion.

14.3.5 Conclusion

The Programme Directorate has established appropriate structures and systems for the implementation of the cross-cutting themes. Given the diversity and number of themes this represents a considerable achievement. This reflects the additional resources at the disposal of the Programme Directorate (in contrast to previous programmes) but also the commitment of PMC and PMB to ensure that the cross-cutting themes actively contribute to the Programme.

However, the evaluation found considerable variation between the themes in terms of their treatment. In part this reflected inherent differences in the nature of the themes, but also the priority given to each. This issue is explored in more detail in the following section which compares the progress made by each theme.

14.4 Progress Made under Each Theme

14.4.1 Overall Analysis

This section addresses the progress made by each theme, the barriers that have been overcome, the remaining barriers and major projects. The following table shows the progress being made by each theme against a range of criteria. The criteria are as follows:

- *Embedded in Priorities and Measures*: the extent to which the theme is contained within a single Measure, or a group of Measures, within a Priority, or genuinely cuts across Priorities and Measures.
- *Manager*: whether the Programme Directorate has (or has had) a Manager for the Theme
- *Group*: whether a Group has been established for the theme and whether it is still in existence
- *Champion*: whether an external champion has been appointed to develop the theme across the sub-region and across partners
- *Major Projects*: whether projects have been supported to drive forward the theme
- *Project Development Tools*: whether the Programme Directorate has developed tools help strengthen the way in which project sponsors respond to the themes.
- *Targets*: whether the theme has specific targets
- *Monitoring*: whether monitoring occurs and whether is through standard systems or specially developed systems
- *Evidence of mainstreaming*: the extent to which the theme is taken forward through a mainstreaming approach.

Each criterion has been scored 0, 1, 2 or 3 stars. These are based on the judgement of the evaluation team against the following measures:

- *No evidence of activity*
- * *Evidence of activity in the past but none at present or activity is relatively low level*
- ** *Evidence of current activity and progress in making themes genuinely cross-cutting*
- *** *Evidence that approach is fully embedded or leading edge*

The scoring of each criterion is intended to provide an indicator of progress. To a large extent this will reflect the relative importance given to a theme and the amount of development required to roll-out the theme. For example, Gender Mainstreaming, has a manager, a task group and a champion, largely because it is both a key objective of the Programme and because it is a relatively new area. The results of the analysis are shown in the matrix in table 14.7.

14.4.2 Progress by Theme

The following key issues for each theme can be drawn from the information set out in table 14.7:

Employability: this theme is highly embedded within the Programme, primarily due to the considerable overlap between employability issues and ESF Measures. The theme also makes a considerable contribution to the NAPE and as such has a high degree of synergy with national policy priorities in this area. Although employability has little additional infrastructure funded by the Programme Directorate (no manager, no Group and no Champion), this is not deemed to have adversely affected the implementation of this theme. The People and Skills Strategic Group should ensure a strategic overview of the theme and also whether the theme needs to be updated in light of the revised European Employment Guidelines. This issue is considered in more detail in Section 3 of the report.

Environmental Sustainability: the Programme Directorate has made some progress in the implementation of this theme. The cross-cutting themes manager who has considerable experience of the environmental sustainability field provides most support. The Programme has also funded some major projects in this area and developed guidance for sponsors and support organisations. However, despite this the information in table 14.7, together with analysis of programme documentation, suggests that further progress is required under this theme – primarily because the European Commission sees it as one of the two key priority themes for the Programme. While progress is strong in Priority 4 (through EAGGF projects) and Priority 5, further work is required in Priorities 1 and 2. In light of the Spatial Study, the revised RPG, and the overarching need for more balanced and sustainable spatial development, changes may also be required to Priority 5.

Equalities (Equal Opportunities): The key challenge in advancing the equalities related theme is to increase the contribution of all Priorities and Measures to this area. Measure 17 (Tackling Disadvantage) has helped build capacity, fund key projects and deliver support to key groups (disabled, ex offenders, lone parents and BME communities) and this should assist these groups benefiting from other parts of the Programme. However, these links may not automatically happen and there is a requirement for both positive action by projects in other Measures and for 'Programme Bending'. Equal Opportunities between men and women, which is also subject to the gender mainstreaming theme, is more systematically addressed, with ESF projects required to monitor the gender profile of beneficiaries and the take-up of childcare support. Although the intermediary bodies have been established to deliver Measure 17, there is limited evidence of mainstreaming on other organisations – over above requirements of legislation.

Table14.7: Analysis of Cross Cutting Themes

| Theme | Embedded in Priorities and Measures | Manager | Group | Champion | Major Projects | Project Development Tools | Targets | Monitoring | Evidence of Mainstreaming |
|-------------------------------------|--|---|--|----------|---|---|---|---|--|
| Employability | *** Particularly in ESF Measures | * Post has not been filled. | * Group established, but does not meet at present. Role filled in part by People and Skills Strategic Group | No | *** SYCON ILM; SOVA (ex offenders); Pathways to Success; Frenchgate ILM. | ** Mainly via business plan appraisal | *** Drawn from ESF targets and targets for NAPE policy fields | ** Through ESF monitoring systems with additional data collected and analysed by O1PD (e.g. numbers participating in lifelong learning). | ** Embedded in Priorities and Projects and monitored through NAPE. |
| Environmental Sustainability | ** In Priority 1 through an environmental industries sector (SPD), EAGGF Measures, and Priority 5 guidance. | ** Post is filled on part-time basis | * Environment group exists but does not meet regularly | No | ** Green Business Network with AvestaPolarit is developing a major composting project. EAGGF Projects, including South Yorkshire Forestry Partnership. | *** Better Places to Work guide and Sustainability Checklist | *** Drawn from across the Programme Measures. Set out as Environment Key Indicators (Complement, p. 178) | *** Output, result and impact targets map onto Environment Key Indicators, and are therefore embedded in O1PD monitoring systems. | * Evidence is limited of changes in the practice of Project Sponsors, beyond compliance with legislation. |

| Theme | Embedded in Priorities and Measures | Manager | Group | Champion | Major Projects | Project Development Tools | Targets | Monitoring | Evidence of Mainstreaming |
|-----------------------------|--|-----------------------|--|--|--|--|--|---|---|
| Equalities | * Embedded in Measure 17 | *** Post is filled | *** Equal Opportunities Task Group | No | ** Major Projects are delivered through Measure 17 and targeted at key 'communities of interest'. Support has increased capacity and support for key groups (e.g. ex offenders, disabled, lone parents, BME). | *** Equalities Audit Tool – ensures approaches are mainstreamed in project development. Training is also provided by O1PD | * Measure 17 specific targets. Wider targets for Employability and Social Inclusion. No equalities-specific targets across the Programme. | ** Targets are embedded in monitoring systems, in particular for ESF, and supplemented by O1PD analysis. | * Focus has been on establishing delivery capacity of key intermediary bodies to deliver Measure 17. Evidence limited in other organisations other than compliance with legislation. |
| Gender Mainstreaming | ** Support provided through Measure 15 and targets set for delivery of all ESF Measures (in particular female participation in training). | *** In post | *** Gender Task Group. Group is active and meets regularly. Policy development is regarded as leading edge. | *** Gender Champion has place on PMC and is active in policy development. | ** Projects are primarily funded through Measure 15 although scope exists to develop projects in other Measures. | * Supported by Equalities Audit Tool but no specific development tool. | *** Targets are set in the Complement and are derived primarily from ESF targets. | ** Targets are primarily monitored through ESF returns through additional analysis by O1PD. | * Evidence of Mainstreaming is limited (see Project Managers survey results) |

| Theme | Embedded in Priorities and Measures | Manager | Group | Champion | Major Projects | Project Development Tools | Targets | Monitoring | Evidence of Mainstreaming |
|----------------------------|--|---|--|--------------|---|--|---|--|---|
| Information Society | *** Embedded through P1 priority cluster (Creative and Digital Industries), through a P2 Measure (e-Business), in P3 (through e-Learning infrastructure), and in P4 (through an ICT Measure) and in P5 (through ICT related sites, including e-Campus plans). | ** Manager is seconded part time from Yorkshire Forward. | ** Various IS/ICT related groups exist within sub-region (for Public Sector and for Chambers/BLSY). No specific Objective 1 group deemed necessary. | No champion. | *** Greatest advances in e-Learning project. Project for e-Business will be launched in Autumn 2003. Plans being considered for an e-Campus/Corridor as part of Sheffield City Centre IDP. | ** ICT Checklist and presentations provided by Theme Manager. | ** Targets set for ICT related Measures in P2, P3 and P4. | ** Monitoring through ERDF and ESF returns with additional analysis by O1PD. | ** e-Learning interventions are 'pervasive' and will reshape education delivery. Progress in business development will be strengthened through e-Business Measure and roll out of Creative and Digital Industries Measure. |
| Social Inclusion | ** Embedded primarily in Priorities 3 and 4 and ESF Measures. Specific interventions in other Priorities (e.g. Frenchgate Centre local employment compact in Priority 5). | ** Manager in post and is part of the Priority 4 team. | No | No champion. | ** Major projects are in Priority 4 and Priority 3b. | ** Projects are supported to develop Social Inclusion Plans. | ** Targets are drawn from ESF interventions and P3b and P4 ERDF targets. | ** Monitoring is through ERDF and ESF returns. Key indicator is the number of beneficiaries coming from Priority 4 target communities. O1PD undertakes additional analysis. | ** Social inclusion is integral to P3b and P4 activities and is embedded in sponsor organisations. For other Priorities, there is overlap with Employability, Equalities and Gender Mainstreaming. |

Gender Mainstreaming: this theme has received considerable support through the appointment of a manager, an active task group and a gender champion. These are seen as prerequisites for a theme which is new to Programmes and which is not systematically embedded in the Programme. Although the existence of Measure 15 provides a focus and resources, its goals and rationale, quite correctly, differ from the cross-cutting theme. However, evidence from other parts of the evaluation (stakeholder and project manager surveys) suggest that considerable work is still required to mainstream gender issues in programme delivery.

Information Society: this theme is highly embedded in the Priorities and Measures and is seen as a key driver for economic change by most projects sponsors: especially in the fields of business development, education, skills and employment, and to some extent in community economic development and infrastructure. It has been embraced by the Programme and by partner organisations. As an area subject to rapid technological changes, and as information technologies are pervasive, a key challenge of the Programme will be ensuring that interventions remain relevant to equipping beneficiaries with the key competences required to respond to the information society.

Social Inclusion: this theme was found to be well embedded in the core activities of Priorities 3 and 4, as might be expected by the rationale for these Priorities. ESF Measures are also required to monitor whether beneficiaries are resident in Priority 4 areas and in time this will allow for an assessment of whether these Measures are reaching these areas. However, there was found to be considerable overlap between this theme and the themes of employability, gender mainstreaming and equalities. To a large extent the theme embraces each of these others and this is reflected in the indicators which are used as key indicators of progress.

14.5 Evidence of Implementation and Extent of Mainstreaming

14.5.1 Introduction

This section draws on data from the survey of project managers and the project reviews to assess progress to date. The section is therefore in contrast to the previous sections which considered strategies and structures to deliver the cross-cutting themes.

14.5.2 Impact on Projects

Table 14.8 reveals the views of project managers about the contribution they think their projects are making to each cross-cutting theme. It shows that the highest response relates to "employability", with around a third of respondents (31.3 per cent) placing it first, with "social inclusion" close behind on 27.0 per cent. Both also are placed in the top three by well over half of the respondents. To a large extent this is as would be expected for a Structural Funds programme. However, the other four themes achieve first rank for very few respondents. For "equal opportunities" and "information society" the picture is healthier when top three rankings are considered, with overall scores of 40 per cent and 33 per cent respectively. Otherwise, the very low responses for "gender mainstreaming" (only 8.6 per cent placed this theme in their first three) and "protection of the environment" (19.1 per cent placed this theme in their first three) should give cause for concern. Overall these findings suggest a clear hierarchy in the importance given by sponsors to the different themes.

The Project Reviews (which asked the same question in a face-to-face interview of larger projects) reflected this pattern although this did reveal some differences

between the Priorities. Thus, Priorities 1 and 2 had a stronger emphasis on "information society", Priority 3a and 5 respondents emphasised "employability" and "social inclusion" (as would be expected) with Priority 3b and 4a also giving importance to "equal opportunities". Priority 4b respondents emphasised "protection of the environment", "social inclusion" and "equal opportunities".

Table 14.8: Rank of the contribution of projects to the cross cutting themes

| Theme | Rank | First (%) | Second (%) | Third (%) | Combined |
|-------------------------------|------|-----------|------------|-----------|----------|
| Equal Opportunities | | 3.5 | 15.7 | 20.9 | 40.1 |
| Gender Mainstreaming | | 1.7 | 2.6 | 4.3 | 8.6 |
| Protection of the Environment | | 5.2 | 7.8 | 6.1 | 19.1 |
| Employability | | 31.3 | 20.0 | 12.2 | 63.5 |
| Information Society | | 5.2 | 11.3 | 16.5 | 33.0 |
| Social Inclusion | | 27.0 | 16.5 | 13.9 | 57.4 |

Source: Project Managers Survey

Notes: 1. "Protection of the Environment" is used through all surveys and is the term referred to in the evaluation specification. The Objective 1 Programme has, at different points, used the terms 'environmental sustainability' and 'sustainable development'
2. Responses (n = 115)

Sponsors were also asked to comment on which themes they thought were of greatest importance to South Yorkshire. These results magnify the divergence between the themes shown in table 14.8. Thus, "employability", "social inclusion" and "equal opportunities" are seen to be of greatest relevance to the needs of the area. Again, "gender mainstreaming" and "protection of the environment" receive low scores and are seen to be less relevant (see table 14.9).

The Project Reviews supported these results with few differences found. The only exception was that Priority 1 and 2 managers also thought that the "information society" was relevant to the needs of South Yorkshire.

Table 14.9: Rank of the relevance of the themes to South Yorkshire

| Theme | Rank | First (%) | Second (%) | Third (%) | Combined |
|-------------------------------|------|-----------|------------|-----------|----------|
| Equal Opportunities | | 14.8 | 2.6 | 13.0 | 30.4 |
| Gender Mainstreaming | | 1.7 | 1.7 | 5.2 | 8.6 |
| Protection of the Environment | | 1.7 | 7.0 | 7.8 | 16.5 |
| Employability | | 44.3 | 19.1 | 7.8 | 71.2 |
| Information Society | | 1.7 | 6.5 | 22.6 | 32.8 |
| Social Inclusion | | 25.2 | 19.1 | 16.5 | 60.8 |

Source: Project Managers Survey

Notes: 1. "Protection of the Environment" is used through all surveys and is the term referred to in the evaluation specification. The Objective 1 Programme has, at different points, used the terms 'environmental sustainability' and 'sustainable development'
2. Responses (n = 115)

Table 14.10 is drawn from the project managers survey and provides quite stark evidence of the effect of the themes. The vast majority of project managers (90 per cent) reported that the existence of the themes had not significantly affected the design of their project. This result is confirmed by the analysis of the project reviews. Where projects had significantly changed, the main issue, which had been addressed, was in the monitoring of project outcomes (e.g. numbers of beneficiaries from specific social groups or geographic areas).

Table 14.10: Did the Cross-Cutting Themes significantly alter Project Design?

| Response | % |
|----------|---|
|----------|---|

| | |
|-------------------|------|
| Yes | 4.5 |
| No | 90.2 |
| Don't know | 5.4 |

Source: Project Managers Survey

Notes: Response (n=112)

Table 14.11 reveals a slightly more positive view of the impact of the cross-cutting themes with a fifth of respondents (19.6 per cent) suggesting that if starting now they would design their project differently to take more account of the themes. This is reflected by the project reviews. Those responding in this way suggested that these changes would take a variety of forms, including:

- giving greater importance to environmental impacts;
- contributing more to the information society; and
- improving monitoring systems.

Table 14.11: Effect of Cross-Cutting Themes on future project design

| Response | % |
|-------------------|----------|
| Yes | 19.6 |
| No | 72.3 |
| Don't know | 8.0 |

Source: Project Managers Survey

Notes: Response (n=112)

Table 14.12 provides an indication of mainstreaming. It appears that the cross-cutting themes have had no effect on the organisations of around two-thirds of project sponsors (69.2 per cent), although nearly a quarter did report that there had been some impact. This result should be seen as something of a success for the Programme Directorate. However, it is clear that there is further work to be done, and indeed the figures should be interpreted with some caution. Most respondents who answered positively were small voluntary and community sector organisations for which it would be more straightforward to change, and whose main source of funding was from the Objective 1 Programme. This interpretation is reflected by the Project Reviews. Where there had been a change to the organisation this had taken one of the following forms:

- improved monitoring of cross-cutting theme issues;
- introduction of themes into quality systems; and
- introduction of themes into personnel practices.

Table 14.12: Effect of Cross-cutting Themes on Organisation

| Response | % |
|-------------------|----------|
| Yes | 24.3 |
| No | 69.2 |
| Don't know | 6.5 |

Source: Project Managers Survey

Notes: Response (n=108)

On this basis, the impact of the cross cutting themes appears to be limited. However, organisations through their own strategies and policies will be addressing cross-cutting theme-type issues. Moreover, the Objective 1 Programme provides only one driver of cross-cutting themes in general, and in many ways will be far weaker than

developments which enforce compliance through regulation. A key question is therefore how the Objective 1 Programme can work in concert with wider cross-cutting theme policies. Where the cross cutting themes had brought organisational changes it was typically through bringing a recognition of the need to monitor cross-cutting themes, to personnel practices and through highlighting the wider context of economic development.

14.5.3 Conclusion

Three key findings can be drawn from the assessment of the impact of the themes and of mainstreaming:

- Employability and Social Inclusion are seen to be the most important themes in terms of the contribution of projects and the perception of their relevance to South Yorkshire. An exception to this is the importance of the Information Society for sponsors of business support projects.
- The existence of the themes has not had a significant impact on the design of projects. This should be of concern to the Programme Directorate and intermediary organisations. Although more recent project sponsors may have taken greater account (because support systems have been established) there is no conclusive evidence of this. Moreover, there is no evidence that the themes have made a greater impact on larger projects; indeed, it is likely that the opposite is true.
- There is some evidence that mainstreaming has occurred, especially in smaller projects. This is to be welcomed although there is little evidence that there have been significant effects on larger organisations. Of greatest interest in terms of how mainstreaming is occurring is the finding that it is often led through changes in monitoring procedures, changes to quality systems and changes to personnel systems.

14.6 Links to Regional Strategic Frameworks

14.6.1 Introduction

The South Yorkshire Objective 1 programme has been prepared and is being implemented within the context of related regional strategies and other programmes covering the whole of the Yorkshire and Humber region. To a large extent the SPD predated the key strategies in the region – the Regional Economic Strategy (RES), Regional Planning Guidance (RPG), and the Regional Sustainable Development Framework (RSDF). Both the RES and RPG have been subject to review since the SPD was agreed, and the Mid Term Review should provide the opportunity to ensure that there is ongoing alignment in the area of the cross-cutting themes.

The purpose of this section is therefore twofold:

- to assess the broad compatibility of the Objective 1 programme with regional strategic frameworks; and
- to check whether subsequent review and refinement of these strategies require any modifications to the Programme.

14.6.2 Regional Economic Strategy

The RES is subtitled the “Ten Year Strategy for Yorkshire and the Humber”, and was revised earlier in 2003 so that it now covers the period 2003-2012. This is well

beyond the end of the Objective 1 programme in South Yorkshire, so it is clear that the current round of European funding can only be expected to contribute in the short term.

The RES contains six broad objectives:

- Increased business growth focused on key clusters and designed to lead to innovation, improved competitiveness and higher productivity. (The key clusters are advanced engineering and metals; bioscience; chemicals; digital industries; and food and drink).
- Increase in business birth and survival rates;
- Stimulation of greater public and private investment via appropriate support and marketing;
- Improvement in educational attainment, participation in learning and overall skills levels;
- Wider community participation in employment and economic activity via targeted regeneration; and
- Enhancement of infrastructure, physical assets and the environment.

All of these are seen as contributing to sustainable development within the region. Apart from some slight difference of emphasis in terms of clusters, it is apparent that the current RES and Objective 1 still occupy the same common ground. This is underlined by the focus within the RES on a further set of similar activities to those being sponsored in South Yorkshire. These include the upgrading of urban centres, the regeneration of coalfield areas, the concentration of new economic activity in designated development zones, the key place of transport improvements, the growth of e-business, and the fostering of community enterprise.

The RES also has six cross-cutting themes of its own. These are:

1. *Environmental good practice*: this maps onto the theme of Environmental Sustainability in the Objective 1 Programme. However, the RES theme has a different emphasis and includes environmental assets, more efficient use of resources and the link between environmental quality and economic progress. Although there is some overlap, the practice of implementation is quite different.
2. *Partnerships*: this is not a cross-cutting theme of the Objective 1 Programme. However, it is an established principle of all Structural Funds programmes although this principle primarily relates to the formal implementing provisions of programmes (overseen by a multi agency Programme Monitoring Committee). Although there appears to be overlap, there are significant formal differences.
3. *Geographical adaptation*: this is not an explicit cross-cutting theme of the Programme, although geographical adaptation can be considered to incorporate the Priority 4 and its focus on the theme of social inclusion. Priority 5 also contributes to theme of geographical adaptation.
4. *Social inclusion and diversity*: this theme is most closely reflected in the cross-cutting themes in the Objective 1 programme of social inclusion and equalities, and to some extent gender mainstreaming.
5. *Creativity, innovation and technology*: this theme is broader than the Objective 1 theme of information society.

6. *Employment and skills*: this links most closely with Employability, although the RES does not make explicit links to the NAPE.

14.6.3 Regional Planning Guidance

The RPG and its associated Transport Strategy, originally published in 1998 is subject to review and minor revision. It is unlikely that this will result in any major departure from the initial version. The RPG brings together the spatial aspects of economic activity, property development, land use, transport infrastructure and operations, housing and regeneration. It embodies the basic principles of the European Spatial Development Perspective (ESDP), and the priorities of the UK government in relation to planning policy. These may be summarised as follows:

- Promotion of polycentric urban development, seeking to maintain or develop the existing hierarchy of urban service centres and to minimise the extent and impact of out-of-town commercial and retail development;
- Redevelopment of “brownfield” sites for new uses, particularly the diversification of housing types and tenures;
- Focusing industrial activity in economic development zones that give maximum access to disadvantaged communities via improved public transport links;
- Support for rural communities by restricting the extent of new building, assisting community development, maintaining local services and enhancing access to employment opportunities.

Again, all of these are clearly reflected in the scope and content of the Objective 1 programme. In particular, the use of Integrated Development Plans for the strategic economic zones, urban centres and coalfield communities has had the effect of entrenching this planning approach in some of the key spatial aspects of the programme. The importance of resolving transport bottlenecks is also shared between the two, although the scope for manoeuvre for Objective 1 on this is limited to those within the sub-region. There remains the issue of how improved connections between the area and the rest of the region and other parts of Britain are to be secured. The other pressing need for Objective 1 is to find ways of improving access for surrounding communities to economic development zones such as the Dearne Valley. The evidence from the Priority 5 review suggests that this may be of increasing importance as no sites have come forward in the Dearne Valley SEZ for Objective 1 support and in light of the South Yorkshire Spatial Strategy.

14.6.4 Regional Sustainable Development Framework

The links between the Objective 1 programme in South Yorkshire and the Regional Sustainable Development Framework are explored in detail in section 16 of this report.

14.7 Key Issues

A number of general comments about progress with the cross-cutting themes as a whole emerge from the analysis presented in this section. In particular:

- Some of the themes are much better embedded throughout the Priorities and Measures than others. Similarly, there is variation between Priorities and Measures;

- However, this greater integration has not guaranteed faster advance or heightened achievement;
- In spite of the refinement in the nature of the themes during 2001, there remains considerable overlap between several of the themes, and in particular employability, social inclusion and equalities;
- The Programme Directorate has developed a systematic and robust set of procedures and mechanisms (from project development, project appraisal and monitoring) for securing theme objectives via project activity. This reflects resources dedicated to these activities by the Programme Directorate at the beginning of the Programme (including the appointment of theme managers, establishment of task groups and champions);
- Those themes aligned with particular Priorities and Measures have the benefit of dedicated resources, but at the same time run the risk of “ghettoisation”. This is particularly the case for equalities and gender mainstreaming;
- The extent of integration into each Priority varies. In part this reflects the different nature of each Priority. The themes of employability, social inclusion and equalities are to a great extent integral to Priorities 3 and 4. For the other Priorities additional work is required, such as Programme bending and mainstreaming. Where this has worked well has been in Priority 5 and its contribution to the themes of environmental sustainability, equalities and social inclusion. However, except for Information Society, the themes are less well integrated into Priorities 1 and 2.
- Although the Programme has six themes, more than most other Programmes, there is a strong commitment from Partners to retain them and embed them as development principles across South Yorkshire. This is an ambitious task. The Programme Directorate has implemented the themes in a pragmatic way and used the themes to aid and enhance development, rather than using them to block projects. This approach is appropriate.

There are four key issues which can be drawn from the evaluation of the cross-cutting themes:

1. The evidence from the Project Managers survey revealed that the cross-cutting themes have not brought about significant changes in project design or in the activities of organisations. Projects made greatest contribution where the themes were already integral to the project: for example, social inclusion in Community Action Plans, information society in e-Learning initiatives, or environmental sustainability in the construction of premises. Although the Programme Directorate helped some projects redesign their contribution, through for example the equalities audit tool, such work had less significant effects on project design.
2. Interviews with stakeholders and the project survey also revealed that the mainstreaming of the themes in sponsor organisations was limited. Most large stakeholders already had their own policies and strategies for addressing theme issues. This was primarily through their compliance with legislation but also due to the requirements of other stakeholders and funding bodies. However, if the cross-cutting themes are to bring a lasting change, and this reflects the response of key stakeholders, then further work is required to embed and mainstream the cross-cutting themes in the work of sponsor organisations. Given the commitment of stakeholders to the themes, this

should to a large extent be addressed outside the Programme. The role of the Programme Directorate supported by PMC and PMB, should be to ensure that themes are thoroughly embedded in large projects and in all intermediary bodies.

3. The Objective 1 cross-cutting themes are broadly in alignment with the themes of the RES, RPG and RSDF. This is to be welcomed. However, there are mismatches (both in the number and scope of themes between the documents) and this can serve to frustrate project development, where sponsors are confronted by multiple and varying sets of themes. There appears to be some opportunity for harmonisation of project development, appraisal and monitoring activities, sharing of good practice and identifying common areas to advance the cross-cutting themes.
4. The policy environment in which the cross-cutting themes has advanced since the Programme was agreed. This has brought specific changes to certain themes, for example, environmental sustainability (Sixth EU Environmental Action Plan), employability and equalities (the 2003 Employment Guidelines and separate National Action Plans for Employment and for Social Inclusion) and Information Society (through e-Europe). Although these do not bring substantial changes, the Mid Term Review does provide the opportunity for the Programme to refresh its approach to the cross-cutting themes. More significantly, these policy changes should be used to inform the preparation of Programmes and regional policy interventions for the Structural Funds after 2006.

The specification for the evaluation required that specific attention be given to the assessment of the themes for ***equal opportunities and protection of the environment***. The approach taken has treated each theme equally. Moreover, the theme *protection of the environment* has been incorporated into the Programme as environmental sustainability and more recently sustainable development. *Protection of the environment* makes up one part sustainable development. Similarly, equal opportunities has been incorporated into the broader equalities theme and also into the theme of gender mainstreaming.

Both equal opportunities and protection of the environment have been fully embedded into the structures and systems of the Programme. Managers in the Programme Directorate and Task Groups have supported the development of both themes. Targets have been set for each theme and specific Measures identified which will make a significant contribution to these targets. Appraisal criteria have also been established to assess their contribution together with specialist project development tools (Equalities Audit Tool and Better Places to Work). Monitoring systems also capture data on the achievement of the targets, although many 'protection of the environment' goals will be long term and beyond the lifetime of the Programme.

However, the main concern is with the progress being made under the protection of the environment/environmental sustainability theme. In the project manager survey this theme was consistently given low scores against project contribution to the theme and relevance to South Yorkshire. Despite this, almost two-thirds of stakeholders (63 per cent) reported that it remained a 'completely relevant' theme for the needs of South Yorkshire. This difference suggests two issues: that there is difference between strategic intent and delivery; but in contrast to other 'people focused' themes, environmental sustainability can be more difficult to translate into tangible projects.

14.6 Recommendations

Four recommendations can be drawn from the assessment of the cross-cutting themes:

- If the cross-cutting themes are to have a long lasting effect on the development of South Yorkshire they should be **fully mainstreamed in the main delivery organisations**. These are the organisations which are the sponsors of major projects, act as intermediary bodies and are key partners in the programme. The organisations include: Yorkshire Forward; Renaissance South Yorkshire; Local Education Authorities; Local Authorities; Business Link South Yorkshire; Learning and Skills Council; Jobcentre Plus; South Yorkshire Investment Fund; large private sector developers; voluntary and community organisations which act as intermediary bodies; and the Programme Directorate itself. Although the themes are embedded in many of the projects these organisations sponsor, the Objective 1 Programme provides the opportunity to lever more significant and lasting change. Outside the Programme, consideration of the sustainability of the themes should be taken forward in the South Yorkshire Sub Regional Action Plan and supported by the Local Strategic Partnerships.
- The systems for **monitoring** the cross-cutting themes are appropriate. This has largely involved substantial additional work by the Programme Directorate to enhance national monitoring systems. However, the key monitoring priority for the remainder of the Programme should be to provide evidence to the PMB and PMC on the progress of the themes, and on the performance of key intermediary organisations in delivering the themes.
- Considerable **expertise and good practice** exists within the Programme Directorate and across the partner organisations. Except in the area of gender mainstreaming (where additional investments have been required) there is sufficient expertise in the sub-region to develop the themes and mainstream them in partner organisations. This expertise and good practice should contribute to programme delivery and to the preparation of programmes after 2006. However, the Programme Directorate should support the sharing of good practice between partner organisations. This could be achieved through the (continued) publication of guidance and good practice guides and the running of training and information events. Both should be developed in consultation with partner organisations, led by the Programme Directorate and implemented in partnership.
- Gaps were found between the cross-cutting themes of the Objective 1 Programme and the cross-cutting themes of other organisations and strategies (in particular the Regional Economic Strategy). The Objective 1 themes also need to take into account recent policy changes and the thinking behind them. Action is therefore required, as part of the Mid Term Review, to update the themes and to identify ways in which themes can be integrated and harmonised with regional strategies. This **alignment of themes** should not require substantial revision to the Programme. However, the Mid Term Review should consider and prioritise changes for the remainder of the Programme and issues which should be addressed in the preparation of future programmes.

15 CONTRIBUTION TO THE NATIONAL ACTION PLAN FOR EMPLOYMENT

15.1 Introduction

This section of the final report addresses the Evaluation Question 4:

What contribution is being made to the National Action Plan for Employment (NAPE)?

The evaluation question requires that the contribution of the programme to the NAPE is made against three criteria:

- *Linkages*: where there is a clear contribution of activities to the NAPE and European Employment Strategy (EES)
- *Influence and Concentration*: identification of national policies that complement NAPE and EES and whether the Programme contributes to areas of weakness in national policy
- *Added Value*: distinguish what additional added value has been made by the programme achievements

Priority 3 provides the main focus for the delivery of NAPE objectives in the Objective 1 programme. This is primarily because the majority of ESF resources is located in the Priority.

15.2 Background

The European Employment Strategy (EES) and its associated National Action Plans for Employment (NAPE) were introduced in 1997 as a framework for aligning employment policies across the EU. Its main purposes are to assist in achieving the EU's strategic goal of becoming **"the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion"**; and to act as a **co-ordinating mechanism for member states' national employment policies**. The EES Guidelines and the NAPE are subject to an annual cycle of reporting, review and amendment known as "the Luxembourg process". There is a potential tension between the longer Objective 1 programme timescale and the need to support sustained and consistent actions for regional economic improvement on the one hand, and the more frequent revision and greater fluidity of the EES.

15.3 Alignment between Objective 1 and EES/NAPE

Up to 2002, the EES has comprised four broad "Pillars", each with a set of more specific "Guidelines" under them. These four Pillars are as follows:

- Improving Employability;
- Developing Entrepreneurship;
- Encouraging Adaptability of Business and Employees; and
- Strengthening Equal Opportunities for Women and Men.

Table 15.1 Mapping South Yorkshire Objective 1 onto the Four EES Pillars

| NAP Pillar | Relevant Measure |
|--|--|
| Improving employability | M2: Investing in targeted SMEs M5: Supporting new employment opportunities M10: Enhancing management and workforce skills and capacity M11: Creating a responsive training and education system M12: Enhancing the curriculum for the world of work M13: Developing an adaptable and entrepreneurial workforce M16: Assisting people back into work M17: Tackling Disadvantage M18: Expanding and supporting a thriving social economy M22: Tools for reintegration |
| Developing entrepreneurship | M3: Developing growth sector start-ups M5: Supporting new employment opportunities M8: Maximising the potential presented by e-business M13: Developing an adaptable and entrepreneurial workforce |
| Encouraging adaptability of businesses and their employees | M7: Accelerating the adoption and transfer of new technologies, products and processes M10: Enhancing management and workforce skills and capacity M13: Developing an adaptable and entrepreneurial workforce |
| Strengthening equal opportunities policies for women and men | M15: Tackling gender imbalances in the labour market M17: Tackling Disadvantage |

The SPD for South Yorkshire linked in directly to these four Pillars, particularly in its review of labour market conditions in Volume 1. Indeed, the adoption of this approach was requested by the European Commission. The relevant Guidelines in the 1999 EES were also referred to in the detailed design of several of the programme Measures, and underpinned several of the cross-cutting themes as well (Employability; Equalities; Gender Mainstreaming; and Social Inclusion). The broad linkages between the various elements of the programme and the EES Pillars are shown in Table 4.1.

The annual revision of the EES has meant that the number and content of the Guidelines has varied from year to year. This has meant that the correspondence with the Objective 1 programme has inevitably lessened, although this has been mainly at the margins. More pertinently, during 2002 and 2003 the EES was also subject to its first five yearly review and assessment. This has led to a new approach on the part of the EU in the way that the Guidelines are framed and presented. They are now closely linked with and issued at the same time as the Broad Economic Policy Guidelines. The most recent set were announced in April 2003 (IP/03/508). This has abandoned the four Pillars in favour of three overarching objectives (full employment; improved productivity and job quality; and an inclusive labour market), and the Guidelines have been replaced by a consolidated and simplified list of 10 priorities for action (or “commandments”). These are as follows:

- Active and preventative measures for the unemployed and inactive;
- Foster entrepreneurship, promote job creation and improve the climate for business start-ups;
- Promote adaptability in work for workers and firms;
- Provide more and better investment in human capital and strategies for lifelong learning;
- Increase labour supply and promote active ageing;
- Promote gender equality in employment and pay;

- Promote the integration of and combat discrimination against those disadvantaged in the labour market;
- Make work pay through financial incentives;
- Transform undeclared work into regular employment; and
- Promote occupational and geographical mobility and improve job matching.

Most of these show a great deal of continuity with previous versions of the EES. However, some aspects have been given greater prominence, especially those stressing the need to integrate all groups, the problem of undeclared work and the issue of mobility. Apart from the first of these, neither the current UK NAPE nor the South Yorkshire Objective 1 programme fully address the problem of the “black economy” and the question of geographical mobility. If anything, the aim of the programme is to reverse the marginal workforce and population loss that has characterised the sub-region for many years. Otherwise, the new priorities do not put forward anything that is not already covered by the Objective 1 programme.

These new priorities will act as the framework for the preparation of the 2003 NAPE for the UK; work on this is proceeding at present, so it is not possible to assess how the programme will be able to contribute to the new version. The SPD was prepared in the light of the 1999 NAPE; clearly there have been a number of changes in the policy and organisational environment since then. A comparison between the 1999 and 2002 NAPEs allows the identification of the main differences. In terms of policy initiatives, only Individual Learning Accounts have disappeared from the menu, and these are likely to be replaced by a more robust alternative in due course. The main new initiatives and instruments that have emerged are as follows:

- Age Positive campaign
- Skills for Life programme
- UK Online
- Community Learning Chests
- Workstep
- Custody to Work
- Skills and Knowledge programme
- Work-Life Balance initiative
- Action Teams for Jobs
- Centres of Vocational Excellence
- Employer Learning Networks
- Gender Impact Assessment framework.

There has also been significant institutional reorganisation:

- Amalgamation of the Employment Service and the Benefits Agency to form Jobcentre Plus;
- Replacement of local Training and Enterprise Councils with sub-regional Learning and Skills Councils and Small Business Service offices;
- Consolidation of careers advice provision via Connexions;
- Reorganisation of National Training Organisations into Sector Skills Councils.

The Objective 1 programme would appear to be engaging strongly with most of these initiatives and organisations, with some of the latter acting as co-financing partners. The links with SSCs appear to be less developed at this stage, possibly because of their national remit, and possibly because many are still in the throes of establishment and development.

15.4 Conclusion and Recommendations

The Objective 1 programme in South Yorkshire has the potential to make an important contribution to EES goals, and to align itself with key actions falling within the orbit of the NAPE. Programme implementation indicates that this alignment is continuing via links with national and local labour market policies and actions. This includes partnership activity, co-financing arrangements, cross-referral agreements and contracts, and linkages at the individual project level. The cross-cutting themes have been essential in securing many of these gains. However, awareness of the NAPE and the EES is very limited amongst those involved in the programme. A common attitude was that the NAPE was mainly about “employability”, and as this was one of the cross-cutting themes and was picked up by Priority 3, then this was sufficient to demonstrate that a contribution was being made, and that it had no relevance to the rest of the programme. This may mean that some potential links are missed.

In addition, the restricted view that only ESF actions contribute to the EES and the NAPE should be challenged. It is clear that activities funded by ERDF and EAGGF will contribute to NAPE objectives, for example in terms of business start-ups and assistance with business planning and organisation. In other words, the programme is as much concerned with promoting entrepreneurship and adaptability (and hence job creation) as it is with ensuring a better qualified and motivated workforce in the sub-region. This focus fits even more squarely with the proposed EES priorities for action, which now include job creation as an explicit feature. However, this oversight is more a matter of awareness and acknowledgement than a need for fundamental change of direction.

16 SUSTAINABLE DEVELOPMENT

16.1 Introduction

This section of the report addresses Evaluation Question 10:

Is there evidence that the programme's implementation is achieving sustainable development objectives and what changes could be made to better achieve these objectives?

This terms of reference suggest that a sustainability appraisal be carried out to appraise the cumulative impact of Objective 1 supported projects on the 15 aims set out in Regional Sustainable Development Framework (*Advancing Together: Towards a Sustainable Region: The Regional Sustainability Framework*, Yorkshire and the Humber Regional Assembly, 2001). Progress by the Programme is assessed against the aims of the RSDF using different areas of the Programme. These include:

- Priorities and Measures
- Major Projects
- Partnerships and Structures
- Project Development and Monitoring Systems
- Cross Cutting Themes
- Targets.

This list falls short of a sustainability appraisal but is a response proportionate to the data readily available in a Mid Term Evaluation.

16.2 Regional Sustainable Development Framework

The Regional Sustainable Development Framework (RSDF) was drawn up by the Regional Assembly for Yorkshire and the Humber in 2001, two years after the SPD. Its purpose is to provide the broad context for other regional strategies and plans, given that they should all be seeking to contribute to the achievement of sustainable development. The RSDF is also intended to fill the gap between the national policy context (set by the UK Strategy for Sustainable Development) and the various local initiatives and plans being introduced to take account of Local Agenda 21.

The broad goals of the Y&H RSDF are identical to those for Programme Theme 5 in the SPD (p.484). The Framework also has 15 aims:

Aims of the Regional Sustainable Development Framework

Good quality employment opportunities available to everyone

Conditions which enable business success, economic growth and investment

Education and training opportunities which build the skills and capacity of the population

Safety and security for people and property

Conditions and services which engender good health

Culture, leisure & recreation opportunities available to all

Vibrant communities which participate in decision making

Local needs met locally

Quality housing available to everyone

Minimise pollution levels

Prudent and efficient use of energy and natural resources and minimal production of waste

A quality built environment and efficient land use patterns that make good use of derelict sites, minimise travel, and promote balanced development

A transport network which maximises access whilst minimising detrimental impacts

Minimal greenhouse gas emissions and a managed response to the effects of climate change

A biodiverse and attractive natural environment

16.3 Compatibility between Objective 1 and the RSDF

The coverage of the Objective 1 programme in South Yorkshire clearly encompasses the majority of these 15 RSDF aims, although in some cases it is easier to detect the connections and to interpret how they might be met than in others. Indeed, as outlined in the review of the Environment cross-cutting theme, this list is a rather blunt tool for assisting project developers and applicants in designing their actions so that they can contribute to sustainable development on as broad a basis as possible.

The 15 aims each have a set of indicators and targets associated with them, amounting to around 50 in total. A few of these are shared with the Objective 1 programme, but most are not. Those in the RSDF that are beyond the programme's remit clearly have little relevance, and it would be unwieldy to incorporate all of the others into any sustainability assessment. However, following the analysis in section 14, there should be scope for selected indicators from the RSDF list to be used in measuring programme progress towards sustainability. This issue has not been fully addressed by Objective 1 since it was decided to subsume the Sustainable Development Programme Theme within the revised Environment theme.

At the same time, the stakeholder survey, interviews with key stakeholders and the priority assessments all emphasise the high level commitment that the Programme makes to the broad goals of sustainable development. This commitment is embedded in the Programme itself and is being delivered through the practical application of the cross-cutting themes. The programme has established systems, particularly around the project development, project scoring and appraisal processes, which will ensure that it contributes to the aims of RSDF. However, the nature and extent of this contribution remains unclear, mainly because of the uncertainty over the monitoring of sustainability targets referred to above. Moreover, few respondents

were aware of any specific links between the programme and the RSDF and its aims. This may have been a matter of timing, and the difference between the broad goals of RSDF and the particular targets of the Objective 1 Programme. Despite this, it was evident from the interviews that RSDF did not yet have a direct and practical link to the Programme.

The RSDF (p.21) also advocates that all bodies in the region should take four key actions:

- Produce a Sustainability Statement by the end of 2001;
- Set out economic, social and environmental activities and impacts in their annual reports;
- Have at least one person to act as sustainable development “champion”; and
- Undertake sustainability appraisals of major policies, plans and projects.

The Objective 1 programme, the Programme Directorate and most sponsors, have not followed this guidance in full. In order to ensure improved understanding and commitment to sustainable development, consideration should be given to adopting at least the first and third of these key actions during the remainder of the programming period.

16.4 Assessment of Programme Progress

The following matrix sets out the progress of the Programme against the 15 aims of the RSDF. The matrix reveals that three aims of the RSDF are **core** to the Objective 1 Programme. These include:

- Good quality employment opportunities available to everyone;
- Conditions which enable business success, economic growth and investment;
- Education and training opportunities which build skills and capacity in the population.

The Programme is an integral part of the delivery of these aims in the region. The success of the Programme should therefore make a contribution to this part of the RSDF.

A number of other aims are **specific** either to particular Priorities and Measures or specific themes of the Programme. These include:

- Vibrant communities which participate in decision making (specific to Priority 3b and 4 and embedded in the programme partnerships);
- Local needs met locally (delivered through Measure 18 – A thriving social economy – and Priority 4);
- A quality built environment and efficient land use patterns that make good use of derelict sites, minimise travel and promote balanced development (through Priority 5);
- A transport network which maximises access whilst minimising detrimental effects (Measure 31).

The risk of linking specific Measures to RSDF aims is that the Programme will become compartmentalised, and moreover, other Priorities and Measures may act to undermine these aims. For these reason, the environment and social inclusion cross-cutting themes have key roles in ensuring that this does not occur.

Other RSDF aims are **subsidiary** to the Programme. Specific projects may be funded which support them, or the programme may have indirect effects on their achievement. These aims include:

- Culture, leisure and recreation opportunities available to all (this is supported through the Culture and Digital Industries Cluster, support for tourism in Priority 2 and urban centres in Priority 5). Increasing economic activity and social inclusion should also increase participation in these activities.
- Minimise pollution levels: the emphasis on high technology sectors, the modernisation of existing firms and support for modern transport initiatives should contribute to this aim. However, it is unclear whether the delivery of the Programme as a whole (which should increase economic activity) will also minimise pollution levels.
- Prudent and efficient use of energy and natural resources and minimal production of waste: initiatives have been funded which will contribute to this aim, although the overall delivery of the Programme may increase the use of energy and natural resources.
- Minimise greenhouse gas emissions and a managed response to the effects of climate change: although specific projects may contribute to this aim, it is unclear what the net effect of the whole Programme will be.
- A biodiverse and attractive natural environment (Priority 4b and in particular Measure 25 Developing Forestry resources).

Most of these aims which are subsidiary to core Programme activities fall within the environmental cross-cutting theme. The successful delivery of this theme should contribute to these aims being met.

Finally, three RSDF aims are **outside** the scope of the Programme. These include:

- Safety and security for people and property
- Conditions and services which engender good health
- Quality housing available to everyone.

The Programme may contribute to these aims indirectly (for example, social inclusion is shown to engender good health and improve community safety) and projects should not be barred from doing so. However, interventions which directly target these aims (crime prevention, public health and housing) are outside the remit of the Structural Funds.

Table 16.1: Contribution of the Objective 1 Programmes to the Regional Sustainable Development Framework

| Issue | Priority and Measures | Major Projects | Partnerships and Structures | Project Development and Monitoring Systems | Cross-cutting themes | Targets |
|---|--|---|---|---|---|--|
| RSDF Aim | | | | | | |
| CORE AIMS | | | | | | |
| Good quality employment opportunities available to everyone | Central goal of the Programme and in all Priorities and Measures. | Embedded in all major projects. | Overseen at strategic level by PMC and PMB. Strategic Groups (People and Skills, and Communities) have this as a central aim. | Employment creation seen as a major driver of the Programme. Actions are taken to ensure investments widen employment access. | Central to: employability; social inclusion; and equal opportunities. | Targets set for job creation and social inclusion. |
| Conditions which enable business success, economic growth and investment | Central goal of the Programme and in all Priorities and Measures. Priorities 1, 2, 5 and Measure 32 focus on business focused interventions. Priorities 3, 4 and Measure 31 tackle supply side issues. | Embedded in all major projects, but led by Priorities 1 and 5. | Overseen at strategic level by PMC and PMB. Strategic Groups (in particular Business and Economy) | Economic growth is monitored primarily through business sales targets in Priorities 1, 2, 5 and Measure 32. | Information Society seen as a driver of change and of fundamental importance to growth. | Key targets include companies created, jobs created, and business sales. |
| Education and training opportunities which build the skills and capacity of the population | Central goal of the Programme, embedded in ESF Measures and Priority 3. | Key projects include: LEAs e-Learning initiative, LSC workforce development programme; and SYCON ILMs | Overseen at strategic level by PMC and PMB. Strategic Groups (specific remit for People and Skills group). | ESF and Priority 3 supports development of education and training related projects. | Central to employability cross-cutting theme. | Key targets include: numbers entering training, and positive training outcomes |

Table 16.1: Contribution of the Objective 1 Programmes to the Regional Sustainable Development Framework (cont'd)

| Table 10.1: Contribution of the Objective 1 Priority 3b, Culture, Leisure and Recreation Opportunities to the Sustainable Development Plan (2014-2020) | | | | | | |
|--|--|---|--|---|---|--|
| Issue | Priority and Measures | Major Projects | Partnerships and Structures | Project Development and Monitoring Systems | Cross-cutting themes | Targets |
| RSDF Aim | | | | | | |
| SPECIFIC AIMS | | | | | | |
| Vibrant communities which participate in decision making | Key theme of the Programme and reflected in Priority 3b and Priority 4. | Projects supported by Priorities 3b and 4. Technical Assistance funds also support the Open Forum – regarded as good practice in building community involvement in regional policy programmes. | Voluntary and Community sector represented on, and make a significant contribution to, PMC, PMB, Strategic Groups and cross-cutting theme task groups. | Project development in Priority 4 is 'community-led' through community action plans. Strong community involvement also in Priority 3b activity. | Social Inclusion and Equalities themes make significant contributions to community involvement. | Targets for Priority 3b and 4, as well as monitoring of beneficiaries from disadvantaged communities. |
| Culture, leisure and recreation opportunities available to all | Economic growth and social inclusion (key goals of the Programme) should increase participation in culture, leisure and recreation opportunities. | Major projects include Cultural and Digital Industries Cluster, site development (including Cultural Industries Quarter investment in Sheffield) community based (by area and interest) activity which links culture to Priority 4 and inclusion, and Priority 2 tourism initiatives. | Not addressed directly by PMC, PMB or strategic groups. | Not a central target of the programme. | Not addressed by the cross-cutting themes. | No targets set, although culture related initiatives should contribute to Programme targets. |
| Local needs met locally | Objective 1 Programme seeks to increase the economic capacity of the sub-region to meet its own needs but also to increase external links. Social Enterprise and CED activity should enhance local capacity. | Capacity to meet own needs is both through increasing economic sustainability of the sub-region (the overarching goal) and through locally based initiatives in Priorities 3b (e.g. social enterprise) and 4 (CED). | Key goals of the Programme are economic growth and sustainability and guide partnerships. Partnerships predominantly consist of local organisations. | Where possible projects are delivered by local organisations. | Social inclusion, environmental sustainability and employability all contribute to meeting local needs locally. | No targets set for meeting local needs locally, except for the creation of social enterprises and delivery of Community Action Plans (local projects developed). |

Table 16.1: Contribution of the Objective 1 Programmes to the Regional Sustainable Development Framework (cont'd)

| Issue | Priority and Measures | Major Projects | Partnerships and Structures | Project Development and Monitoring Systems | Cross-cutting themes | Targets |
|---|---|---|--|---|---|--|
| RSDF Aim | | | | | | |
| SPECIFIC AIMS (cont'd) | | | | | | |
| A quality built environment and efficient land use patterns that make good use of derelict sites, minimise travel and promote balanced development | Priority 5 focuses on reuse of brownfield land and reclamation of contaminated land. All IDPs have undergone an environmental assessment. | Embedded in all Priority 5 physical infrastructure/site projects. | PMC and PMB do not have a central remit in this area. However, Environment Agency has been involved in a consultative capacity in the Programme. | Guidance produced on 'Better Places to Work' and on ensuring projects comply with environmental sustainability cross-cutting theme. | Cross-cutting theme for Environmental Sustainability. | Targets set for land reclaimed and floorspace refurbished. |
| A transport network which maximises access whilst minimising detrimental impacts | Measure 31 aims to remove transport bottlenecks. | Feasibility studies undertaken into potential key schemes. Investment builds on existing network and looks to reduce congestion and pollution (e.g. active traffic management schemes). | PMC and PMB do not have a central remit in this area. However, Environment Agency has been involved in a consultative capacity in the Programme. | Site development considers transport access issues. | Cross-cutting theme for Environmental Sustainability. | No specific targets set for Measure 31. |

Table 16.1: Contribution of the Objective 1 Programmes to the Regional Sustainable Development Framework (cont'd)

| Issue | Priority and Measures | Major Projects | Partnerships and Structures | Project Development and Monitoring Systems | Cross-cutting themes | Targets |
|--|---|--|--|---|---|---|
| RSDF Aim | | | | | | |
| SUBSIDIARY AIMS | | | | | | |
| Minimise pollution levels | Addressed through Priority 1 (increase in high technology sectors and environmental industries), Priority 2 (modernise traditional sectors), Priority 4a (community transport schemes), Priority 5 (sites require an environmental impact assessment), and Measure 31 (active traffic management and public transport). | Initiatives funded under each of the Priorities specified. All should contribute to reduced pollution levels. Buildings to comply with BREEAM standards. | PMC and PMB do not have a central remit in this area. However, Environment Agency has been involved in a consultative capacity in the Programme. | Guidance produced on 'Better Places to Work' and on ensuring projects comply with environmental sustainability cross-cutting theme. | Cross-cutting theme for Environmental Sustainability. | No targets set for pollution reductions. However, Programme does contain a set of Environment Key indicators. |
| Prudent and efficient use of energy and natural resources and minimal production of waste | Priority 1 has identified environmental industries as a key cluster (widened to include energy related industries). | Energy related project developed by IIS and Green Business Network project with AvestaPolarit on composting. | PMC and PMB do not have a central remit in this area. However, Environment Agency has been involved in a consultative capacity in the Programme. | Guidance produced on 'Better Places to Work' and on ensuring projects comply with environmental sustainability cross-cutting theme. | Cross-cutting theme for Environmental Sustainability. | No targets set for energy efficiency. However, Programme does contain a set of Environment Key indicators. |
| Minimal greenhouse gas emissions and a managed response to the effects of climate change | Priority 5 and Measure 31 seek to balance goals of increasing economic activity with reducing emissions. | Examples include Active Traffic Management systems and investments in Community Transport in Priority 4a (e.g. Picasso). | PMC and PMB do not have a central remit in this area. However, Environment Agency has been involved in a consultative capacity in the Programme. | Site development considers transport access issues. | Cross-cutting theme for Environmental Sustainability. | No specific targets set for Measure 31. |
| A biodiverse and attractive natural environment | Priority 4b and Priority 5 support activities to maintain environment (as a secondary activity to business and site development). | EAGGF projects including management of forestry resources by South Yorkshire Forest Partnership. | PMC and PMB do not have a central remit in this area. However, Environment Agency has been involved in a consultative capacity in the Programme. | Project development outside Priority 4b does not consider issues of biodiversity. | Cross-cutting theme for Environmental Sustainability. | No specific targets set for biodiversity. Measure 25 has a target for hectares of forestry resources. |

Table 16.1: Contribution of the Objective 1 Programmes to the Regional Sustainable Development Framework (cont'd)

| Issue | Priority and Measures | Major Projects | Partnerships and Structures | Project Development and Monitoring Systems | Cross-cutting themes | Targets |
|---|---|---|--|---|--|--|
| RSDF Aim | | | | | | |
| AIMS OUTSIDE REMIT | | | | | | |
| Safety and security for people and property | Crime reduction and prevention is outside the remit of the Structural Funds. Measure 17 (Tackling Disadvantage) supports ex offenders enter labour market (which should reduce re-offending rates). | Reductions in crime maybe an <i>indirect</i> outcome of projects across the Programme. Tackling Disadvantage Measure (SOVA provides support for ex offenders) | None (outside Programme remit) | None (outside Programme remit) except for work with ex offenders. | Limited (crime reduction is a component of social inclusion) | None related to crime prevention or reduction. |
| Conditions and services which engender good health | Health is outside the remit of the Structural Funds. Economic development, higher quality employment opportunities and social inclusion are linked to improved health) | None, although most projects if successful may have <i>indirect</i> effects on health. | None, although public health organisations have been involved in cross-cutting theme groups and in strategic groups. | Health is not considered. | Health is not considered directly although cross-cutting themes (e.g. social inclusion, employability, equalities and gender mainstreaming) may address health issues. Equalities theme includes objectives to increase economic inclusion of disabled groups. | No health targets set as outside remit of the Programme. |
| Quality housing available to everyone | Housing is outside the remit of the Programme. | If the Programme is successful it should increase demand for quality housing. | Not addressed directly by the PMC, PMB or Strategic Groups. | Housing is outside the scope of the Programme. | Not covered directly by the cross-cutting themes. | No targets set. Outside Programme remit. |

16.5 Recommendations

The Objective 1 Programme is broadly in line with the aims of the RSDF. In those areas where there is a mismatch, it is often because an area of activity is outside the scope of the Structural Funds to support. Moreover, the key concern of the RSDF is one of ensuring balanced spatial, economic, social and environmental development, something which is congruent to the aims of the Objective 1 Programme.

However, central to the Objective 1 Programme is economic growth that will almost inevitably involve greater resource use and emissions. In this sense some of the aims of the RSDF cannot be reconciled with the aims of the Objective 1 Programme. For this reason, assessment needs to be balanced across each of the RSDF aims, accept that the Programme may conflict with the long terms aims of the RSDF.

The progress of the Programme to date is consistent with the aims of the RSDF and no substantial changes should be made to accommodate RSDF aims in the Programme. Although there may be some scope for harmonising RSDF and Objective 1 aims and targets, this is unlikely to be fruitful: the RSDF is primarily a framework within which various programmes delivered within the region should endeavour comply with. Greatest scope for development probably remains in the area of sharing good practice around sustainable development and ensuring that future programmes attempt to embed more fully the RSDF principles.

17 ADDED VALUE AND CONTRIBUTION TO THE REGIONAL ECONOMIC STRATEGY

17.1 Introduction

This sections addresses the following question:

What has been the added value of the Objective One programme in this region, specifically to what extent has the Programme contributed to the Regional Economic Strategy?

This question requires the identification of the additional benefits (if any) brought by the Objective 1 Programme which would not have been delivered without it. It draws on the analysis of the results from Questions 1-8. The emphasis of the guidance provided with this question stress that the focus is not solely on the economic and financial additionality the Programme has brought, but rather the wider contribution of the Programme to the RES.

17.2 Findings

The findings from the evaluation can be grouped into the following broad categories:

Sub-region wide Partnerships: The programme has provided the catalyst for organisations in the public, private and community and voluntary sectors to collaborate at a sub-regional level to deliver the Objective 1 Programme. This has had knock-on effects in different fields, such as planning, transport and community economic development, with the formation of new partnerships, strategies and projects. In general, these have added value to South Yorkshire and enabled issues to be addressed at a sub-regional level. These developments stem from the work of the South Yorkshire Forum and the development of the Objective 1 programme. More broadly, the Sub-regional Action Plans of the Regional Economic Strategy have enabled regional policy to be implemented in response to variations in the need and opportunities of Yorkshire and the Humber. Objective 1 has contributed to this process.

Sub-regional Programme Administration: The credibility of the Objective 1 programme and the sub-regional approach it takes, has been underpinned by the creation of the Objective 1 Programme Directorate. This marks a clear break with previous programmes (which were implemented centrally through the Government Office for Yorkshire and the Humber – GOYH) by providing a sub-regional location for the GOYH. This has allowed a sub-regional and programme focus to be maintained and for appropriate support to key programme partnerships (PMC and PMB) to be provided.

Sub-regional Projects: The sub-regional focus of the programme has led to major initiatives being developed to cover the whole of South Yorkshire. This is a marked difference to previous programmes where projects tended to focus at the local district level, particularly in the field of business support and infrastructure. The creation of organisations at a sub-regional level (Business Link South Yorkshire and the Learning and Skills Council) and assisted this process. Yorkshire Forward, through the Sub-regional Action Plans and its role as a key strategic partner of the programme has also developed sub-regional projects (particularly in the areas of inward investment and cluster development). Interviews also highlighted that key projects such as the

International Trade Centre and Invest for Growth would not have happened without the support of Objective 1. In previous programmes these types of projects may have been developed, albeit on a much smaller scale and separately by each of the four local district areas. In the past, this led to duplication (in terms of functions and overheads) and a lack of coordination.

Increased Project Quality and Rigour: Emerging evidence, particularly from interviews and the review of key documents (IDPs and Cluster Plans) suggests that projects will be of a substantially higher standard than in previous programmes. Moreover, the priority assessments suggest that projects are being developed in a far more rigorous way and that there is more consistency with the programme's goals and that there is greater compliance with wider policies (e.g. state aids).

Scale of Programme Resources: It is evident that the major determining factor in each of the above areas has been the scale of funding provided by the Structural Funds and the commitment to deliver the programme in a way consistent with a sub-regional strategy. Without this scale of funding many of the above areas of added value would not have happened. However, an equally significant factor is the way in which the programme has been implemented. In contrast to previous programmes in the region, projects are now being developed within a strong sub-regional framework.

17.3 Conclusion

There are a series of broad areas where the programme has added value. The critical contributions of the Objective 1 Programme to the RES are due to the scale of resources it has brought to the sub-region, the commitment of partner organisations to invest an array of resources in Programme development and delivery, and the wider organisational and partnership infrastructure it has supported. The primary ambition of the Programme is to increase GDP through the implementation of wide ranging activities which support sustainable economic development. In contrast to the wider Yorkshire and Humber region, this reflects the pressing need to restructure the South Yorkshire economy.

18 CONCLUSION

Overall, the South Yorkshire Objective 1 Programme is making strong progress. It has robust systems for delivery and plans in place for all of the Priorities and Measures. Commitments and Expenditure for the Programme as whole have been in line with forecasts although there is considerable variation between Priorities and Measures. Although the overall strategy for the Programme remains valid, the Mid Term Review of the programme should be used to reappraise specific elements, and if necessary make relatively minor changes to funding allocations, targets and the scope of Priorities and Measures. However, the key finding from the evaluation is that the Programme needs to focus strongly on delivery if it is to attain its targets in the remainder of the Programming period. Areas of slow progress were highlighted in Priority 1, in the area of Workforce Development and specifically in addressing the need for Inward Investment that can drive wider economic change. However, the Programme also needs to remain responsive to new opportunities (for instance from new investors or from the development of an airport at Finningley) and to new needs (for instance due to recession or specific plant closures).

The socio-economic conditions of South Yorkshire have changed since the Programme was agreed. The two main changes have been the fall in claimant unemployment rates and the far weaker national and international prospects for economic growth. These changes raise specific issues for the Programme, most notably in the delivery of Priority 1 and in the need to shift attention towards the economically inactive. However, many of the weaknesses in the economy remain the same, most notably weaknesses in basic skills, the narrow and weak business base and low qualification levels and retention rates at the age of 16. These are deep-seated problems which will take a long time to address. However, the Programme is addressing these weaknesses and projects were found to be robust, particularly initiatives aiming to reshape the education system.

European Union, United Kingdom and regional policy agendas have evolved since the Programme was agreed. Although the Programme anticipated many changes, most notably around 14-19 education, other changes warrant a review and re-alignment of activities in the Programme. Key developments include the increasingly important role of Yorkshire Forward, together with its greater budget than in 2000, the emerging local government modernisation agenda and key changes to national employment policies, such as the establishment of Jobcentre Plus and the national Skills Strategy.

Of these changes, the emergence of the regional agenda is the most significant. The regional strategic framework, provided by the RES, RPG and the RSDF, has evolved and been strengthened since the Programme was developed. Regional policy funding programmes, such as the Structural Funds, need to take account of this and make a contribution to regional strategies. This has been identified as an area where there could be greater alignment. This is primarily the subject of the separate Linkage Study. However, the Structural Funds also add value to regional policy debates and this should be recognised. In particular, the Structural Funds provide a mechanism, and critically an allocation of funding, to embed key EU (and national) policy drivers in strategies and delivery. This is reflected in the South Yorkshire Objective 1 programme.

The Mid Term Evaluation has also highlighted the continuing severity of South Yorkshire's economic weaknesses, particularly in basic skills, competitiveness and

education levels. Addressing these issues will continue to require a distinctive sub-regional programme. Although support from the Structural Funds is likely to reduce after 2006 (in the new programming period), ongoing commitment will be required from other funding streams, and in particular domestic regional policy (primarily the Single Pot). This should inform the preparation of future programmes.

19 RECOMMENDATIONS

19.1 Introduction

Recommendations are set out for each of the substantive sections of the Mid Term Evaluation.

19.2 Socio-economic Changes and Policy Changes

- **Attracting inward investment**, and in particular companies which can act as growth sector champions, remains of vital importance to restructuring the sub-regional economy. Although focusing on growing existing businesses and increasing local start-ups is also required, the existing structure of the economy is too narrow for significant change to be achieved.
- **Low international growth** prospects however limit new inward investment opportunities. The approach to inward investment therefore needs to be highly focused and maximise opportunities from existing linkages. These may be from the supply chains of companies in the region, professional services companies or the research and development base.
- The review of socio-economic conditions, and changes since the Programme was agreed, suggests that many of the **original targets are too high**. The fall in unemployment, with only 25,000 unemployed, highlights that the job creation target of 33,600 net jobs is both unrealistic and inappropriate. Moreover, the weak growth prospects for key programme sectors suggest that the target for **gross jobs** in Priority 1 (20,480) is also too high. The combined effects of low growth prospects, but with continued low unemployment, suggest that both gross and net jobs targets may be up 50 per cent too high. Forecasts made by Yorkshire Forward for employment growth in the region up until 2010 suggest that none of the chosen sectors by the Objective 1 Programme will experience significant employment growth. Indeed none of the targeted sectors appeared in the list identified by Yorkshire Forward. A reduction in the net jobs target to between 16,000 and 18,000 jobs would bring the Programme back into line with estimates made in the development of the SPD. The Programme is also aiming to create **2,750 net new businesses** in targeted sectors. Changes in the VAT registered stock of businesses between 2000 and 2002 highlight that such change will be difficult to achieve in the target sectors.
- A key barrier to restructuring the economic base remains the **low skills base**. Further action is needed to address low levels of basic skills both in the workforce, the economically inactive and unemployed. This is a critical area to address given the continued vulnerability of jobs in traditional manufacturing sectors.
- The approach to **Workforce Development** needs to be revised in light of the recent national Skills Strategy. This is most likely to affect the environment within which the Programme is implemented.
- Significant **falls in claimant unemployment rates** suggest that the balance in targets for reducing unemployment should change. The current focus on the unemployed by age range and duration of unemployment should shift towards those

who are economically inactive and also to improve the skills of those already in the labour market. Although Priority 3B, which addresses those who are out of the labour market has been effective in achieving its gross targets (see later section), it should have a greater focus on the economically inactive. Moreover, there is also a case for shifting resources to activities which support those in work (in particular in Priority 3A). Supporting economically inactive target groups back into the labour market is extremely difficult, requires a range of actions and progress for some can only be measured by distance travelled and not direct employment outcomes.

- **Urban renaissance policies** and the **South Yorkshire Spatial Study** should provide a clearer framework for the delivery of activities in Priority 5. Although boundary definitions remain consistent with proposals, some consideration should be given to creating combined Urban Economic Zones. This would improve alignment between local and sub-regional (RSY) delivery teams. This is explored in more detail in the recommendations drawn from the review of Priority 5.
- The delivery of the programme should complement the **regional agenda** and **modernisation of local government** (in particular Local Strategic Partnerships). However, this relationship should be both ways: the regional agenda and LSPs need to recognise the particular needs of South Yorkshire and remain committed to the delivery of the Objective 1 programme. For example, greater consistency needs to be shown between local activities around Neighbourhood Renewal and Priorities 3B and 4A of the Programme. A key driver should be in ensuring the sustainability of strategic investments and key policy making structures beyond the lifetime of the programme.
- Developments in **UK regional policy** and in particular the bringing together of regional funds in the Single Pot, the increased role of the Regional Economic Strategy, and the development of sub regional action plans as investment plans should be reflected in the Mid Term Review and in particular in the identification of the most appropriate mechanisms to coordinate Objective 1 funding with Single Pot resources. In many respects the development and delivery of the Objective 1 Programme should provide a very strong basis for the operation of the new UK regional policy framework in South Yorkshire. However, the socio-economic analysis also confirms that South Yorkshire needs to remain a priority of UK regional policy instruments for the Programme to be successful.
- **Increases in public expenditure** as a result of the CSR should, where possible, work in concert with the Programme. A particular area of opportunity is in the increases in NHS expenditure coupled with the modernisation agenda in the NHS. This could provide targeted employment opportunities for groups facing multiple barriers to re-enter the labour market and scope for the programme to address the brake on development caused by ill-health. It is recommended that this issue is explored by the Programme Directorate and South Yorkshire Strategic Health Authority, that actions are identified in the sub regional action plan, and that an assessment is made as to whether additional eligible actions need to be considered for inclusion by the Mid Term Review.
- The granting of planning permission for an international airport at **Finningley** presents a considerable long-term opportunity to the sub-regional and wider regional economy. Support from Objective 1 should be used to maximise the economic benefits from the airport. Activities may include, improving road and rail access to the airport, investing in business sites and premises, supporting companies move to the

area which have strong links to the airport and ensuring that employment opportunities are accessible for all in South Yorkshire (requiring support to transport across the sub-region and to skills and active labour market policies). Provision for this range of activities already exists, in broad terms, within the programme. Work is currently being undertaken to assess the regional economic contribution of the airport and the public policy interventions which are required to maximise this impact. Some of these may be eligible for Objective 1 assistance (in particular concerning transport and skills) and this may require some modifications to eligible actions, targets and financial allocations to IDPs (in particular for the M18 and Doncaster Urban Centre). However, as with all Structural Fund projects, there must be a strong and proven business case for targeted public investment.

- The policy and socio-economic review should inform the planning and discussions around **regional policy programmes after 2006**. It is likely that South Yorkshire will still suffer from a range of economic weaknesses in 2006 and that a programme addressing a range of supply and demand side issues will still be required. However, consideration should be given both to the scope of the programme and the mechanisms through which it is implemented. One approach would be to give each of the Priorities a much sharper focus. The emerging regional agenda and the role of LSPs also suggest that Programme delivery should continue to be embedded in lead organisations committed to the delivery of a distinctive sub-regional programme.

19.3 Priorities and Measures

Priority 1: Stimulating the Emergence of New Growth and High Technology Sectors

- The **priority clusters** of Priority 1 should be reviewed. It is recommended, on the basis of activity to date and wider trends, that the environmental and energy cluster be included under AMM and that the bioscience cluster be expanded to include medical devices (and renamed around Bioscience and Health-Related technologies). Biosciences should continue to include bioremediation. The Programme Directorate should re-profile the baselines for the new target sectors and recommendations should be made for the Mid Term Review. Existing projects which cross these sectors will need to be reviewed as part of the wider support activities provided by Yorkshire Forward and Renaissance South Yorkshire for cluster development.
- **Support for inward investment** remains critical. However, the approach needs to be refreshed. Greater attention needs to be placed on mobilising national and international networks of key organisations, including company supply chains, professional service companies and the research and development base. This should be a key role of Renaissance South Yorkshire together with Yorkshire Forward. Consideration should also be given to **benchmarking the inward investment** package against those offered by other regions. This is for two reasons: to help drive up South Yorkshire's performance in inward investment; and potentially to assist in marketing the area.
- **Support for workforce development** is closely tied to the overall success of this Priority. Data analysis suggests that some co-financed activity is outside the scope of the Measure (based on qualification levels). The LSC and Programme Directorate need to ensure that all co-financed activity is consistent with the aims of the Measure. Progress in the delivery of the Measure also needs to be accelerated. This

involves much closer integration of business support and workforce development activities, partnership based around clusters, addressing specific supply-side capacity gaps and continued effort to engage the private sector. Activities around the Advanced Manufacturing Park and Creative and Digital Cluster provide examples of how delivery organisations and the private sector can be brought together. These approaches may offer more tangible opportunities for the LSC to identify the requirements for high level skills (at NVQ 3 and above) and links to disadvantaged communities which at present are significantly below target.

- **Targets** are overly ambitious and this is having a detrimental effect on the innovation and the focus of some projects. Key areas to change include: jobs created, business sales, new companies formed; and numbers achieving NVQ3. Wider socio-economic changes suggest that targets may need to be reduced by between one third and one half. It is understood that the Programme Directorate has begun to prepare an analysis of the targets based on the socio-economic base of the sub-region. This should be used to inform specific changes recommended to the Mid Term Review. It is also recommended that a target be introduced for jobs safeguarded.

Priority 2: Modernising Businesses through enhancing Competitiveness and Innovation

Implementation of the Priority

- **Invest for Growth** (IfG) schemes (I and II) have been highly effective in targeting business and are demand led. The schemes have been subject to a process evaluation and improvements made. Invest for Growth has brought forward investment by companies in South Yorkshire. Support for IfG should be continued but with closer links built to packages of business support and workforce development. In particular, the delivery of IfG should operate in tandem with the South Yorkshire Investment Fund: for example, through signposting and referral, undertaking investment appraisals jointly and in designing in IfG exit strategies which involve a mix of finance. This may help IfG targeted companies gain exposure to a wider range of business support and financial products.
- Progress in the **e-Business Measure** has been relatively slow. The rationale for the Measure remains strong because of the relative weaknesses in the use of ICT by South Yorkshire companies. ICT can be a key driver for change in company performance and can be supported through a range of Programme (IfG and SYIF) and non-Programme (e.g. tax breaks) assistance. It is recommended that support from this Measure be used to underpin the delivery of each of the eligible sectors. The Measure should also drive the delivery of the information society cross cutting theme for Priorities 1 and 2.
- **Workforce development** must remain a key activity of the Priority and be embedded in wider business development activities. This will require greater cross-agency working, particularly between the Learning and Skills Council, Business Link South Yorkshire, Yorkshire Forward and delivery organisations. This is explored in more detail below.
- Support for the **tourism and food sectors** should remain highly targeted on areas which deliver tangible outputs and contribute to the wider delivery of the programme.

Workforce Development

- **The delivery of Workforce Development Measures has been mixed despite co-financing progress.** Some progress in cluster based training hubs (e-learning and AMP) has been made. This approach has been recognised as a possible model for delivery in the remainder of the programme and for other cluster based training. Key factors include:
 - **strong private sector support and leadership:** this needs to be continually developed to ensure the continued focus of workforce development and skills – this may required capacity to be built;
 - **partnership** between supply and demand side to develop initiatives and to coordinate delivery; and
 - the **capacity of providers** to deliver high level targeted training packages for the priority clusters. This is currently weak in key areas (including parts of the FE sector) and will need to be addressed if workforce development is to be sustainable.
- **Changes to national skills policy**, and changes brought by the national Skills Strategy, suggest two further developments: establishment of mechanisms for effectively linking workforce development with targeted business support activities; and links to employer training pilots. In specific cases this should allow the award of more intensive assistance (through a higher grant rate) where there is strong evidence that specific companies will put plans in place and significantly improve workforce development.
- The **breadth of workforce development activities** should be expanded to include opportunities for the development of business leadership skills – an initiative to support business leadership development of company owners and/or senior executives may assist in a wider skills strategies. Such interventions have been shown to be a key driver for the introduction of skills development into organisations with a weak tradition of workforce development.
- Greater **flexibility** needs to be shown in the use of **qualification targets and grant rates** which are proving a barrier to progress. Co-financing should provide the LSC with the flexibility to vary the assistance companies receive for workforce development.
- The balance of funding between the **workforce development measures** remains appropriate to the needs of South Yorkshire. However, and following the national Skills Strategy, there is a need to reassess South Yorkshire's package of support to ensure that it complements likely new directions in national government funding.

Priority 3a –Building a World-leading learning region

- Progress in Measures 11 (Creating a responsive training and education system), 12 (Enhancing the curriculum for the world of work) and 14 (Building a learning infrastructure for the 21st century) has been very strong **and should be regarded as successes of the Programme**. The activities supported have been led by intermediary bodies and complement the strategies and funding of these organisations. The projects led by the LEAs are well designed and have been

recognised nationally as leading to fundamental changes in education provision. This is particularly in the areas of vocational education and e-learning.

- Results from the LEA led Measures will take time to be realised but the interventions remain highly relevant to the needs of South Yorkshire. There was limited monitoring data on the progress beneficiaries are making and greater efforts should be made to introduce systems which can effectively report on progress. This should not pose a significant barrier given the pupil based records kept by LEAs. Overall **no significant changes should be anticipated** in the Mid Term Review of the ESF Measures focusing on the education system.
- Activities to support **workforce development** are considered in the previous section. The employment composition of South Yorkshire suggests that activities to ensure the adaptability of those in work are of critical importance at a time of low unemployment, and especially for those who are facing job insecurity. There should therefore be scope in the Programme to increase support for preventative measures, which should focus on issues of basic skills and those in vulnerable sectors. Support for such support could be drawn from Measure 16, Assisting People Back to Work.
- The Measure to tackle **gender imbalances** in the labour market also remains relevant to the needs of the sub-region with support also required under Measure 13 to ensure and retain the employability of those vulnerable to labour market segregation. The socio-economic analysis suggests that that the substantial increase in workforce participation in South Yorkshire is due to the increase of female employment in low wage part-time service-based occupations. There remains a strong economic case for tackling gender imbalances in the labour market, specifically to address pay differences and wider issues of employability, including the provision of childcare.

Priority 3b – Promoting equity, employment and social inclusion

- Measure 16 (Assisting People Back to Work): the **focus on the economically inactive** needs to be reinforced as insufficient numbers of economically inactive are being supported (according to claims data), yet this remains the a key target group and the major barrier to increasing South Yorkshire's labour force participation rate.
- Falls in **claimant unemployment** warrant a reduction in the allocation of funds to Measure 16. This should be reflected in a reduction in targets. Funds should be vired to Measure 13, with Measure 13 implementing preventative unemployment activities and providing support for basic skills.
- Measure 17 (Tackling Disadvantage): to ensure the **sustainability of activities beyond the lifetime of the Programme** there is scope to increase alignment with Local Strategic Partnership's inclusion activities. This recommendation, and in particular the need for greater support by key agencies (such as the LSPs and intermediary bodies) is intended to better embed the cross-cutting themes of social inclusion and equalities in Programme delivery.
- **UK Census 2001 data** should be used to refresh the targeting of key groups in Measure 17. This should strengthen the targeting of the Measure.
- Measure 18 (Expanding and supporting a thriving social economy): the policy environment for **social economy** initiatives is currently extremely positive. However,

clarification is urgently required on the treatment by State Aids policy of social enterprises. This should remove a key barrier to the development of the sector.

- The take-up of **childcare provision** under ESF Measures was found to be mixed and in general found to be very low. However, childcare was identified as a key barrier to labour market participation, particularly in consultation with the voluntary and community sector. A range of barriers were identified (including provision of support and shortages in the number of childcare professionals). The LSC has commissioned and completed research in this areas and it appears that the key issue to be addressed is moving from planning and analysis to the delivery of childcare support. This should involve the Programme Directorate, the Learning and Skills Council and the Voluntary and Community sector.

Priority 4a – Supporting Community Economic Development

- **Merging Measures 19, 20 and 21** should be investigated. This would ease the delivery of the Priority and reduce administrative burdens which communities face in managing multiple projects. However, activities to support ICT and transport should be ring fenced and some activities (e.g. around transport access) may be more effectively addressed at a local or sub-regional level.
- **Matching funding** problems of CAPs should be addressed, both in the level of funding available and ensuring that matching funding is in cash. **Mechanisms to ensure Payment in advance ('of need') should also be explored.**
- The scope of **result targets** should be expanded to reflect the links between activities (action plans and capacity building projects) and impacts (jobs). These should be designed to provide a clearer progression route for communities. The lack of linkage between activities and impacts may weaken the economic focus of CAPs. However, these should emphasise the 'progression' of local areas' and assess engagement in other parts of Programme and initiatives outside the Programme (which have a stronger economic and employment focus). Appropriate results targets include the number community enterprises developed, the number of community assets with a revenue generating capacity, and the number of gross jobs created. Additional targets should be consistent with, and the support the implementation of, the locally led CAPs.

Priority 4b – Helping Communities make the transition to economic renewal

- **Targets and funding arrangements** in Measure 23 need to be adjusted to include a wider range of capacity building outcomes and a shift from capital to revenue spending. Both changes would strengthen the CED approach of the Measure and reflect the lead time of such interventions. Maintaining harder outputs and capital funding is likely to diminish the community led approach. These changes should also be reflected in the **eligible actions** for the Measure.
- EAGGF projects were found to be making a significant contribution to the **environmental sustainability cross cutting theme**. There is some potential for EAGGF Measures to support other Priorities more effectively. For example, using Measure 25 to help 'green' Priority 5 sites and for rural agribusinesses to contribute to the support of the Food cluster in Priority 2.

- The progress of **Measure 26** towards the target for achieving qualifications was poor and the target may be missed. It is recommended that the intermediary body project be reviewed and the need for the project to achieve qualifications emphasised. The projects to deliver this Measure should be contributing more strongly to the employability of individuals in agribusinesses and rural areas.
- Business support provided by **Measure 25** was found, to some extent, to duplicate initiatives such as Rural Growth and Invest for Growth. Consideration should be given to engaging Business Link in the delivery of this project. This would assist in opening up wood-based businesses to a wider array of business support.
- EAGGF projects were only making an **indirect contribution to rural renaissance** and support for market towns initiatives. However, to some extent, the projects predate rural renaissance policy and could provide models for the delivery of rural initiatives in the wider region. This is particularly the case for the two intermediary body projects in Measure 24 led by BLSY and the Yorkshire RCC.

Priority 5 – Supporting Business Investment through strategic spatial planning

- **The IDP process has been effective** in developing sites and this should continue to develop in the remainder of the Programme. No changes to the boundaries of IDP areas are warranted in the Mid Term Review.
- The South Yorkshire Spatial Study and wider policies for an Urban Renaissance, suggest that delivery could be given a much sharper focus through the establishment of **Urban Economic Zones (UEZs)**. These would effectively combine the existing SEZs and Urban Centres. Although it is inappropriate to alter the current projects in development for Priority 5, UEZs would provide a stronger focus for the allocation of any additional funds (e.g. to support urban renaissance initiatives) but also provide the platform for planning future programmes and strategies (either through Structural Funds or the Single Pot).
- The creation of local and sub-regional delivery teams (Renaissance South Yorkshire) are intended to address issues of delivery capacity. An area which needs to be clarified urgently is the role and function of **Renaissance South Yorkshire** in relation to local delivery teams. One approach would be for Renaissance South Yorkshire to provide common resources for site development to each UEZ to draw upon, to manage initiatives of a sub-regional significance, and critically to coordinate and deliver the integration of inward investment, cluster development and site activities. Without such integration, there are risks of duplication. This should also provide Renaissance South Yorkshire with a much stronger focus on coordinating delivery, and in particular, the assembly of competitive inward investment packages.
- Progress in **Measure 30** has been slow. Although resources have been committed (to two schemes in particular, an Invest for Growth scheme and a Aftercare initiative led by the BDA), Renaissance South Yorkshire should have a stronger role in delivering this Measure and in commissioning appropriate support from BLSY or other partners.

Priority 6 – Providing the Foundations for a Successful Programme

- Measure 31 (***Removing Transport Constraints on economic growth***): progress has been slow and the Measure has not been implemented as anticipated in the SPD. Resources should remain in the Measure and be targeted at initiatives that can be delivered within the Programme lifetime.
- Measure 32 (***Improving access to finance for SMEs***): there is still a strong rationale for the South Yorkshire Investment Fund and it serves a key purpose in the delivery of other business support packages. However, consideration should be given to reducing the output target for 'SMEs assisted with financial assistance' and introduction of a larger target for 'SMEs assisted'. This would better reflect the activities and wider rationale of the project. Progress to date suggests that results targets (jobs and business sales will be met). Recommendations have been made in the review of Priority 2 that stronger mechanisms for referral and signposting are built by the Invest for Growth schemes to ensure that businesses receive advice on a wider package of financial support.

19.4 Implementation and Management Arrangements

- **Programme management** should continue to develop a culture of performance management. Partnership structures and the capacity of the Programme Directorate to implement the programme are appropriate and have added value to project activities. However, the key focus of the Programme partners now needs to be on delivery.
- A key concern raised in the evaluation is how the **performance of key projects and the delivery of key Measures** can be improved. To a large extent this is the responsibility of individual sponsors, and in particular the intermediary bodies, to identify how performance can be improved and how key Programme targets achieved. This is particularly important if N+2 (spend) and outcome targets (jobs created, companies established and business sales) are to be achieved. This should build on ongoing work by the Programme Directorate to improve the monitoring of key projects.
- The **Performance Management Board (PMB)** has a key role addressing areas of under performance across the Programme, through agreeing specific actions and committing the necessary resources, whether in terms of capacity, addressing technical and procedural barriers or recommending financial support. Consideration should be given to the current operation of Performance Management Board, and in particular to, the inclusion of individuals independent of the delivery of the Programme.
- Systems for the **monitoring of projects** were found to be generally robust. However, improvements should be considered to the monitoring of ESF co-financed projects to ensure that data collected is consistent with the requirements of ESF Measures and the Programmes as a whole. It is recommended that joint work between the Programme Directorate and the LSC and Jobcentre Plus continue, so as to address these issues.
- Following the current pilot phase, the joint appraisal of projects applying for Single Pot and Objective 1 funding should be continued. This should be extended to the development of **joint and common systems for target setting, project development and monitoring**. This would help align the delivery of the RES and the Objective 1 programmes. Such developments should also help to inform the

preparation of future Structural Funds and UK regional policy programmes in the region.

19.5 Cross Cutting themes

- If the cross-cutting themes are to have a long lasting effect on the development of South Yorkshire they should be **fully mainstreamed in the main delivery organisations**. These are the organisations which are the sponsors of major projects, act as intermediary bodies and are key partners in the programme. The organisations include: Yorkshire Forward; Renaissance South Yorkshire; Local Education Authorities; Local Authorities; Business Link South Yorkshire; Learning and Skills Council; Jobcentre Plus; South Yorkshire Investment Fund; large private sector developers; voluntary and community organisations which act as intermediary bodies; and the Programme Directorate itself. Although the themes are embedded in many of the projects these organisations sponsor, the Objective 1 Programme provides the opportunity to lever more significant and lasting change. Outside the Programme, consideration of the sustainability of the themes should be taken forward in the South Yorkshire Sub Regional Action Plan and supported by the Local Strategic Partnerships.
- The systems for **monitoring** the cross-cutting themes are appropriate. This has largely involved substantial additional work by the Programme Directorate to enhance national monitoring systems. However, the key monitoring priority for the remainder of the Programme should be to provide evidence to the PMB and PMC on the progress of the themes, and on the performance of key intermediary organisations in delivering the themes.
- Considerable **expertise and good practice** exists within the Programme Directorate and across the partner organisations. Except in the area of gender mainstreaming (where additional investments have been required) there is sufficient expertise in the sub-region to develop the themes and mainstream them in partner organisations. This expertise and good practice should contribute to programme delivery and to the preparation of programmes after 2006. However, the Programme Directorate should support the sharing of good practice between partner organisations. This could be achieved through the (continued) publication of guidance and good practice guides and the running of training and information events. Both should be developed in consultation with partner organisations, led by the Programme Directorate and implemented in partnership.
- Gaps were found between the cross-cutting themes of the Objective 1 Programme and the cross-cutting themes of other organisations and strategies (in particular the Regional Economic Strategy). The Objective 1 themes also need to take into account recent policy changes and the thinking behind them. Action is therefore required, as part of the Mid Term Review, to update the themes and to identify ways in which themes can be integrated and harmonised with regional strategies. This **alignment of themes** should not require substantial revision to the Programme. However, the Mid Term Review should consider and prioritise changes for the remainder of the Programme and issues which should be addressed in the preparation of future programmes.

20 PERFORMANCE RESERVE

20.1 Introduction

This section address the following question:

What progress has been made against the Performance Reserve agreed indicators for effectiveness, management and financial implementation?

It is a regulatory requirement of the Structural Funds that the Mid Term evaluation (Final Report to be submitted to the European Commission) includes a statement of the actual achievements of the Programme as set out in the SPD and Programme Complement.

Working Paper 8 of the European Commission sets out the five main tasks of the Mid Term Evaluation in relation to the Performance Reserve. These are:

- It should present the most recent results for the agreed indicators and compare these to the targets set in the form of assistance or Programme Complement. It should also present trend data for these indicators where it is available from the Annual Implementation Reports.
- It should verify the quality of the data used to report on the performance reserve indicators and comment on their accuracy.
- It should comment on any changes to the targets for performance reserve indicators agreed since the form of assistance was adopted.
- It should appraise whether or not the effectiveness indicators for the performance reserve still cover at least 50 percent of the expenditure of the programme.
- It should draw a conclusion on whether or not the results for the performance reserve indicators give a fair representation of the performance of the programme as a whole.

This section is structured around these five tasks.

20.2 Performance Reserve Criteria

The Mid Term Evaluation in conjunction with reports provided by the Objective 1 Programme Directorate will inform whether the Performance Reserve (4 per cent of Programme resources) is released. The release of the reserve will be determined through negotiations between the UK government and the European Commission.

In line with the guidance, three types of criteria have been identified, and appropriate targets developed by the Objective 1 Programme. These are:

- Financial Criteria
- Management Criteria
- Effectiveness Criteria

Although there will be variation across the Programme (e.g. physical infrastructure projects will spend more slowly than ESF projects) it is expected that, at the Programme level, for each of the three criteria at least 75 per cent of the targets will be achieved. The final date for the calculation of the targets is 31st December 2003. For the effectiveness criteria (outputs and results) the Mid Term Evaluation will be required to exercise judgement as to whether the financial commitments will lead to outputs and results by the end of the programme.

20.3 Assessment and Trend

Financial Criteria

Financial Criterion 1 – by the end of 2003 a sum equivalent to 100 per cent of the first two years' commitments will have been reimbursed.

The following table shows the progress towards meeting the N+2 target for 2003. The table is based on claims up until the end of June 2003, leaving six months to achieve the targets. Overall, the Programme has reached 81 percent of its target or €288,943,409. However, there is some variance between the funds with EAGGF having only reached 61 percent of its target.

Table 20.1: Financial Performance

| South Yorkshire Objective 1 (2000-2006) | 2003 N+2 Target | Total Grant Committed | Total Grant Spent (Claims made to Commission) | % of N+2 Target Achieved | Total Grant Spent (Paid by Objective 1) | % of N+2 Target achieved | Spend Required By December 2003 € | Spend Required By December 2003 £ @ 1€=71p | Spend Required By December 2003 £ @ 1€=62p |
|---|--------------------|-----------------------|--|--------------------------|---|--------------------------|-----------------------------------|--|--|
| ERDF | 238,899,000 | 382,863,754 | 169,183,171 | 71% | 191,236,163 | 80% | 47,662,837 | £33,840,614 | £20,981,181 |
| ESF | 110,644,700 | 201,129,382 | 77,709,127 | 70% | 93,439,011 | 84% | 17,205,689 | £12,216,039 | £7,573,944 |
| EAGGF | 6,943,100 | 16,218,029 | 2,501,045 | 36% | 4,268,235 | 61% | 2,674,865 | £1,899,154 | £1,177,476 |
| Total | 356,486,800 | 217,347,411 | 249,393,343 | 70% | 288,943,409 | 81% | 67,543,391 | £47,955,808 | £29,732,601 |

Source: Objective 1 Programme Directorate (based on June 2003 claims)

The above table provides an estimate of the claims required by the end of 2003 to meet the N+2 target. These are based on two exchange rates. €1:71p approximates to the current value of sterling against the Euro. If this rate is applied then the Programme will require almost £48m of claims before the end of 2003. The second rate of €1:62p is the current rate applied by the ODPM in converting UK Structural Funds programme performance into Euros. If this rate is applied then nearly £30 million of claims will be required.

Interviews with the Programme Directorate staff suggest that the ESF target will be met by September claims and that the ERDF target will almost be met at this claim point. However, there is greater concern with EAGGF. Interviews with the main Priority 4b EAGGF project managers suggest that project implementation has increased and these

projects are now committing expenditure. A key issue therefore will be in ensuring that claims fully reflect eligible expenditure for the relevant periods. This will probably require continued support from Programme Directorate staff.

On the basis of this assessment, it is anticipated that this criterion will be met.

Financial Criterion 2 – by 31st December 2003, €150 million of private sector contribution will have been committed to the total eligible costs of approved projects

The following table shows the progress in securing private sector commitments as matching funding to projects. The table shows that the Programme has already met this target based on estimated figures of private sector contributions. The figures are estimates due to ERDF and ESF claim systems only recording the percentage split between public and private sector contributions. However, analysis of outturn data by the Programme Directorate suggests that these targets are accurate.

On the basis of this assessment this criterion has already been met.

Table 20.1: Estimated Private Sector Contributions

| Fund | Contribution (€) |
|--------------|-------------------------|
| ERDF | 118,052,663 |
| ESF | 34,103,178 |
| EAGGF | 6,340,755 |
| Total | 158,496,596 |
| Target | 150,000,000 |

Source: Objective 1 Programme Directorate

Management Criteria

Management Criterion 1 – Quality of the monitoring system – by December 31st 2003, all approved projects will be covered by the financial and monitoring data provided in the Annual Report(s)

The 2002 Annual Report provides a summary of financial and monitoring data broken down at each Measure. This report shows financial information against Measures and fields of intervention, a summary of monitoring data (summarising targets, commitments and achievements) and an update on progress towards Performance Reserve Effectiveness targets. On this basis, the Programme has met this Performance Reserve target.

The review of monitoring systems (see Section 13 Programme Implementation and Management Systems) showed that all project information is recorded at the grant offer stage on standard UK government department databases for ERDF, ESF and EAGGF. These databases record standard financial information and monitoring information (key Measure level targets). It is from these databases that the Annual Report data is drawn. The Objective 1 Programme Directorate has also developed systems to record other

targets, in particular those required to monitor the cross-cutting themes (e.g. the number of beneficiaries coming from Priority 4a areas.

On the basis of this assessment, this criteria will be met.

Management Criterion 2 – Quality of financial control – by December 31st 2003, a minimum of 5% of the funding committed will have been the subject of an on-site monitoring visit.

This target should properly read a 'minimum of 5 percent of certified eligible expenditure will have been the subject of an on-site monitoring visit'. A range of monitoring and inspection activities are undertaken to ensure the sound and effective management of projects in the Programme. These are summarised in the 2002 Annual Report:

- **Formal 5 percent inspections:** these are undertaken by the Finance and Audit Team in the Yorkshire and the Humber Government Office (Leeds) to audit and verify 5 percent of eligible expenditure. The sample of projects is agreed between the FAM team and the Programme Directorate to ensure coverage of the different Structural Funds, sponsors and Measures. The inspections involve a detailed consideration of the project's systems and this may result in recommendations being made for corrective action.
- **Proof of Existence Visits:** these visits are undertaken by the Priority teams and focus on ensuring that the project is underway and identifying any early teething problems. All projects receive this visit.
- **Post Contract Aftercare:** these visits are undertaken by the Implementation and Management team and ensure that the sponsor fully understands the terms of the Offer Letter and that systems are in place to record progress towards financial and output targets. All projects receive this support
- **On-going contract management:** this involves the 'proactive management of projects' and in particular those which are felt to be 'at risk'. This may involve regular pre-arranged meetings with sponsors.
- **Reactive monitoring:** these occur in response to issues arising from appraisal or the processing of claims.

The following tables show the progress made by the FAM team towards auditing activities contributing five percent of certified eligible expenditure (the formal '5 percent inspections'). Table 20.3 shows that the five percent target was exceeded for project expenditure in 2000 but that substantial audit activity is still required of expenditure from 2001 onwards. This profile can be explained by two factors. Firstly, audit activity will always lag behind actual expenditure: for instance it is unrealistic that the five percent target be achieved for expenditure in 2003. Secondly, the FAM team has in the first part of the Programme faced resource constraints. The Programme Directorate report that it is now up to capacity and that progress in undertaking the 5 percent of inspections is improving.

Table 20.3: Inspections of ERDF Projects

| | 2000 | 2001 | 2002 | 2003 | Total |
|----------------------|------|-------|-------|-------|--------|
| Expenditure Forecast | 2.36 | 120.8 | 101.5 | 153.7 | 378.36 |

| | | | | | |
|-----------------------------|-------|----------|----------|------|----------|
| Inspection Target | 0.118 | 6.04 | 5.07 | 7.68 | 18.908 |
| Verified to Date | 0.2 | 3.420241 | 1.616343 | 0 | 5.236584 |
| % Verified | 8.5% | 2.8% | 1.6% | 0.0% | 1.4% |
| % of Target Achieved | 169% | 57% | 32% | 0% | 28% |

Source: Objective 1 Programme Directorate

The following table reveals a similar picture for ESF, although progress is much stronger for 2000 and 2001 with the target being exceeded. The reasons given to explain progress towards the 2002 and 2003 targets for ERDF are the same for ESF.

Table 20.4: Inspections of ESF Projects

| | 2000 | 2001 | 2002 | 2003 | Total |
|-----------------------------|-------|------|-------|------|-------|
| Forecast Expenditure | 4 | 48 | 92 | 88.4 | 232.4 |
| Inspection Target | 0.8 | 2.4 | 5.07 | 4.4 | 12.67 |
| Verified to Date | 1.1 | 4.1 | 0.381 | 0 | 5.581 |
| % Verified | 27.5% | 8.5% | 0.4% | 0.0% | 2.4% |
| % of Target Achieved | 138% | 171% | 8% | 0% | 44% |

Source: Objective 1 Programme Directorate

The following table provides an overview of overall progress (excluding EAGGF) by the Programme. It shows substantial achievements in 2000 (when the target was exceeded, albeit on a low level of expenditure) reasonable progress on 2001, but with substantial work still to be done to inspect 5 percent of expenditure in 2002 and 2003. On this basis, inspection activity appears to be running almost two years behind actual expenditure. Although some time lag is expected, audit activity should only be running about 12 months behind expenditure. This would allow for claims to be submitted and processed and provide greater opportunity for recommendations made by the inspections to have a greater impact.

Table 20.5: Inspections of ERDF and ESF Projects

| | 2000 | 2001 | 2002 | 2003 | Total |
|-----------------------------|--------|----------|----------|-------|-----------|
| Forecast Expenditure | 6.36 | 168.8 | 193.5 | 242.1 | 610.76 |
| Inspection Target | 0.918 | 8.44 | 10.14 | 12.08 | 31.578 |
| Verified to Date | 1.3 | 7.520241 | 1.997343 | 0 | 10.817584 |
| % Verified | 20.4% | 4.5% | 1.0% | 0.0% | 1.8% |
| % of Target Achieved | 141.6% | 89.1% | 19.7% | 0.0% | 34.3% |

Source: Objective 1 Programme Directorate

Inspections of EAGGF projects will start in Autumn 2003 as DEFRA has recently allocated funds to GOYH for this purpose. However, as EAGGF expenditure is only

£1.7m to date, this delay should not cause particular problems and it should be possible to catch up.

On the basis of this assessment it is recommended that the criterion be amended and refer to 5 per cent of eligible expenditure and not commitments. The target to inspect 5 percent of forecast expenditure up to the end of 2003, by December 2003, is also inappropriate given the need for claims to be submitted and processed before inspections can be undertaken. On this basis it would be more appropriate to use the figure for expenditure up to the end of 2002.

Although supplementary monitoring activities are undertaken by the Programme Directorate (outlined above), if a narrow interpretation of the five percent inspection target is taken then it is unlikely that that a target for inspections incurred up until the end of 2002 will be met. If a broader definition of the target is taken, and is based on the wider monitoring activity undertaken by the Programme and it is accepted that GOYH has embarked on a Programme of inspections which will meet the five percent target, then this target has been met.

Management Criterion 3 – Quality of project selection systems – by December 31st 2003, 100% of approved projects will have been subject to the scoring and appraisal system approved by the PMC.

Section 13 of the Mid Term Evaluation examines issues of programme implementation and management. It included a sub-section on Project Appraisal and Approval. This highlighted that all projects are subject to scoring and appraisal. In line with other Programmes this is consistent with the requirements of the three funds in the Programme (ESF, ERDF and EAGGF).

The PMC of 28th September 2000 approved the appraisal framework for all projects. This was the first PMC after the agreement of the SPD in July 2000. This PMC included a paper making recommendations for the scoring of ERDF, ESF and EAGGF projects. The appraisal and scoring system has developed since this PMC, in particular to account for the scoring of cross-cutting themes. From PMC Minutes, these changes appear to have been endorsed by PMC meetings.

The review of projects and project managers survey revealed that the projects of all respondents had been appraised and scored. Most respondents also reported that they were satisfied with the approach taken to appraisal and scoring taken by the Objective 1 Programme. 62.6 percent of respondents to the Project Managers Survey reported that they were clear as to the appraisal requirements.

On the basis of this assessment, this target has been met.

Management Criterion 4 – Quality of Evaluation Systems – completion of the MTE to quality standards set out in MEANS criteria, EC Working Paper #4 and to the satisfaction of the PMC and Commission

The evaluation has adhered to the guidelines contained in EC Working Paper 8 for Mid Term Evaluations and has adopted a framework consistent with the MEANS framework; and in particular that the MEANS quality criteria for Structural Fund evaluations are adhered to. The Evaluation Framework for the South Yorkshire Objective 1 Programme MTE is set out in Section 2. The following tables outlines how each of the MEANS quality criteria have been addressed by the MTE. This approach is proportionate to the scope and remit of the Programme and the questions set for the Mid Term Evaluation.

Table 20.6: MEANS Quality Criteria

| Criteria | Response of Mid Term Evaluation |
|---|--|
| Meeting needs: Does the evaluation adequately address the requests for information formulated by the commissioners and does it respond to the Terms of Reference? | <ul style="list-style-type: none"> • MTE is structured around 10 questions agreed by regional Evaluation Steering Group. • Response of the MTE to each question is mapped out in Section 2. |
| Relevant scope: Have the rationale for the programme, its outputs, results, impacts, interactions with other policies and unexpected effects been carefully studied? | <ul style="list-style-type: none"> • Evaluation design is intended to assess the full range of effects of the Programme. • Design is appropriate to assessment of the Programme at an interim stage and to make judgements on performance. Some summative evaluation analysis is possible (e.g. achievement of targets). • Assessment of policy changes is made within a stand alone section and embedded within reviews of Priorities (under the Relevance and Consistency sub-sections). |
| Defensible design: Is the design of the evaluation appropriate and adequate for obtaining results? | <ul style="list-style-type: none"> • Design combines four key approaches: <ul style="list-style-type: none"> ○ top-down and bottom-up analysis of socio economic changes and Programme progress towards targets; ○ consultation with partners to examine 'how' the programme operates and with what effect; ○ analysis balanced between capturing local diversity and sub-regional and regional dimensions ○ balance between internal (e.g. through partner consultation) and external (e.g. through independent assessment) perspectives. |

Table 20.6: MEANS Quality Criteria (cont'd)

| Criteria | Response of Mid Term Evaluation |
|---|--|
| Reliable data: Are the primary and secondary data collected suitable? Are they sufficiently reliable compared to the expected use? | <ul style="list-style-type: none"> • Secondary (socio-economic data) drawn from established UK government ONS sources • Quantitative and Qualitative Primary data collected through interviews and surveys. Surveys were subject to quality control procedures • Analysis of Administrative (Monitoring) data drawn from Programme Directorate systems. |
| Sound analysis: Are quantitative and qualitative analysed in accordance with established rules, and are they complete and appropriate for answering the evaluative questions correctly? | <ul style="list-style-type: none"> • Survey and interview questions designed in line with core evaluation questions • Programme of surveys and interviews focused on ensuring full range of organisations and stakeholders engaged in process (i.e. representative of relevant Objective 1 stakeholder 'population'). • No formal econometric analysis undertaken due to additional costs being disproportionate to likely findings. • Combination of Project analysis and Stakeholder consultation aimed to assess progress of Programme. Beneficiary surveys not undertaken because of stage of Programme and problems of the aggregation at the Mid Term. |
| Credible results: Are the results logical and justified by the analysis of the data and by interpretations based on carefully presented explanatory hypotheses? | <ul style="list-style-type: none"> • Multi-method approach used to the evaluation. • Where possible results have been triangulated. For example survey findings analysed alongside stakeholder responses, wider socio-economic changes and analysis of monitoring data. |
| Impartial conclusions: Are the conclusions just and non-biased by personal or partisan considerations, and are they detailed enough to be implemented correctly? | <ul style="list-style-type: none"> • Conclusions were based on analysis of appropriate evidence (gathered using different methods) and where possible key issues have been drawn from different results. • Key issues and recommendations presented and refined through consultation with PMB/PMC and Strategic Groups to ensure that they can be implemented correctly. |
| Clarity: Does the report describe the context and goal, as well as the organisation and results of the evaluated programme in such a way that the information provided is easily understood? | <ul style="list-style-type: none"> • Section-by-section structure of the MTE is intended to be appropriate for informing the Mid Term Review and be accessible by the Programme Directorate, Decision Making bodies and stakeholders. |

The overall evaluation framework, its relationship with the Linkage Study and the Objective 2 MTE, and details of the main survey instruments and stakeholder interview discussion guides are contained in Volume 3 of the evaluation.

Effectiveness Criteria

Effectiveness Criteria – Outputs – by the end of 2003, approved expenditure will ultimately lead to the outputs indicated in Programme Complement (subject to the re-quantification exercise).

Table 20.7 sets out the progress towards the Effectiveness Criteria for Outputs. The analysis of the 15 effectiveness criteria suggests that five have already been achieved. The Programme Directorate also anticipate a further four to met when September and December claims are included. A further target (number of agribusinesses assisted) may be met by the year end but will require substantial progress. Therefore, there are currently 4 targets which are likely to be missed. These are as follows:

- Priority 1: Area of specialist/hi-tech accommodation provided. There are currently no output figures either committed or achieved against this indicator. The review of the NAMTEC project suggests that this project should contribute towards this target and some re-assessment of performance against this indicator should be made by the Programme Directorate.
- Priority 1: Number of SMEs/Start-ups receiving financial support. This target assumes that 80 percent of SMEs assisted will receive financial assistance. To date 150 SMEs have received financial assistance. It is recommended that this target be reviewed as its assumptions appear inappropriate for the delivery of the Priority (i.e. SMEs may received a mix of support which need not necessarily include financial assistance from schemes such as Invest for Growth, High Growth Start Ups or the Commercialisation of University Research project).
- Priority 2: Number of SMEs receiving financial support. As with Priority 1, this target assumes that 80 percent of SMEs assisted will receive financial assistance. Despite the success of initiatives such as Invest for Growth in this Priority, this target appears inappropriate. Moreover, the main instrument for providing financial assistance to assistance to SMEs is the South Yorkshire Investment Fund in Priority 6.
- Priority 4: Transport Projects. The approach taken by the Programme to deliver Priority 4a has been through the development of Community Action Plans (CAPs). Although some transport projects have been funded by the Programme, most should follow from the CAPs. Most CAPs were agreed between January and April 2003. The CAP process is an important part of Priority 4a and it is unlikely that CAPs could have been developed for all Priority 4a areas significantly sooner.
- Priority 5: Number of business assisted. This target is taken from Measure 30. As the section examining Priority 5 revealed, progress against this Measure has been slow. However, the target remains appropriate.

The assessment of the Mid Term Evaluation is that five of the targets have been achieved and that it is likely that a further 4 will be met before the end of 2003. However, it is recommended that three of the targets be excluded from the final assessment of the Performance Reserve (SMEs receiving financial assistance in Priorities 1 and 2 and Transport Projects supported in Priority 4). On this basis, the Programme is anticipated to meet 9 out of the 12 output effectiveness targets – or 75 percent of its targets.

Table 20.7: Effectiveness Criteria - Outputs

| Criteria | Target | Committed | Actual | Assessment |
|---|---------------------|-----------------|------------------|--|
| Priority 1: Stimulating the Emergence of New and High Technology Growth Sectors | | | | |
| Area of specialist/hi-tech accommodation provided | 2,411 | 0 | 0 | Not achieved |
| Number of SMEs/Start-ups assisted | 403 | 716 | 517 | Achieved |
| Number of SMEs/Start Ups receiving financial support | 80% ¹ | | 37% | Not achieved |
| | | | | |
| Priority 2: Modernising Business through Enhancing Competitiveness and Innovation | | | | |
| Number of SMEs assisted | 869 | 1,564 | 1,723 | Achieved |
| Number of SMEs receiving financial support | 80% ² | | 35% | Not achieved |
| Number of agribusinesses assisted | 95 | | 67 | Maybe achieved by end of 2003. |
| | | | | |
| Priority 3: Building a World Leading Learning Region (Plus Targets for all ESF across the Programme) | | | | |
| % Beneficiaries from Priority 4a areas | 36% | | 43% | Achieved |
| % Beneficiaries working towards a qualification | 65% | | 79% | Achieved |
| Number of education/training institutions upgraded | 30* | 30 | 23 | Likely to be achieved |
| | | | | |
| Priority 4: Development Economic Opportunities in Targeted Communities | | | | |
| Ha of Forestry land | 69 | 605 | 195 ³ | Achieved |
| Transport Projects | 30 | 17 ⁴ | 2 | Revised PC project is now 10. Unlikely to be achieved. |
| | | | | |
| Priority 5: Supporting Business Investment through Strategic Spatial Development | | | | |
| Ha of land reclaimed/sites prepared | 40.9 ⁵ | 8.2 | 23 | O1PD forecast that this target will be achieved. |
| Sq m of floor space constructed | 20,000 ⁶ | 13,007 | 34,212 | O1PD forecast that this target will be achieved. |
| Number of businesses assisted | 143 | 15 | 0 | Not achieved |
| | | | | |
| Priority 6: Providing the Foundations for a Successful Programme | | | | |
| Number of SMEs receiving financial support | 101 | 680 | 77 | O1PD forecast that this will be achieved. ⁷ |

Source: Objective 1 Programme Directorate (assessment made by MTE)

Denotes indicator detailed in Programme Complement, not SPD

¹ Actual number 150 – 37% based on 150 as % of 403

² Actual number 307 – 35% based on 307 as % of 869

³ Based on MTE analysis of EAGGF data

⁴ Based on MTE analysis of EAGGF data

⁵ Includes land reclaimed and developed

⁶ Includes floorspace constructed and created

⁷ Monitoring data suggest that actual achievement is much lower (at between 31 and 40 SMEs).

Effectiveness Criteria – Results – by the end of 2003, approved expenditure will ultimately lead to the results indicated in the Programme Complement (subject to the re-quantification exercise).

Table 20.8 outlines the Effectiveness Criteria for Results. Of the 15 targets selected the Programme has already achieved four of them. The Programme Directorate also anticipate that the target for Gross Sales in Priority 6 will also be met in the next two claims. This is supported by the project review of the South Yorkshire Investment Fund. The ESF targets (all contained under Priority 3, but incorporating other ESF and relevant EAGGF Measures from across the Programme) cannot be assessed at present. At the time of preparation, the Programme Directorate were collating more complete ESF and co-financed data. This will also be boosted by claims made by LSC and other key sponsors (LEAs and Jobcentre Plus) in the last two quarters of 2003. For these reasons no assessment is made of progress against these targets.

However, it is also likely that the Programme will miss six results targets for the Performance Reserve. These are as follows:

- Priority 1: Gross Jobs. Progress in this Priority has been slow and the MTE has also recommended that the jobs target for this Priority be reduced.
- Priority 4: Gross Sales: The basis for this target has been questioned by the MTE. Although the target is being reduced, it appears questionable whether a community based Priority will achieve this, even low, volume of sales in the first half of the Programme.
- Priority 4: Gross Jobs: Progress in achieving this target by Priority 4 has been slow. However, given the need for the Programme to develop Community Action Plans as a prerequisite to the delivery of this Priority, it is was optimistic to expect this target to be met.
- Priority 5: Gross Jobs. Job creation from Priority 5 is a long lead time activity and is likely to follow the construction of sites and premises. Although short-term construction jobs will be created, there appear valid reasons to explain why this target has not been met.
- Priority 5: Gross Sales. Progress in the delivery of Measure 30 has been slow. It is a Measure which requires links being made with inward investment activity in the Programme. As this has been a poor performing area of the Programme (due to socio-economic conditions and the time taken to develop an inward investment package), this target has been missed.
- Priority 6: Gross Jobs. This target will be missed.

Table 20.8: Effectiveness Criteria - Results

| Criteria | Target | Committed | Actual | Assessment |
|---|------------------|-----------|--------|---|
| Priority 1: Stimulating the Emergence of New and High Technology Growth Sectors | | | | |
| Gross sales | £102.4m | £177m | £81.3m | Achieved when £20m of DTI (RSA) match included. |
| Gross jobs | 1024 | 1,580 | 485 | Likely that target will be missed. |
| | | | | |
| Priority 2: Modernising Business through Enhancing Competitiveness and Innovation | | | | |
| Gross sales | £102.6m | £149m | £196m | Target achieved (Includes £143m from DTI match) |
| Gross jobs | 651 | 884 | 2,795 | Target achieved |
| Number of firms introducing new practices and procedures | 291 | 543 | 622 | Target achieved |
| | | | | |
| Priority 3: Building a World Leading Learning Region (Plus Targets for all ESF across the Programme) | | | | |
| % in work on leaving | 44% ⁸ | | 11% | No assessment possible |
| % gaining a positive outcome on leaving | 65% | | 47% | No assessment possible |
| % beneficiaries completing course | 70% | | 27% | No assessment possible |
| % gaining a qualification | 63% | | 18% | No assessment possible |
| | | | | |
| Priority 4: Development Economic Opportunities in Targeted Communities | | | | |
| Gross sales | £8.8m | £666k | £333k | Not achieved (even if revised target of £5.5m used) |
| Gross jobs | 126 | 64 | 52 | Not achieved. |
| | | | | |
| Priority 5: Supporting Business Investment through Strategic Spatial Development | | | | |
| Gross jobs | 1,269 | 900 | 154 | Not achieved. |
| Increased sales | £13.7m | 0 | 0 | Not achieved |
| | | | | |
| Priority 6: Providing the Foundations for a Successful Programme | | | | |
| Gross sales | £38.7m | £50m | £23m | Likely to be achieved in remaining claims. |
| Gross jobs | 553.4 | 202 | 241 | Not achieved. |

Source: Objective 1 Programme Directorate (assessment made by MTE)

The assessment of the Mid Term Evaluation is that the Programme has met 4 of its targets and may meet a fifth before final claims are met. Assessment of progress against

⁸ Data based on initial returns from some relevant projects. However, many of the projects/programmes concerned are yet to complete – therefore the data on leavers, qualifications and employment appears abnormally low at this stage.

ESF targets has not been possible. However, based on project reviews and analysis of monitoring data, the main issue in achieving these targets is concerned with data collation and analysis. If robust ESF data can be collected then the Programme should be close to meeting these targets. Six targets appear to have been missed. Of these, there is a justifiable reason for underperformance in Priority 4 (Jobs Created) as it has been necessary to put in place the CAPs. It is recommended that this target be excluded from the Performance Reserve assessment. The Gross Jobs target for Priority 1 also appears inappropriate and it has been recommended that this target be reduced. On this basis the Programme is likely to achieve 7 out of 14 targets (50 percent) and, if the ESF targets are achieved will meet 11 out of 14 targets (or 78.6 percent).

Although the assessment is made on the number of individual criteria which have been met, assessment of the aggregate performance of the Programme, against Gross Jobs and Gross Sales targets is revealing. Although six of the 15 targets missed by the Programme are either sales or jobs targets, the aggregate performance suggests progress is much stronger. This shows that the Programme has met its Gross Sales and Gross Jobs targets. This is primarily due to the performance of Priority 2 which has greatly exceeded jobs (by over four times) and sales (by nearly twice) targets. The use of Regional Selective Assistance activities as matching funding have made a substantial contribution to meeting these targets.

Table 20.9: Effectiveness Criteria – Gross Sales and Gross Jobs

| Indicator | Target | Committed | Achieved | %Achieved |
|-------------|--------|-----------|----------|-----------|
| Gross Sales | 266.2 | 376.666 | 300.633 | 112.9% |
| Gross Jobs | 3623.4 | 3630 | 3727 | 102.9% |

Source: Objective 1 Programme Directorate (assessment made by MTE)

20.4 Quality of Data

The data used to make the assessment of the Performance Reserve has been drawn primarily from the systems used to monitor ERDF, ESF and EAGGF expenditure. Where data are incomplete, as in the case of ESF, no assessment has been made at this stage and this has been stated. However, the review of the management and implementation systems (section 13 of the MTE) suggests that in general, and in particular with regard to key Programme indicators, that the systems used to collect and monitor data are robust.

20.5 Changes in Performance Reserve Indicators

The Financial and Management indicators for the Performance Reserve have remained generally the same since the Programme was agreed. The review of performance against these indicators recommended that a specific change is made to the Management Criterion for Monitoring and Inspection, namely that there be a change from committed expenditure to certified eligible expenditure. The following tables review the changes to the effectiveness criteria.

Table 20.10: Changes to Effectiveness Criteria - Outputs

| Criteria | PC | New | Change |
|----------|----|-----|--------|
|----------|----|-----|--------|

| | Target | Target | |
|---|---------|--------|---|
| Priority 1: Stimulating the Emergence of New and High Technology Growth Sectors | | | |
| Area of specialist/hi-tech accommodation provided | 4,823 | 2,411 | Revised down following re-quantification |
| Number of SMEs/Start-ups assisted | 673 | 403 | Revised down following re-quantification |
| Number of SMEs/Start Ups receiving financial support | 646 | 80% | Indicator changed to % of SMEs assisted |
| | | | |
| Priority 2: Modernising Business through Enhancing Competitiveness and Innovation | | | |
| Number of SMEs assisted | 869 | 869 | No change |
| Number of SMEs receiving financial support | 834 | 80% | Indicator changed to a % of SMEs assisted |
| Number of agribusinesses assisted | 95 | 95 | No change |
| | | | |
| Priority 3: Building a World Leading Learning Region (Plus Targets for all ESF across the Programme) | | | |
| % young unemployed of less than 6 months assisted | 80% | N/a | Indicator removed |
| % of adults unemployed for less than 12 months assisted | 33% | N/a | Indicator removed |
| % Beneficiaries from Priority 4a areas | N/a | 36% | Indicator introduced to reflect cross cutting themes |
| % Beneficiaries working towards a qualification | N/a | 65% | Indicator introduced to reflect core ESF outcomes |
| Number of education/training institutions upgraded | 30 | 30* | No change |
| | | | |
| Priority 4: Development Economic Opportunities in Targeted Communities | | | |
| Number of capacity building projects | 87 | N/a | Indicator removed |
| CED Residents provided with a means to access employment | 143 | N/a | Indicator removed |
| Ha of Forestry land | 210 | 69 | Indicator revised downwards following re-quantification |
| Transport Projects | N/a | 30 | Indicator introduced to reflect Measure |
| | | | |
| Priority 5: Supporting Business Investment through Strategic Spatial Development | | | |
| Ha of land reclaimed/sites prepared | 75 | 40.9 | Indicator revised down following requantification. |
| Sq m of floor space constructed | 181,760 | 20,000 | Indicator revised down following requantification. |
| Number of businesses assisted | 143 | 143 | No change |
| | | | |
| Priority 6: Providing the Foundations for a Successful Programme | | | |
| Number of SMEs receiving financial support | 254 | 101 | Indicator revised down following requantification. |

Source: Programme Complement Objective 1 Programme Directorate (additional text by MTE)

Most changes made to the Outputs criteria which have been made have been because of a requantification of the Programme and the correction of anomalies in the Programme Complement. The main changes are to have a target for the percentage of SMEs assisted which receive financial assistance and changes to the Priority 3 and 4 targets. The changes to Priority 3 (and ESF targets in general) better capture the focus of ESF activity in general rather than unemployment focus of Priority 3b. The changes to Priority 4 provide scope for the progress of transport projects to be assessed. These changes appear to be appropriate.

Table 20.11: Effectiveness Criteria - Results

| Criteria | PC Target | New Target | Change |
|---|-----------|------------|---|
| Priority 1: Stimulating the Emergence of New and High Technology Growth Sectors | | | |
| Gross sales | £512m | £102.4m | Indicator revised down following requantification. |
| Gross jobs | 5120 | 1024 | Indicator revised down following requantification. |
| Priority 2: Modernising Business through Enhancing Competitiveness and Innovation | | | |
| Gross sales | £265.5m | £102.6m | Indicator revised down following requantification. |
| Gross jobs | 651 | 651 | No change |
| Number of firms introducing new practices and procedures | 291 | 291 | No change |
| Priority 3: Building a World Leading Learning Region (Plus Targets for all ESF across the Programme) | | | |
| % in work on leaving | 50% | 44% | Indicator revised down following requantification. |
| % gaining a positive outcome on leaving | 60% | 65% | Indicator revised upwards following requantification. |
| % beneficiaries completing course | 70% | 70% | No change |
| % gaining a qualification | 71% | 63% | Indicator revised down following requantification. |
| Priority 4: Development Economic Opportunities in Targeted Communities | | | |
| Gross sales | £8.8m | £5.5m | No change |
| Gross jobs | 126 | 126 | No change |
| Priority 5: Supporting Business Investment through Strategic Spatial Development | | | |
| Gross jobs | 6343 | 1,269 | Indicator revised down following requantification. |
| Increased sales | £4392 | £13.7m | Indicator revised down following requantification. Not achieved |
| Priority 6: Providing the Foundations for a Successful Programme | | | |
| Gross sales | £97m | £50m | Indicator revised down following requantification. |
| Gross jobs | 1384 | 202 | Indicator revised down following requantification. |

Source: Programme Complement Objective 1 Programme Directorate (additional text by MTE)

No new indicators have been introduced for the results criteria. However, targets have been revised downwards following requantification and the correction of anomalies in the Programme Complement.

20.6 Coverage of Indicators

The Mid Term Evaluation is required to assess whether the Performance Reserve indicators cover at least 50 percent of the Programme's expenditure. The assessment is based on the projects reviewed by the MTE. The MTE reviewed 27 projects shown on the following table. These projects account for £125,866,764 of grant commitments, or approximately 35 percent of the Programme's current commitments of £335 million. 92 percent of reviewed projects (by grant committed) were contributing to output targets and 95 percent were contributing to results targets.

Of the projects reviewed only six did not include Performance Reserve Output indicators and only three did not include Performance Results indicators. The reasons for not including Performance Reserve indicators were twofold: in the case of three Priority 4

projects, the output target used related to the previous PR output target of number of CED organisations involved in capacity building projects – these projects were also not contributing to results targets; in the case two Priority 5 projects, investment had been made in creating a delivery team which did not include capital expenditure to create square metres of floorspace or hectares of land developed.

The assessment of the Mid Term Evaluation is therefore that approximately 90 percent of grant commitments are contributing to Performance Reserve targets. This suggests that the indicators are appropriate for capturing the progress of the Programme as a whole.

Table 20.12: Coverage of Performance Reserve Targets (Reviewed Projects)

| Measure | Project Name | Sponsor | Fund | Grant (£) | PR Outputs | PR Results |
|---------|---|------------------------|------|------------|---|--|
| 1.1 | NAMTEC & M121 Phase 1 | NAMTEC | ERDF | 1,858,992 | SMEs assisted | Business Sales; Gross Jobs |
| 1.2 | SME Investment scheme phase 1 | Yorkshire Forward | ERDF | 6,775,000 | SMES assisted | Business Sales; Gross Jobs |
| 1.3 | Spinning out new businesses through research and intellectual capital | Sheffield City Council | ERDF | 2,893,596 | SMEs assisted; | Gross Jobs |
| 1.3 | High Growth Start-up | SYSBS | ERDF | 7,781,283 | SMEs assisted | Gross Jobs; Business Sales |
| 1.4 | Attracting Growth Sector Champions | Yorkshire Forward | ERDF | 6,000,000 | Companies assisted | Gross Jobs; Business Sales |
| 1.5 | Supporting new employment opportunities | LSC | ESF | 9,142,502 | % beneficiaries from P4a areas; Working towards a qualification | % gaining a qualification |
| 2.6 | SY International Trade Centre | Sheffield CoC | ERDF | 5,084,075 | SMEs assisted | Gross jobs; Business Sales |
| 2.7 | Company Scheme - Invest for Growth | SY SBS | ERDF | 9,599,927 | SMEs Assisted; Financial Assistance | Gross Jobs; Business Sales |
| 3.11 | A responsive learning system | LSC | ESF | 5,820,000 | % beneficiaries working towards a qualification; % beneficiaries from P4a areas | % positive outcomes |
| 3.12 | Re-engagement with Learning | Barnsley LEA | ESF | 7,810,112 | % from P4a areas | % positive outcomes; % gaining a qualification |
| 3.13 | Promoting and adaptable and entrepreneurial workforce | LSC | ESF | 5,282,500 | % beneficiaries from P4a areas; Working towards a qualification | % gaining a qualification |
| 3.14 | SY e-Learning Partnership | Sheffield CC | ESF | 5,835,825 | % beneficiaries working towards a qualification; % beneficiaries from P4a areas | % gaining a positive outcome; % beneficiaries completing course; % gaining a qualification |
| 3.16 | SYCON ILM | CFFE SYCON Unit | ESF | 11,193,885 | SMEs assisted | Gross Jobs Created |
| 3.18 | Coalfields Consortium - SYSEN | BDA | ERDF | 1,370,648 | SMEs assisted | Gross Jobs Created |
| 3.18 | South Yorkshire Key Fund | SCEDU | ERDF | 2,160,582 | SMEs assisted | Gross Jobs Created |

Table 20.12: Coverage of Performance Reserve Targets (Reviewed Projects) (cont'd)

| Measure | Project Name | Sponsor | Fund | | PR Outputs | PR Results |
|---------|---|-----------------------------------|-------|--------------------|---|---|
| 4.19 | Creating Opportunities in SY | Sheffield Community Transport | ERDF | 202,468 | No of Transport Projects | Gross Jobs |
| 4.20 | Netherthorpe and Upperthorpe CAP | NUCA | ERDF | 1,550,347 | <i>Organisations involved in CED capacity building projects</i> | None |
| 4.20 | Pioneer Development | Doncaster CVS | ERDF | 1,520,086 | <i>Organisations involved in CED capacity building projects</i> | None |
| 4.23 | Coal and Steel Area IDP Implementation Plan | North Doncaster Development Trust | ERDF | 361,039 | None | Gross Jobs |
| 4.24 | Rural Growth | BLSY | EAGGF | 3,000,000 | SMEs assisted | Gross Sales; Floorspace constructed; Gross Jobs |
| 4.24 | Enabling Body for Rural Areas | Yorkshire Rural Community Council | EAGGF | 3,371,292 | <i>Community Actions Completed</i> | None |
| 4.25 | Intermediary Body for Forestry Resources | SY Forest Partnership | EAGGF | 994,885 | Ha of Forestry Land | Gross Jobs |
| 4.26 | Intermediary Body for SY Rural Skills | LANTRA | EAGGF | 525,518 | % beneficiaries from P4a areas | % Working towards a qualification; |
| 5.28 | Regeneration delivery | Sheffield CC | ERDF | 2,299,161 | None | Gross Jobs |
| 5.29 | Barnsley Delivery Team | Barnsley MBC | ERDF | 953,041 | None | Gross Jobs |
| 6.32 | Investment Fund | SYIF | ERDF | 22,500,000 | SMEs Assisted; SMEs receiving financial support | Gross Jobs; Gross Sales |
| | TOTAL | | | 125,886,764 | | |

20.7 Representation of Programme Performance

Based on the review of financial, management and effectiveness criteria it appears that the Performance Reserve indicators provide a balanced representation of the Programme to date. This section of the Mid Term Evaluation has however highlighted some anomalies, in the management criteria and in the effectiveness criteria. However, the key effectiveness indicators (jobs and business sales) are ones which remain central to a Programme which is concerned with increasing the GDP of South Yorkshire.

20.8 Conclusion

The following table summarises the assessment of the Performance Reserve indicators by the Mid Term Evaluation.

Table 20.13: Summary Assessment of Performance Reserve Criteria

| Criterion (to be met by 31st December 2003) | Assessment |
|--|---|
| Financial Criteria | Both criteria met |
| 1. Reimbursement of a sum equivalent to the First two years grant commitments. | Forecasts for Q3 and Q4 claims 2003 suggest this target will be met. |
| 2. Private sector contribution (€150m) | Target met |
| Management Criteria | Three out of four criteria will be met. |
| 1. Quality of Monitoring System | Target met |
| 2. Quality of Financial Control | Target not met on narrow interpretation of criterion. On a wider interpretation the criterion would be met. |
| 3. Quality of Project Management Systems | Target met |
| 4. Quality of Evaluation Systems | MTE conforms to MEANS quality standards. Assessment to be made by O1PD and EC. |
| Effectiveness Criteria | Over 75 percent of both criteria will be met. |
| 1. Outputs | Recommend that three (of 15) criteria be excluded on the basis of relevance. On this basis MTE anticipates that 9 out of the 12 criteria will be met. |
| 2. Results | It is recommended that one criterion of 15 be excluded on the basis of relevance. If Programme meets four ESF targets, then the MTE anticipates that 11 out of the 14 criteria will be met. |

The assessment of the Mid Term Evaluation is that, subject to minor changes to the definition of indicators and the exclusion of indicators which are no longer relevant to the core delivery of the Programme, that the South Yorkshire Objective 1 Programme will meet at least 75 percent of the Performance Reserve targets.



South Yorkshire objective 1 programme mid term evaluation

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