



HM TREASURY

Department for
Transport



BIS | Department for Business
Innovation & Skills

Richard Ellis
Victory House
Vision Park
Chivers Way
Histon
CB24 9ZR

CLr John Reynolds
Flempton House
Flempton
Bury St Edmunds
Suffolk
IP28 6EG

21 July 2009

Dear Councillor Reynolds and Mr Ellis

REGIONAL FUNDING ADVICE 2

We are writing on behalf of the Government to respond to your region's second Regional Funding Advice (RFA). This letter sets out the Government's national response which applies to all regions and also includes the regionally specific response in the latter pages.

National response

We would like to take this opportunity to thank all the regional, sub-regional and local partners for the considerable effort that has been invested in preparing the advice. We also recognise the role of Regional Ministers in engaging with regional partners and supporting central Government.

We have been impressed by the strength of partnership in the regions, and the efforts made to achieve consensus on priorities for sustainable economic growth. These partnerships will be critical in building and refining the evidence and priorities for delivering growth, and through this, developing interventions to support economic recovery.

We recognise that the advice was drafted against a background of tough economic challenges, and welcome the work that regional partners are undertaking to support businesses and individuals. In response to the difficulties in the economy and the instability in the financial markets, the Government has taken decisive and immediate steps through the Budget and Building Britain's Future (BBF) to limit the negative effects on the economy and prevent a prolonged recession.



INVESTOR IN PEOPLE

As a result of the Government's necessary actions to support the economy through the downturn, Public Sector Net Investment will rise to 3.1% of GDP in 2009/10 returning to historic averages in the next spending review period as part of the Government's commitment to ensure sustainable public finances over the medium term. The Government will continue to prioritise investments prudently whilst placing even greater emphasise on the importance of maximising the value for money.

As with central Government, agencies delivering public services across the UK will need to support this, ensuring that interventions at every spatial level are grounded in solid evidence and draw on regional and local expertise. We will need to work closely together to ensure that delivery across regions is driving sustainable economic growth. BBF identifies the importance of closer working between national Government and local delivery agencies to solve the most difficult challenges facing our country and making the most of the opportunities ahead. The Total Place programme announced at Budget will be an important way into testing out approaches to prioritising spending across the local delivery system through developing collaborative and innovative proposals to deliver better services that meet the priority needs of local places at lower cost.

For the long-term, Regional Strategies will play a pivotal role in defining regions' strategies, and will need to be grounded in strong regional, sub-regional and local partnerships. As in this RFA exercise, it will be important to take an integrated approach to planning and investment strategies to ensure that all efforts are focussed on key priorities, and to sequence plans to ensure deliverability. We believe that the RFA demonstrates evidence of the partnerships, evidence base and prioritisation necessary for delivering Regional Strategies, and that regions should continue to build on these strong foundations.

Next steps

In the short term, departments will take account of your advice when considering issues which impact within the current spending review period. It will be particularly important however for regions to work with the Government as new issues and priorities arise.

Alongside this, the Government intends to consult on guidance on Regional Strategies shortly. We look forward to working with you on the development of these strategies and expect that the results of the RFA exercise will be integral to their development.

Again, we thank you for your efforts. The Government relies on you and your stakeholders expertise in delivering front line services and we look forward to continuing to work with you.

Regional response

The advice from the East of England accurately reflects the shorter term challenges facing the region as well as setting out longer-term priorities, and is in line with the current regional and sub regional strategies. Regional co-operation has been successful and should produce a consensus that will provide a strong basis for the preparation of the Regional Strategy (RS).

Prioritisation

The advice shows prioritisation most strongly for transport, and although the basis of prioritisation of economic development aspects is less clear, the Government notes from subsequent meetings with regional partners that a process of self-review is in place so that



available funds can be targeted in the most effective way. Such a mechanism will form a crucial part of the production of the future RS. We note the advice advocates flexibility within funding streams but does not favour virement between them. The advice does not discuss the trade-offs between Public Service Agreements (PSAs), and it would be helpful to have a clear mechanism to balance competing priorities, such as economic and transport growth and carbon reduction.

Evidence base

The evidence base usefully draws on the evidence within the Regional Spatial Strategy (RSS) and Regional Economic Strategy (RES). Transport schemes are well evidenced but further attention could be given to the potential to utilise block funding. The region has usefully identified tensions between its ambitious targets for carbon reduction and provision to meet transport demand, which may require behavioural change in future. Spatial priorities have driven transport decisions because of the high levels of growth to be accommodated in region. The RFA also contains some useful analysis of skills levels across the region, reflecting their patchy nature.

Value for money (VFM)

The region needs to develop and clarify links between the evidence base and proposed actions for economic development to show how the region will achieve its Gross Value Added (GVA) aspirations and how these interventions will offer VFM. The transport advice shows some rigour applied to schemes which had previously been carried forward simply on a legacy basis, and also identifies a number of new schemes which would offer benefits and address key growth and regeneration challenges, but which at present appear unaffordable. The region and Departments will examine the risk to meeting these challenges as the economy and housing markets recover. Specific expected outputs and targets are needed to demonstrate that VFM will be achieved in skills.

Deliverability

Transport is robustly programmed in the RFA, providing confidence in deliverability. The region would benefit from demonstrating a clearer understanding of the demand for skills and the outputs for meeting it. The current inactivity in the housing market increases the challenge of meeting targets, which reflect the substantial level of growth programmed for the region, but it will be important to ensure the delivery of housing growth in the Thames Gateway and other Growth Points. Going forward, we note that the region is one of the first to prepare a joint implementation plan for the existing regional strategies, the East of England Implementation Plan (EEIP), which provides considerably more detail on implementation than the RFA and gives a good basis for assurance of deliverability.

Reflect national priorities

Economic Development

The advice is based on supporting delivery of RES priorities, which are consistent with national priorities including the regional economic performance PSA. The advice also notes the difficulty in achieving this PSA target in the current economic climate. The Government welcomes measures taken to support business through the recession, the support for the key drivers of productivity, and the focus on investment in high-value growth sectors. This is consistent with the approach set out in *'Building Britain's Future: New Industry, New Jobs'*.



Housing and Regeneration

The advice meets national priorities and rightly highlights the scale of challenge the region faces in reaching its housing ambitions, highlighting the need to work intensively with developers, authorities and wider partners.

Transport

We would like to see the region take a more strategic approach to transport, including through its work on the 'Delivering a Sustainable Transport System' (DaSTS) process. This will be essential, to make the necessary prioritisation in relation to the five transport goals. DfT will be writing separately with a more detailed response to the transport advice, including requests for flexibilities. However, in terms of carbon, the RFA does not specifically analyse the impact of its recommendations on carbon dioxide emissions, and no modelling seems to have been done to assess the overall effect of the recommended schemes. We recognise that the region has commissioned a transport carbon study that is due to report shortly and may give some insight into this issue.

Skills

The skills section links effectively to the applicable national PSA target indicators and highlights the importance of encouraging the progression of the lowest skilled to intermediate level qualifications.

Alignment

Investment priorities are set within the strategic frameworks of the RES and RSS. We are pleased to see that the EEIP was prepared in parallel with, and fed into, RFA. In finalising the EEIP, the region needs to be aware of how the advice has been taken forward and of regional economic forecasts more generally. We look forward to seeing the final EEIP later in the year. The region should also take any similar opportunities to inform the review of RSS, due for completion before the RS is introduced.

Response to the requests for flexibilities from Government

The region makes a number of asks of Government, to which we respond below:

Flexibility over Home and Communities Agency (HCA) funding streams

The Government recognises the need for the HCA to tailor programmes to meet regional priorities. This was highlighted in the recent Regeneration Framework, with a strong steer that Single Conversation processes should, wherever practicable, align with existing regional strategic direction and agreed priorities. We encourage the region to work with the HCA on this.

Skills funding and targets

Many recommendations the advice makes on skills imply additional resources, which will not become available in the current climate. Additionally, the recommendation that Government targets avoid reference to the achievement of qualifications is unrealistic. However the asks made in the skills theme raise a number of wider issues where the Government would welcome further information and additional discussion.

Roles of institutions

Work is underway to determine the roles of the Skills Funding Agency and the Young Peoples Learning Agency in the regions. The Government has held workshops with Regional



Development Agencies (RDAs) and regional partners to clarify those issues. The Department for Work and Pensions is also working on mechanisms for partners to share data.

Consider new fiscal incentives to stimulate venture capital investment

The Government is undertaking a review of venture capital investment and the RDAs have been invited to nominate a representative.

Concentrate and align investment on the region's existing centres of international importance

The Government supports this approach, as identified in *New Industry, New Jobs*. As part of the process of taking this forward, further discussion is now underway between Government and the RDAs on how to ensure support for clusters in the most effective way.

Formal endorsement of Integrated Development Programmes (IDPs) Although the Government welcomes joint investment planning we are not clear what 'formal endorsement' would mean. The Government is willing to consider further with the region how best to ensure effective alignment of investment.

The Government to acknowledge that economic conditions will affect achievement of economy and employment PSAs

The Government recognises the impact of current economic conditions on these PSAs and welcomes the steps taken by the region to respond to difficulties in the economy.

Summary of response and next steps

The advice emphasises the long-term vision for the region, but takes an equally strong focus on short-term actions that will have an immediate effect on mitigating the impact of the recession on communities in the region.

The Government welcomes the commitment to continued collaborative working by regional partners following production of RFA, not least in the development of the new Regional Strategy following the SNR. We hope that the region continues its work, as demonstrated at the meeting with central Government Departments on 10 June, in adapting to the changes which have occurred in the relatively short space of time since submission of RFA, and continues a process of monitoring, feedback and adaptation to meet current challenges and to prepare for the upturn.

A copy of the letter has been sent to your Regional Minister, Barbara Follet MP.

Yours sincerely



Ian Pearson



Andrew Adonis



Kevin Brennan



Rosie Winterton

