



HM TREASURY

Department for
Transport



BIS | Department for Business
Innovation & Skills

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Dear Mr Broomhead and Mr Robinson

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 emphasis 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

Our response covers the North West regional partners' advice in February and the subsequent advice received from the Association of Greater Manchester Authorities (AGMA) in May.

The North West advice is clear and coherent. We recognise that the North West has already formed a Regional Leaders Board and commenced production of the Regional Strategy. The degree of consensus and strong partnership working is evident.

We acknowledge that the timing for production of RFA2 provided particular challenges given the changing economic conditions, the evolving national policy context including 'Delivering a Sustainable Transport System' (DaSTS) and, unique to the North West, the referendum on the Manchester congestion charge proposals. We understand the pragmatic decision to maintain emphasis on delivery and refresh existing priorities, rather than undertaking a more fundamental review at this time.



Prioritisation

The clear prioritisation of transport investments is valuable and the Government is aware that this required some difficult decisions given the increase on existing scheme costs. We noted that the region would be "against sacrificing sustainable transport and essential maintenance schemes in favour of funding increased costs of major road schemes" but it would have been helpful for the advice to have addressed the guidance's ask that the region consider the impact of a reduction in funding.

For other themes, notably economic development, it is not always clear how the priorities in the advice will deliver the objectives. For example, the advice could set out how the proposals for funding within the region's economic objectives will tackle the region's key weaknesses in employment, skills, investment and innovation, or what progress the region expects to make in terms of bringing up performance in these areas.

We understand the reasons for deciding not to pursue virement between funding streams, although this should be something which the region revisits in future. It will also be important for the region to consider the implications of the Manchester City Region and the function of new flexibilities to deliver economic growth. Overall, however, we consider the prioritisation within the advice to be thoughtful.

Value for money (VFM)

The North West will need to develop better its assessment of the impact of the programme of investments on addressing the region's economic performance. To be able to assess VFM, the link between the evidence base and the proposed actions will need to be made clearer in the future. We recognise that this is far from straight forward, but it will be something which the region will need to develop through the Regional Strategy and its accompanying implementation plan. In particular, ensuring effective alignment of transport and housing investment should be considered a priority.

Evidence base

The advice is underpinned by the evidence behind the existing regional strategies and the priorities of the Regional Employment & Skills Board. The spatial analysis within the document is good. The inclusion of concise factual information about the region's economy, the region's priorities and challenges, and the North West response to economic challenges is welcomed. As mentioned above, the region should focus on strengthening the link between the evidence base and proposed investments.

Deliverability

The Government recognises that only the transport element of the advice sets out detailed investment plans. For this theme, we are reassured by the good delivery track record of the North West, and the limited barriers to delivery for the schemes brought forward as part of the accelerated package in the Greater Manchester sub-region. We note that there are no unallocated funds available. More information regarding the risks of cost and funding changes and the impact of these on schemes would be useful. Given the importance of alignment between themes, it will be important that priorities are revisited if transport schemes are delayed.



Reflect national priorities

The Government is content that the advice is in broad alignment with national priorities. More information on the likely impact on delivery of PSA targets would have been helpful.

Economic Development

The advice recognises the need to tackle the region's key weaknesses in employment, skills, investment and innovation, and recognises the importance of energy and the environment. It also has a strong emphasis on supporting business to respond to the recession issues and the need to ensure sustainability of future growth. We acknowledge that NWDA has refreshed its Corporate Plan subsequent to the preparation of the advice and, through this, is taking account of the conclusions of the recent RDA evaluation and the Government statement 'Industrial Activism - New Industry, New Jobs'.

The advice would have been stronger if it had set out the progress which is expected to be achieved in increasing economic growth as a result of the package of measures. Whilst accepting the long lead in time for many projects, it would be useful to discuss why such a large proportion of NWDA investment in 2008–2011 is focused on improving the physical conditions for private sector investment, and how this is consistent with a much needed emphasis on providing support for business.

Housing and Regeneration

The advice has tangible links to the national priorities and articulates well both the long term objectives and the responses needed as a result of the credit crunch. We highlight the recession's impact on private sector funded regeneration activity and the importance of an integrated approach to economic development and regeneration. Whilst long term strategic priorities are expected to remain relevant, investment plans may need to adapt.

Transport

The transport element of the advice is principally scheme led, rather than determined by high level strategic priorities. It would have been stronger if transport schemes had undergone a sense check to ensure the investment programme still reflected national priorities in the light of Eddington (transport and the economy), Stern (climate change) and, more recently, DfT's DaSTS policy. In terms of carbon, the analysis of the impact of the RFA on carbon dioxide emissions is not explicitly covered in the report. We will expect the region to take account of the need to reduce carbon dioxide emissions in its work as part of DaSTS. A more detailed response to the transport advice will be provided separately by the Department for Transport.

Skills

The advice focuses on all the national priorities and indicators in PSA2. It also demonstrates an awareness of related national policy priorities such as stimulating greater skills investment by employers and greater interest in higher skills by individuals. The rounded approach to skills, which recognises that this is not just about publicly funded activity, is valuable. As discussed at the meeting with regional partners in May, we would urge the region to go beyond comparisons with the national average and to strive for higher achievement levels.

Alignment

The advice demonstrates sound linkages between the themes. The tables on pages 7-9, which clearly show how different thematic priorities contribute towards the spatial objectives, are



particularly useful. It is reassuring to learn that the input of the emerging Multi Area Agreement areas and the North West's sub regions have informed the advice, and in future the implications of the Manchester City Region pilot will need to be considered in future. This is a recent development and an evolving agenda and it is vital that regional partners continue to play a full role in working with AGMA and Government to agree the priorities to be delivered through the pilot.

Response to the requests for flexibilities from Government.

The Government notes the comments made in connection with transport and skills and the general request for national decisions to take account of the Regional Strategy.

Summary of response and next steps

As we commented at the meeting between central government and regional partners in May, we can see how the North West advice builds upon RFA1 and has taken advantage of the good working relationships and arrangements put in place previously.

Clearly the development of the Regional Strategy now provides a good opportunity to produce a truly 'joined up' approach to co-ordinated strategic planning and investment at a time when it is especially important to ensure rigour in decision making about investment priorities. It will be valuable for the region to work closely with the Government as the RS continues to develop, particularly as the North West is likely to be at the forefront of this work. We strongly support the plans for an independent review of the evidence underpinning the Strategy. The Government will continue dialogue with the region on its views on the balance between investment opportunities and the need to get most impact from investments.

A copy of the letter has been sent to your Regional Minister, Phil Woolas MP.

Yours sincerely



Ian Pearson



Andrew Adonis



Kevin Brennan



Rosie Winterton

