



HM TREASURY

Department for
Transport



BIS | Department for Business
Innovation & Skills

Sir Harry Studholme
South West RDA
Sterling House
Dix's Field
Exeter
EX1 1QA

Councillor Angus Campbell
I Dorset County Council
County Hall
Dorchester
DT1 1XJ

21 July 2009

Dear Sir Harry and Councillor Campbell

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 South West's advice is clearly focussed around its three high level outcomes and is consistent with the emerging Regional Spatial Strategy (RSS), the Regional Economic Strategy (RES) and Regional Housing Strategy (RHS). It is in line with evidence from national and regional data sets both in terms of priorities, key places and the region's main transport investment proposals. We note the region's response to the recession and preparation for the upturn.

The advice shows good evidence of joint working and regional engagement and signals a clear need to strengthen regional capacity to drive economic performance and deliver key infrastructure. Going forward, the region needs to think more about how it can use (and continue to improve) its evidence base to prioritise and sequence investments to achieve its overall strategic priorities.



Prioritisation

The advice is in line with the financial planning assumptions provided, but does not offer any proposals for altering the balance of funding across themes. Specific priorities have been identified in terms of interventions and places which connect well with the Government's five drivers of productivity. The advice also identifies 21 key places for growth as with the RSS. For housing, more work will be needed to translate strategic priorities to action at priority places. In general, proposed actions need further clarification and detail to help the assessment of the relative merits of the investment options and priorities. For regeneration, there are some inconsistencies between spatial priorities and current/planned actions (e.g. at Plymouth). The Government would be happy to discuss how further prioritisation across place could be taken forward.

In terms of transport, the advice is in accordance with the RFA guidance and it is encouraging that it shows a good split between public transport and road schemes.

Going forward, the region needs to focus on sharpening up the priority places and programmes for investment, informed by rigorous analysis and an understanding of infrastructure which is genuinely critical for economic growth.

Value for money (VFM)

There is some assessment of VFM and, as brought up at the meeting between officials, the Regional Development Agency (RDA) Corporate Plan refresh will help aid understanding of VFM going forward as well as the rationale for prioritisation. The advice would benefit from providing a better analysis of how the impacts from differing interventions will support progress towards increasing sustained regional economic growth. On skills, the region would also benefit from making a stronger link between the evidence base, proposed actions, costs and outcomes to inform decisions on VFM.

Evidence base

Effective use has been made of available national and regional evidence, the latter informing key regional strategies. We understand that the RES was partially refreshed during the RFA2 process and expect that the evidence base has been updated accordingly. There was little evidence given on the current skills position or on examples of where the current funding arrangements are failing to deliver. The evidence base for the forward 5-year transport programme is adequate to support the identified schemes. However, the 2014 onwards element is weak and we hope this will be improved by the current work associated with 'Delivering a Sustainable Transport System' (DaSTS) initiative.

Deliverability

We welcome the mature partnership approach adopted in producing the advice. It is clear that all key agencies and local authorities have co-operated well throughout the process. We also acknowledge that a wider consultation with private, voluntary and community sector interests has been undertaken. It is difficult to assess deliverability, as the proposed investment priorities in section 4 are framed at a high level, more specific information will be necessary in order to fully assess delivery and prioritisation issues. The Government has previously expressed concerns about the capacity available at a local level to deliver schemes on time and to budget, and will continue to work with partners in this region to ensure progress is made.



Reflect National Priorities

The advice could have made a clearer link between proposals and Public Service Agreements (PSAs). However, we recognise that the advice has been framed with reference to the Government's productivity framework, the drive towards a low-carbon economy and the need for sustainable communities.

Economic Development

The advice links well to the Government's strategic priorities on the drivers of productivity i.e. enterprise, innovation, skills, competition and investment. It recognises the impact of the recession and proposes some actions to help mitigate the effects. It also identifies key regional sectors which are crucial to future growth aspirations. It will be important to ensure that national policies pursued through *'Building Britain's Future: New Industry New Jobs'* connect well to sector support initiatives at the regional level. The overarching aims of working towards productivity led growth, a low carbon economy and sustainable communities are also welcomed.

Housing and Regeneration

The advice provided on housing and regeneration is in line with national priorities, setting out a clear framework for delivery over the next period. It will be particularly important moving forward however, to ensure alignment of housing investment with transport and economic development and that the regional housing ambitions can be achieved in challenging market conditions.

Transport

The region has a challenging delivery programme, which will require careful management. DfT would like to see the region take full advantage of DaSTS to develop its evidence base and to continue to develop a robust challenge process. We will also expect the region to take account of the need to reduce carbon dioxide emissions through this work. DfT will be writing separately with more detailed comments on the region's proposed transport programme.

Skills

The Leitch Review is mentioned but no specific targets are referenced so it is difficult to know whether the proposals are in line with national skills priorities.

Alignment

The advice does not propose altering the balance of funding across thematic headings, but integration across funding streams is considered. The development of further integration across funding streams will be useful for the development of the Regional Strategy (RS). At the meeting with departments, regional partners made it clear that they thought they could work together in a more effective manner and that to date they have not yet found the best solution. They reflected that the place based approach based around the Homes and Communities Agency (HCA) Single Conversations might provide the vehicle for sub-regional funding integration which in turn could provide the basis for more aligned regional effort. We welcome this constructive approach.

Response to the requests for flexibilities from Government

Low carbon loan fund

The Government welcomes work that the region is undertaking to clarify low carbon priorities and target sectors with greatest potential. As set out in our document 'Investing in a Low Carbon Britain', BIS acknowledges the importance of this agenda.



Regional Renewable Energy Strategy Deployment pilot

DECC is in the process of developing a model for supporting more proactive and effective local and regional renewables planning. A pilot of the new model is likely to be a constructive 'next step'. The Department is keen to have direct discussions with relevant parties.

Energy Technology Institute pilot programme

The Government would be interested in receiving further details and information about the proposal in order to assess how it might complement low carbon vehicle initiatives being planned in other English regions.

Flexibility to achieve environmental standards in new buildings

The flexibility to achieve the highest possible standards in new buildings does not align with national policy (as set out in Planning Policy Statement 1) and, in current economic circumstances, may hold back market recovery.

Skills

Additional funding for skills brokerage and adult/Higher Education skills development

The request for more funds for skills brokerage and skills development is not realistic. BIS has no additional money to offer the region and existing budgets are already under extreme pressure.

National Skills Academy for Power in the South West, an Apprenticeship Group Training Association pilot and a Virtual Climate Change Academy

These requests, which revolve around processes already in train, such as the National Skills Academies for power, hospitality and nuclear, the Apprenticeships Group Training Association pilots and the Higher Education Funding Council for England's Economic Challenge Investment Fund will need to follow the relevant processes. The region will continue to work with departments where possible to take this forward outside of the RFA.

Commitment to link the priorities of the new Skills Funding Agency (SFA) to the SW agreed Regional Employment and Skills priorities

The Government agrees that the SFA (and its predecessor, the Learning and Skills Council) should seek to deliver agreed local regional and national skills priorities. The Government is currently negotiating a Multi Area Agreement with the West of England Partnership, which includes a longer-term aim to establish an Employment and Skills Board with statutory powers to direct the LSC/SFA activity on skills.

Economic Development and Regeneration

Development of a robust universal service obligation to deliver next generation broadband.

The Government's proposals on universal broadband and digital connectivity are outlined in the recently published Digital Britain Report.

Renewed support for the region's most deprived neighbourhoods.

CLG/BIS are happy to discuss with regional partners on how this might move forward.

Leveraging of money from EU structural funds, including help for current exchange rate difficulties

Within current resource constraints the Government is happy to discuss how it might help the region deal with its current exchange rate issue.



Summary of response and next steps

In summary, the South West has done well to reach agreement amongst various stakeholders to put the advice together. It represents a growing working relationship between regional partners and is a real improvement on RFA1. However, there are areas where developments should be made. The region should continue to develop its governance arrangements to allow a fully strategic and joined up approach to RSS implementation and preparation of the RS. It should also build on its suggestion for a joined up approach to place based investment. The region would benefit from focussing on how it can use and improve its evidence base to better prioritise and sequence potential investments including the possibility for virement. The region will need to continue to strengthen its capacity to effectively deliver its investment programme at all spatial levels.

A copy of the letter has been sent to your Regional Minister, Jim Knight MP.

Yours sincerely



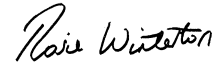
Ian Pearson



Andrew Adonis



Kevin Brennan



Rosie Winterton

