



HM TREASURY

Department for
Transport



BIS | Department for Business
Innovation & Skills

Councillor Roger J Phillips
Herefordshire Council
Brockington
35 Hafod Road
Hereford
HR1 1SH

Nick Paul CBE
Advantage West Midlands.
3, Priestley Wharf Holt Street
Aston Science Park
Birmingham
B7 4BN

21 July 2009

Dear Councillor Phillips and Mr Paul

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



INVESTOR IN PEOPLE

Britain's Future (BBF) to limit the negative effects on the economy and prevent a prolonged recession.

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

The Regional Funding Advice (RFA) is consistent with and builds on the Regional Spatial Strategy (RSS) and Regional Economic Strategy (RES). It supports Government's priorities and Public Service Agreements (PSA). The impact of the recession means that it is entirely appropriate that the region looks to secure improved, early delivery of crucial infrastructure, linked to skills and employment measures. However, to ensure that these are the right priorities and to inform future considerations partners will need to continue to develop their understanding of how underlying evidence supports the proposals and their impact.



Prioritisation

The priorities in this advice set out 20 Impact Investment Locations (IILs) for targeted multi-investment to maximise the impact of outcomes both for the locality and the region. We welcome the work that regional and local partners have put in to achieve this. We note the region's view that the projects at these locations have been identified as being capable of being delivered in a 3-4 year timescale and are critical to delivering the region's ambitions as set out in the regional strategies. Our view is that the link between the evidence base and the priorities needs further work to ensure that such investment will support the delivery of sustainable economic growth for the region.

Value for money (VFM)

We recognise that the RFA sets out broad expectations on the impact of proposals. We would urge the region to continue to look at the VFM impact of each project and welcome the work being done by partners to better understand the Gross Value Added (GVA) effects. This will no doubt be needed to inform future decisions around priority investments.

Evidence base

The advice has been developed within the context of the existing RSS, RES and other regional plans and strategies and uses the evidence that underpins these. The evidence base takes some account of the recession; however, the timing of the RFA process meant that the evidence base, as submitted in February, is increasingly out of date.

The evidence base could be strengthened by further explanation of the links between the market failures, opportunities and challenges identified and the investment required to meet the needs of the region. Regional partners will need to consider this as part of developing the evidence base for the Regional Strategy (RS).

Deliverability

The strong focus on deliverability, including through commissioning independent assessments of projects, is welcomed. It is important that the shadow Joint Strategy & Investment Board (JS&IB) continues to monitor delivery. Looking ahead, relevant departments will be able to work with regional partners through JS&IB as they develop their implementation plan to support the new RS.

Reflect national priorities

Although the advice is broadly consistent with national priorities, stronger links could be made between individual proposals and PSAs. We would like to see greater clarity on these linkages as the RS is developed.

Economic Development

The region has usefully identified growth areas within the region. It would be helpful to understand if economic appraisals have been undertaken for each of the IILs and how they tap into potential growth opportunities. It would also be helpful to have a clearer picture on the other aspects of support for economic growth within the region, including business support, enterprise and innovation. The advice also says relatively little on potential future economic growth sectors. We would encourage the region to consider a stronger focus on growth sectors and how best to support these, as set out in *'Building Britain's Future: New Industry, New Jobs'*.



Housing and Regeneration

The regional housing target is under review as part of the WM (RSS) Phase 2 Revision Preferred Option. It is not expected to be finalised until 2010. The outcome of this process will need to be considered in taking forward the priorities set out in the advice.

Transport

We welcome the region's careful articulation of an integrated programme for the role of transport in economic development. We would wish the region to take full advantage of 'Delivering a Sustainable Transport System' (DaSTS) to develop its evidence base and to ensure a more robust challenge process in the future. 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.

Skills

The advice sets out how partners have considered the integration of skills and employment opportunities with regional investment priorities. It is understood that the Learning & Skills Council (LSC) has been a key partner at the table and has ensured the integration with the Regional Skills Partnership's Action Plan, leading regional partners to seek to extend into other areas such as health and environment, which will be helpful as regional partners begin to work on developing the RS.

We note that the City Region of Birmingham, Coventry and Black Country has submitted a proposal to Ministers for a Multi Area Agreement (MAA) setting out an integrated approach to tackling some of the more intractable employment and skills issues.

Alignment

We recognise the approach taken by regional partners to a place based investment approach which has brought together and given emphasis to projects across economic development, housing and regeneration, transport and skills. We also note and welcome the suggestion for discussions on how better to align government investment in the region. This should be determined as part of the process of producing the RS, which we see as a key opportunity to explore and identify further opportunities for better alignment and integration across themes.

Response to the requests for flexibilities from Government

The region's advice identifies a number of barriers and challenges to effective joined-up and fully integrated delivery in a difficult economic climate and sets out a number of requests for flexibilities. DfT welcomes the region's thinking regarding flexibilities and will work with the region to move closer to a process which meets its aspirations. Other requests are considered below:

Alignment of Investments by Government Departments and Agencies

We are interested in securing better alignment of investment decisions and wish to discuss this further with regional partners.

Government Support for a City-Region Accelerated Development Zone (ADZ)

We are, as announced in the Budget, interested in exploring further the concept of ADZs with local authorities and city regions. CLG has recently written to local authorities asking for their views about proposals that could utilise innovative finance mechanisms.



Summary of response and next steps

The advice demonstrates a strong commitment to partnership working. The leadership shown by the shadow JS&IB in preparing this advice is welcomed and will be crucial to the development of the RS.

It is clear that the advice is owned jointly by key strategic partners, and that it has been well thought through. It is also designed to tackle the most demanding of the region's regeneration challenges. This needs to be combined with a strong focus on increasing economic growth through support for enterprise, innovation and skills development, including taking advantage of the opportunities arising in future growth sectors.

We welcome the recognition by regional partners that the West Midlands must improve its delivery performance and the advice details the plans being put in place to deal with this. It is now vital that regional partners see that these plans are implemented effectively, and ensure that the region does not under spend on its schemes.

A copy of the letter has been sent to your Regional Minister, Ian Austin MP.

Yours sincerely



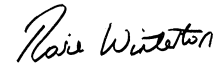
Ian Pearson



Andrew Adonis



Kevin Brennan



Rosie Winterton

