



HM TREASURY

Department for
Transport



BIS | Department for **Business
Innovation & Skills**

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Local Government Yorkshire and Humber
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21 July 2009

Dear Mr Hodgkinson and Councillor Stone

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

Overall, the Yorkshire and Humber Advice demonstrates effective alignment with current regional and sub regional strategies, takes account of more recent evidence, including about the recession, and is based on a good degree of consensus between partners. This has been achieved whilst moving to new ways of working at regional and sub regional level in response to the review of sub national economic development and regeneration (SNR), and it will be important to continue this good progress during the preparation of a regional strategy (RS).

Prioritisation

The Government welcomes the prioritisation undertaken to inform the Yorkshire and Humber advice and the commitment in the region to further develop this through the preparation of a new RS. We understand that changes to Regional Development Agency (RDA) budgets, the formation of the Homes and Communities Agency (HCA) and the economic downturn all combined to make it difficult for regional partners to make decisions about long term priorities.



As such, we accept the decision at this stage not to propose virement between funding streams. It will however be important to ensure prioritisation is pursued more clearly in the development of the RS.

Evidence

The advice has been developed within the context of existing regional strategies and uses the evidence that underpins these, as well as more recent regional, sub-regional and local evidence and sustainability appraisal. It also reflects the current economic conditions in the region and the emphasis of the proposals is on ensuring readiness for the anticipated upturn. Although the advice demonstrates a good understanding of the current economic position of the region, it does not clearly identify the market failures which may be holding back performance, or what will work best to address them. We will seek to work with the region to understand the evidence as it moves forward with RS production.

Value for money (VFM)

It is not possible to assess VFM provided by the advice given the lack of clear linkage between the evidence base and the priorities and the broad breakdown of spend in some areas. We recognise that transport schemes were explicitly assessed in terms of VFM, and the virement of funds to the integrated transport and maintenance block in the short term is a welcome commitment to make best use of transport funding and support economic activity in the recession. However, the advice does not explain to what extent the whole package will support regional Gross Value Added (GVA) aspirations or which priorities are most important for maintaining and driving growth. Partners will need to ensure rigorous assessment of VFM as they prepare the RS and its implementation plan and we will work closely with you through the Government Office to help with this.

Deliverability

It is evident that regional partners worked closely together in developing the advice and that there is wide regional support for the priorities. However, it will be important for regional partners to refine their approach further and ensure that priorities are realistic and deliverable. The new RS, in particular, will need to be supported by a clear implementation plan, taking account of all available resources, to ensure objectives and priorities in the strategy are achievable.

Reflect national priorities

Although the advice is broadly consistent with national priorities, there is no quantification of the likely impact on the delivery of the Government's Public Service Agreement (PSA) targets. The Government would like to see more clarity on this issue as the RS is developed.

Alignment

The alignment of priorities within and between funding streams in the advice is helped by current regional strategies providing the context and by the strong sub-regional input. This has resulted in a clear focus on cities and towns and particular sub-regional challenges and we would encourage the region to continue to work together in this way. Regional partners have a vital role in supporting the development of the Leeds city-region pilot, announced at Budget. Government will look to all partners to work together and with Government to agree and deliver on the key priorities for the Leeds city-region.

Economic Development

We are pleased that the advice deals with skills priorities as an integral part of the economic development section. We recognise that the economic development and skills priorities flow from agreed strategies and reflect the close work between Yorkshire Forward and local authorities over



the last year in agreeing Geographic Programmes for RDA investment, and also engagement with business interests and other stakeholders through Regional Assembly Boards and working groups.

We are pleased to see the imaginative use of European and RDA funding to develop an enhancement to the Learning and Skills Council's (LSC) Train to Gain offer and provide much greater flexibility, particularly in delivery of the higher level skills it has identified as important. We also welcome the general desire to align funding to regional skills priorities, although this has to recognise that the remit of higher education institutions extends much further than serving the needs of their immediate localities.

The priorities address the drivers of productivity and the advice refers to relevant national objectives, including improving regional economic performance, although there is no quantified analysis of how delivering the priorities will help achieve these ambitions and the analysis of particular sectoral strengths and weaknesses could be stronger. The Government will wish to discuss this further in the context of the new approach to supporting business set out in *'Building Britain's Future: New Industry, New Jobs'*.

Housing and Regeneration

The housing and regeneration priorities are based on current regional housing and spatial strategies and the HCA Regional Delivery Framework and reflect the strong system of sub regional working through the Regional Housing Board and investment planning. The advice generally takes a realistic view of current housing market conditions and balances the need for flexibility, especially after 2011 through the "trans-theme investment fund", with the need to meet existing strategically important commitments and to address the economic downturn. However, there is no explicit mention of how the priorities will help increase housing supply and improve affordability in line with PSA20. These, and the implications of the Leeds City Region forerunner status and the potential for Housing Market Renewal to aid economic recovery, should be further addressed in the work to prepare the regional strategy.

The Government expects the HCA to coordinate its delivery with regional priorities and will work closely with regional partners to ensure this alignment. We would encourage regional partners to continue to work closely with the HCA through the new regional boards and by fully engaging with the Single Conversation.

Transport

The transport priorities are based on the recently agreed Regional Transport Strategy and RFA1 priorities which have been re-appraised. We note that most new priorities are for public transport, reflecting Regional Spatial Strategy (RSS) and stakeholders' views, and that schemes generally relate well to economic development, regeneration and housing priorities. The advice proposes switching funds from Major Schemes to Integrated Transport and Maintenance which we agree will address immediate needs to help economic recovery and maximise resources available to the programme. The proposed over-programming will allow some flexibility and help delivery. We note that some schemes are ambitious and it will be essential to ensure rigorous programme management and monitoring. The advice is not explicit in terms of how the priorities will contribute to transport PSAs, although we agree that the focus on public transport will help reduce CO2 emissions and congestion.

We would like to see that the region takes full advantage of 'Delivering a Sustainable Transport System' (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.

A more detailed response to the transport advice will be provided in a letter from the Department for Transport.

Summary of response and next steps

We are pleased to see that the Yorkshire Forward and local authority leaders are committed to preparing a RS over the next couple of years, and are already taking initial steps in advance of the legislation being in place. The Government will work closely with regional partners to support this, and we look forward to agreeing a project plan to define the scope of the regional strategy and key milestones over the summer.

Further work on priorities and preparation of the RS will need to continue to improve alignment between economic development, regeneration, housing and transport priorities to achieve the long term sustainable economic growth of Yorkshire and the Humber. This will require rigorous prioritisation and assessment of VFM. Effective monitoring of investment and its impact will help to inform this process, and the Joint Regional Board will need to work closely with the four functional sub regions and other key partners to make this happen for example, by ensuring that Yorkshire Forward's Geographic Programmes, the HCA's single conversations and transport investment are brought together in the RS.

In summary, the key challenge in Yorkshire and Humber will be to continue to improve vertical alignment between regional, sub regional and local levels and horizontal alignment between economic development, regeneration, housing and transport investment in terms of both prioritisation and delivery. We will work closely with you, through the Government Office, to help achieve this.

Yours sincerely



Ian Pearson



Andrew Adonis



Kevin Brennan



Rosie Winterton

