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Dear Ms Podgson

Dear Ms Alexander

Ministers have today written to the Chairs of your organisations with the Government's response to your Regional Funding Advice submitted in February. This letter is to provide you with further details of this Department's response to the transport aspects of your advice.

Firstly, we should stress the Department's appreciation for the detailed work that has been carried out at regional and local level to provide the transport RFA advice. The work already carried out will provide a good context for the prioritisation work to contribute to the Department's strategy for investment post 2014, and for the work in preparing integrated Regional Strategies. It is particularly commendable that this work was completed successfully at a time of regional transition following the sub-national review.

This second RFA round has built on the success of the first round. It has given the Regional Development Agencies and Regional Assemblies/ Leaders' Boards, in conjunction with their local authority, and other, partners, the opportunity to consider their transport proposals against their regional objectives and strategies, and to develop a prioritised programme of investment that best meets their needs for the future. It has, furthermore, enabled regions to advise on the distribution of block funds for the first time, and on the balance between funding for major schemes and block. The Department has been encouraged by the creative way in which several regions have utilised these flexibilities.

Looking ahead, there is a need to think more broadly about options for the period to 2019 and beyond, as set out in "Delivering a Sustainable Transport System" (DaSTS). We are grateful for the advice which the region submitted on 30th June on studies which might be undertaken in that context, including the careful look you have already given to the available evidence and wider knowledge base. We are discussing this advice further with you, with a view to making early progress on your proposals.

Most regions have, in their RFA2 advice, submitted transport programmes that have fully committed their allocations to 2019 but the Department will expect regions to reconsider and re-prioritise their advice for the medium to long term in the light of new options that are developed through the DaSTS study work over the next two years. We are attaching with this letter further Guidance on DaSTS which our Ministers have now agreed.

Carbon emissions will become an increasingly important determinant of the transport choices we make. The work that regions have done on carbon in developing their RFA2 advice is a start, but it is clear that the evidence currently available is not sufficient to fully appraise the carbon impacts of schemes and programmes to the extent that the Department would like, nor in most cases are the carbon implications yet seen to be driving either the overall strategy or scheme prioritisation. The Department acknowledges that much of the proposed RFA programme is early in development and that conditional and/or full approval would be subject to promoters fulfilling current NATA advice and assessing and monetising the greenhouse gas impacts of schemes. Notwithstanding this, the region should be aware that the UK is signed up to very challenging targets on greenhouse gas (GHG) emissions – committed to a 34% reduction in GHG emissions by 2022, and an 80% reduction by 2050. Transport has a key role to play in meeting these obligations, and reducing GHG emissions is one of the goals established under its DaSTS work. The Department is looking to regions to make a positive contribution towards meeting these objectives, including, where possible, through sustainable transport measures. The Department will be carrying out its own work into reducing transport's carbon dioxide emissions, developing the work set out in its Carbon Reduction Strategy, and will be happy to share its work on the impacts of interventions that are open to regional and local bodies.

It is clear that the choices that regions and Government make now in terms of priorities for funding need to take due account of the above developments, particularly in a context of fiscal uncertainty going forward. Each decision made now will impact upon the funding available for future schemes and, potentially, levels of block funding. There is also a risk that development costs may be wasted if schemes are progressed but cannot be delivered in the timescale proposed. Both the Department and regions will need to consider such risks with care over the coming months.

The Department is generally content with your transport advice and can accept the priorities you have identified. But given the fiscal uncertainty, increasing carbon constraints and DaSTS work in hand, a 10-year programme must

necessarily remain provisional at this stage. We are nevertheless willing to work in the short to medium term on the basis of the programme you have recommended.

As a general assumption all schemes that were accepted in the RFA and remain in your RFA2 advice will continue to be progressed as planned through the system. For schemes that have been prioritised by you for the first time in RFA2, the Department is willing to accept Major Scheme Business Cases from the promoters of these schemes at the appropriate point, but will wish to work very closely with regions and individual authorities to ensure that these proposals are as robust as possible before a bid submission is made. This includes fully examining and challenging schemes' appraisal of options against stated objectives.

Furthermore, the Department proposes that any new applications for formal scheme approvals should be accompanied by an assurance from the region that, taking account of the future fiscal uncertainties, they still wish the scheme to be progressed as a priority, having considered the risks involved, particularly to the prospects for other potentially important schemes at an earlier stage of development and to general levels of block grant.

This will apply not only to Local Authority schemes' progression through the Department's funding approval stages but also to Highways Agency schemes moving into the Options, Development and Construction phases of the Agency's Project Control Framework. The Department would expect the region to re-consider the proposals within its development work for DaSTS. The Department's Regional Engagers will be happy to talk through these requirements with you in more detail.

Naturally the Department regrets the necessity of a further procedure. We hope however you will understand that we are seeking to develop constructively with each region the most prudent way forward. It is important that each region gains the maximum benefit from the funding available.

We are also able to confirm the Department's response to the following specific proposals in your advice.

We are content in principle for regional partners to introduce a Regional Infrastructure Fund (RIF) in the South East. We look forward to receiving the region's first forward programme of allocations and RIF recovery proposals in due course.

Earlier this year we announced that we would fund three South East schemes in 2009/10 by means of a transfer of funds to the relevant Local Authority's Integrated Transport Block with no requirement for appraisal. We can now confirm that, where regions are recommending a total RFA contribution of £5m or less for any scheme, we would be content for this to be paid as an addition to block in a similar way, subject to regions' agreement.

For the South East this includes.

Medway Tunnel (Medway)
A332 Windsor and Eton Relief Road (Windsor and Maidenhead)
Access to the strategic Development in Portsmouth and SE Hampshire
(Trafalgar Link)
A40 Abbey Way scheme (Buckinghamshire County Council)

We note the region's comments regarding the latest cost estimates on the A27 Chichester scheme and your desire to develop a solution to the issues on the A27 and along the South Coast within the overall envelope of £137m. We have instructed the Highways Agency to stop development work on the scheme as currently defined and to lead the development of lower cost options in liaison with yourselves and the other delivery agencies.

We note this is linked to part of a wider exploration of alternative integrated solutions to transport issues along the Sussex Coast, within the overall allocations set aside for the Sussex Expressway and Brighton Rapid Transit schemes.

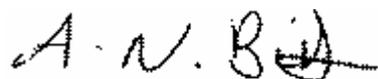
The Department notes the region's position in leaving unchanged the current distribution of block grant, and the balance between block grant and majors, in this round of regional funding advice. You will note from the DaSTS Guidance that if the region wishes to offer further advice on the distribution of block grant it needs to do so by April 2010, in order to feed into the next 3-year local settlement. The Department will encourage the region to develop its evidence base and review its position on block funding in the light of its DaSTS work and the wider financial climate.

We will wish to continue to work closely with regions in managing their programmes, particularly during periods of fiscal uncertainty and Bob Collins will be in touch shortly to arrange a meeting regarding next steps.

Yours sincerely,



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Nick Bisson
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