

**SOUTH EAST ENGLAND
REGIONAL HOUSING BOARD**

Date: 3 September 2008

Subject: **Regional Funding Advice:
Guidance on Preparing Advice**

Report of: Director of Development

Recommendation:

It is recommended that the Board note the content of the report

Purpose of the Report:

To advise the Board on the publication of the guidance on preparing the second round of Regional Funding Advice and to set out, in broad terms, the approach being pursued in the region to develop the region's submission.

Key Issues:

The timely delivery of investment in infrastructure to support planned growth is a critical issue for both the draft South East Plan and the Regional Economic Strategy.

The scope of the Regional Funding Advice has been extended by Government to include additional transport expenditure plus a significant proportion of the funding that will be managed by the new Homes and Communities Agency. In addition the guidance published by the Government encourages the region to submit views on regional priorities for investment in skills. The RFA therefore provides the region with a significant opportunity to ensuring that public sector investment is targeted in the most effective way to support delivery of regional priorities.

The Regional Housing Board will have a key role in shaping the advice on investment priorities for housing. The Chairman of the Board will be a member of the steering group that will be established to oversee the preparation of the RFA submission.

1. Context

- 1.1 The Review of Sub National Economic Development and Regeneration in 2007 recognised the success of the first round of Regional Funding Advice (RFA) and announced the Government's commitment to a second expanded exercise, covering a wider range of funding streams relevant to economic growth.
- 1.2 The guidance setting out the scope and arrangements for the second round of the RFA was published by Government in July. We are requested to submit our advice to Government by the end of February 2009. The Department for Transport has subsequently published a more detailed technical note relating to the preparation of advice on transport expenditure.
- 1.3 The RFA encourages regions to develop and deliver a regionally agreed, coherent investment programme which aligns aspects of spatial planning, economic development and housing, taking account of economic geography. The Government expects the RFA exercise to advise on the priority areas for regeneration, to guide targeted regeneration investment and to help align central government funding streams to support regional priorities.

2. General Principles

- 2.1 Through the RFA the region is required to provide advice both on the short-term investments and on the medium to long-term investments necessary to meet the sustainable economic needs of the region. It is required to set out specific funding priorities for each year up to and including 2018-19, with an indication of how these priorities could be best met within the funding streams set out in the CSR years and for later years within the overall indicative allocation.
- 2.2 The advice is required to set out how our proposed portfolio of investment will meet the region's objective to raise the rate of sustainable economic growth and help deliver relevant national PSAs. It needs to illustrate a clear prioritisation of investments and should explain the trade-offs that have been made, with the evidence base supporting difficult decisions.
- 2.3 The evidence provided in the region's advice will inform the next spending review. It therefore provides us with the opportunity to influence the allocation of public sector funding in a way that benefits the region.

3. Scope and Size of Funding Allocations

- 3.1 The scope of the funding allocations covered by the RFA has been extended to include additional transport, housing and regeneration funding. Annex I provides details of the funding streams now covered by the RFA and on which the region's advice is sought.
- 3.2 The funding streams included in the RFA amount to £1,134 bn in the current financial year (2008/09) rising to £1,544 bn in 2018/19. For the current 3-

year Spending Review (the period to 2010/11) a significant proportion of this funding is already committed. While it is important to avoid unnecessarily reviewing committed expenditure, the RFA process provides the opportunity to ensure that those commitments remain the most appropriate use of public sector investment in light of the economic downturn.

- 3.3 Beyond the current Spending Review period the figures set out in the guidance are forward planning assumptions. Although there is an indicative breakdown of the RFA figures by policy area it is clear that Government is looking for the region to advise it on the most appropriate allocation of funding is given the evidence base available within the region. This might support virement of some funding from one funding stream to another.
- 3.4 As with the first RFA exercise the guidance requires the region to consider our investment priorities within a context of different funding and costing scenarios. In particular we are required to consider both:
- i) a high case of 10% more funding per annum or a low case of 10% less funding;
 - ii) scenarios in which costs were to increase or decrease by a similar margin.
- 3.5 Although the funding channelled through the Learning and Skills Council is not formally included within the scope of the RFA, the guidance makes it clear that Government welcomes advice on the region's skills priorities as part of the overall package of advice.

4. Criteria for Advice

- 4.1 While it is for the region to determine the approach that will be used to prepare the RFA submission the guidance sets out that Government expects to see the following criteria to be met:
- a) It must be evidence based – it should articulate the economic conditions and challenges faced by the region, underpinned by relevant and reliable regional data. It should also take into account evidence about the region's key environmental and social challenges and be consistent with current and anticipated future conditions.
 - b) Realistic – the advice must be based on the indicative funding assumptions. Risks to programmes need to be considered and strategies to mitigate these risks have to be put in place;
 - c) Value for Money – the advice must represent value for money, with costed proposals that have been tested for deliverability, so far as is reasonably practical;
 - d) Consistent – consideration must be given as to how the advice set out in the region's submission fits with other regional strategies;

- e) Reflect National Priorities – the advice should include an assessment of the impact on national priorities as set out in the Government’s PSA set. The relevant PSAs identified in the guidance are:
- PSA 1 : Raise the productivity of the UK economy;
 - PSA 2 : Improve the skills of the population, on the way to ensuring a world class skills base by 2020;
 - PSA 5 : Deliver reliable and efficient transport networks that support economic growth;
 - PSA 6 : Deliver the conditions for business success in the UK;
 - PSA 7 : Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions;
 - PSA 20 : Increase long-term housing supply and affordability;
 - PSA 27 : Lead the global effort to avoid dangerous climate change;
 - PSA 28 : Secure a healthy natural environment for today and the future.
- f) Reflect the priorities emerging in Multi Area Agreements – where MAAs have been signed off or are in development the advice submitted should be consistent with the MAA evidence base.

5. Preparing the Advice

- 5.1 It is for the region to decide on the process that will be followed to produce the advice, which should be no longer than 35 pages, including annexes and tables.
- 5.2 As with the first round of RFA the advice should represent that of the whole region and not of any one single organisation. The guidance notes that Regional Assemblies, Regional Development Agencies, Leaders’ Forums (where they have been established) and local government will all have a key role to play in developing the advice.
- 5.3 The guidance goes on to emphasise that the advice will be more credible if it is based on a wide consensus and reflects the views of the broadest range of stakeholders, including the business community, social, environmental and economic partners and third sector. Regional stakeholders are encouraged to engage the public when gathering advice on regional priorities.
- 5.4 The Government Office will act as facilitators of the process, ensuring that regional partners have a clear understanding of the task and that points for clarification are considered in advance of submission.

6. Taking the Process Forward in South East England

- 6.1 The preparation of the region's advice will draw heavily upon the extensive evidence base that has already been gathered and which underpins the draft South East Plan and the Regional Economic Strategy.
- 6.2 The commitment to prepare the Regional Delivery Plan – the document through which we are bringing together the implementation plans associated with the South East Plan and the Regional Economic Strategy into a single document – will be a critical part of the process to prepare the RFA submission. The Regional Delivery Plan will identify the outputs and outcomes that need to be achieved in order to deliver the ambition set out in the regional policy framework. In this way we can use the Regional Delivery Plan not only as the evidence base that underpins the RFA submission but also in the preparation of our case as part of next year's Spending Review.
- 6.3 The Regional Transport Board is already embarked on a review of the regional programme of transport investment with a view to feeding the outcome into this process. SEEDA will provide advice on how the policy framework set out in the Regional Economic Strategy should be reflected in priorities for investment in economic development.
- 6.4 This Board will have a key role to play in using the Regional Housing Strategy to shape the advice on investment priorities for housing. There will be a substantive debate on the RFA at the Board's November meeting; the timing of the following meeting is such as to enable the Board to consider any outstanding issues prior to the RFA submission being finalised.
- 6.5 Work is hand to firm up the details of the process to be followed in the region. This will include making provision for engagement with the widest possible range of stakeholders, as well as providing opportunity for the wider public's views to be fed into the preparation of the submission.
- 6.6 A steering group comprising members of the Regional Assembly and the SEEDA Board is being established. The purpose of this group will be to oversee the preparation of the submission on behalf of the region. Membership of this group will reflect the constituent membership of both organisations, and will include representatives from the business community, voluntary and environmental sectors. The Chairman of the Regional Housing Board will be a member of the steering group.

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Scope of the Regional Funding Advice

The guidance published by Government identifies the following funding streams as being those on which the region's advice is being sought by Government.

TRANSPORT

- Local Authority and Highways Agency regional major transport schemes (i.e. those schemes costing in excess of £5m); and
- Local transport block funding (post 2010-11) – advice is sought on the relative size and distribution of these budgets (including the proportions of funding to be allocated between the blocks and major schemes).

HOUSING AND REGENERATION

- Advice on the funds which will mainly be transferred to the Homes and Communities Agency (HCA), specifically advice on the distribution of resources between:
 - Regional Housing Pot
 - English Partnerships Funding
 - Housing Market Renewal pathfinder
 - Growth Funds
 - Thames Gateway funding

ECONOMIC DEVELOPMENT

- For the RDA single budget (post 2010-11) – advice on the regional priorities; and
- For ERDF – advice on regional priorities within this funding stream