

**SOUTH EAST ENGLAND REGIONAL ASSEMBLY
REGIONAL PLANNING COMMITTEE**

Date: 26 November 2008

Subject: **Regional Funding Advice**

Report of: Director of Development

Recommendation:

It is recommended that the Committee note the contents of the report.

Purpose of the Report:

To advise the Committee of the scope for the Regional Funding Advice; the working arrangements that have been put in place to oversee the development of the region's submission; and the direction of travel with regards to key issues arising from the discussion at the Regional Steering Group.

Key Issues:

The Regional Funding Advice (RFA) builds on the previous round of Regional Funding Allocations submitted by the English regions in 2006. The RFA process encourages us to develop and deliver a regionally agreed, coherent investment programme which aligns aspects of spatial planning, transport, economic development and housing, taking account of economic geography.

We do not start with a blank sheet of paper. Our previous advice, which the Government endorsed, is being taken forward through the work of the Regional Transport Board (RTB) and Regional Housing Board (RHB) and by SEEDA. These fora are already working to develop updated advice that will feed into the RFA submission.

Our new submission needs to build upon the foundation laid by our previous advice. However we must consider both the current economic conditions and the need to deliver longer-term regional objectives (as set out in the South East Plan and RES) in our new submission.

1. Overview

- 1.1 The Regional Funding Advice (RFA) builds on the previous round of Regional Funding Allocations submitted by the English regions in 2006¹. By providing evidence on the investments that we considered vital for meeting the region's objectives, as well as the trade-offs inherent in those priorities, our advice also informed the 2007 Comprehensive Spending Review.
- 1.2 The RFA process encourages us to develop and deliver a regionally agreed, coherent investment programme which aligns aspects of spatial planning, transport, economic development and housing, taking account of economic geography. The RFA also requires us to draw together a robust evidence base on the economic challenges and barriers to sustainable economic growth.
- 1.3 We do not start with a blank sheet of paper. Our previous advice, which the Government endorsed, is being taken forward through the work of the Regional Transport Board (RTB) and Regional Housing Board (RHB) and by SEEDA.
- 1.4 Our new submission needs to build upon the foundation laid by our previous advice. However we must consider both the current economic conditions and the need to deliver longer-term regional objectives (as set out in the South East Plan and RES) in our new submission.
- 1.5 We must ensure that our investment priorities are aligned, supported by a solid evidence base and that there is widespread consensus among regional and local partners in the public, private and voluntary sectors.
- 1.6 Our submission must be no longer than 35 pages in length and must be submitted to Government by the end of February 2009. The RFA will subsequently form a key part of the evidence base informing the Government's Comprehensive Spending Review in 2009.
- 1.7 It is important to bear in mind that the task associated with the RFA is to set out investment priorities for the funding that has been identified for our region. We know that there is a broader issue about the overall level of funding available to invest in supporting growth. The Executive Committee will be considering this issue in greater detail at its meeting in December. While our RFA submission can highlight this concern, it is a matter that is best pursued further as part of the impending Comprehensive Spending Review.

2. Scope of the Regional Funding Advice

- 2.1 The scope of the funds covered by the RFA process is set out in Annex 1. The figures for our region are set out in Annex 2 (tables 1 and 2). These cover the current Comprehensive Spending Review (CSR) period (2008-11) and indicative allocations for the period beyond (2011-19). As in the last RFA these long-term financial planning assumptions are not guaranteed but are designed to help frame strategic thinking about investment priorities.

¹ The South East RFA 2006 is available at http://www.southeast-ra.gov.uk/alignment_regfunding.html
Regional Assembly/Regional Planning Committee/26 November 2008/Agenda Item 6
20 November 2008

- 2.2 The criteria that our submission must satisfy are set out in Annex 3. We need to set out specific funding priorities for each year up to and including 2018-19. We need to indicate how these priorities could be best met within the funding streams set out in the current CSR (2008-11) and for later years within the overall indicative allocation (considering long-term strategic priorities over specific blocks of years).
- 2.3 The Government acknowledges that the RDA single budget represents only a fraction of the total spend on economic development in the region. Therefore in setting priorities and aligning these to available resources we are asked to take into account the amount of economic development funding from other sources which might be levered in.
- 2.4 Our submission needs to present a clear prioritisation of investments, with evidence to support the decisions taken. It has to demonstrate an integrated approach to investments, demonstrating the linkages between funding streams; this is our opportunity to set out how we envisage alignment of central government funding streams to support regional priorities.
- 2.5 From 2011/12 the funding streams have been aggregated into a single indicative allocation for the region. As with the previous RFA we have the option to recommend a change in the balance of spending between policy areas if this would be the best way to meet economic growth objectives.

3. Working Arrangements

- 3.1 It falls to the Assembly and SEEDA to take the lead in producing the RFA submission. As in the first round of RFA, 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 the third sector.
- 3.2 The region has established structures – in the form of the Regional Housing Board and Regional Transport Board – through which it is able to develop advice on investment priorities. SEEDA has established the RES Steering Group as a mechanism for working with partners to ensure that the economic development funding is targeted effectively to deliver RES targets.
- 3.3 The main focus of the region's effort to develop the RFA is therefore through these existing fora. A Regional Steering Group has been established to oversee the preparation of the submission. Regional Assembly representation on this group is in the form of the Chairman and Vice-Chairmen of the Assembly. The Chairmen of the Regional Transport and Regional Housing Boards are also members of the Regional Steering Group.
- 3.4 The Regional Steering Group met for the first time on the 12 November and provided an initial steer on key issues (see below). Work is now underway to develop a draft of the RFA submission. The Assembly's input into the process will be through the Executive Committee. A second meeting of the Regional Steering Group will be held in mid-February to 'sign-off' the submission on behalf of the region.

3.5 As before a meeting of wider stakeholders will be convened as part of the process of developing the submission.

4. Direction of Travel

4.1 The Regional Steering Group has already provided an initial steer on a number of issues.

4.2 Spatial Priorities

4.2.1 Through the work of the Regional Housing Board, the Regional Transport Board and the SEEDA Corporate Plan our investment priorities already take into account the spatial requirements of the South East Plan and the RES (Annex 4). However we need to develop a stronger place based narrative that demonstrates how our investment priorities are aligned towards delivering our agreed outcomes.

4.2.2 By way of illustration, consider the regeneration of the Bexhill and Hastings area. Investment channelled through the RTB will enable the Link Road to be constructed. This will enable new development opportunities to be brought forward, opportunities that are in part being funded through investment managed by SEEDA. The RHB is able to support the provision of affordable housing, together with improvements in the condition of existing housing stock. Finally investment in the provision of higher education and further education facilities is helping improve skill levels locally. This approach demonstrates the added value of aligning investment at the regional level that supports the regeneration of Bexhill and Hastings.

4.2.3 Our previous RFA submission drew together the spatial geography set out within the South East Plan and the RES into a common framework. This in turn reflects the mapping that is used in both documents. This will provide the spatial framework within which our updated advice will be framed.

4.2.4 The Growth Areas and Growth Points are national designations that need to be reflected as spatial priorities within the RFA submission. Beyond that the focus provided by the sub-regions (in the South East Plan) and the South East Diamonds for Investment and Growth (in the RES) provide the spatial focus required. There is already a strong correlation between the Diamonds and the Regional Hubs identified in the South East Plan. Indeed approximately 50% of the growth identified within the South East Plan is located within the Diamonds.

4.3 Redistribution between Funding Streams

4.3.1 The Regional Steering Group has agreed that we should look in greater detail at the potential benefit of recommending a redistribution of resources between policy areas. The rationale for this being that giving greater weight to some areas, for example investment in infrastructure, could help position the region to be ready to take advantage of the eventual economic upturn.

4.4 Pump-Priming Funding

4.4.1 Our previous RFA submission put forward the proposal to establish a Regional Infrastructure Fund (RIF). The RIF is being established using funds identified from within the transport and economic development funding streams within the RFA. A pump priming fund, the RIF will be operational from the early part of 2009. It will enable infrastructure to be delivered, the cost of which is recovered at a later date through the planning system.

4.4.2 Initial work undertaken to develop the Business Plan for the RIF has identified a potential demand that exceeds the funds currently identified. The Regional Steering Group has agreed that we should consider the implication of identifying additional funds to invest in mechanisms such as the RIF. Such an approach could potentially be more significant in the present economic situation where public sector leadership is critical.

4.5 Investment in Change

4.5.1 Both the South East Plan and the RES place great emphasis on achieving a more sustainable pattern of development; both documents give significant weight to the need for behavioural change. In this context the Regional Steering Group wants to use the RFA process to explore the extent to which we have an opportunity to refocus investment in such a way that it provides the opportunity for change to occur.

4.5.2 By way of illustration, consider the emphasis given to reducing the need to travel. We seek to achieve this through integrating land use and transport planning more effectively. If we succeed then the types of investment in transport will undoubtedly change as a result. We could, for example, see a greater need for a larger number of smaller scale local investments and less need for strategic investments. Through the RFA process we have the opportunity to consider the balance between these types of investment.

4.6 Alignment with Other Funding Streams

4.6.1 Our RFA submission provides us with the opportunity to set out how we can improve the alignment of investment across the public sector. The previous RFA advice highlighted the importance of integrating investment in skills as part of the RFA process. This has in part been addressed with the new round of RFA. However there may be a need to press for further reform in the way national programmes reflect regional/sub-regional priorities.

4.7 Alternative Funding Scenarios

4.7.1 As with the previous RFA exercise there is a need for us to consider priorities within a context of different funding and costing scenarios, setting out how our advice might change as a result. The alternative funding scenarios that we're required to consider are:

- i) a high case of 10% more funding per annum and a low case of 10% less; and
- ii) a case in which costs were to increase or decrease by a similar margin.

- 4.7.2 The discussion at the Regional Steering Group highlighted the need to make the strongest possible case for maintaining, if not increasing the investment made in the region. Such a line of argument can easily be developed using the evidence already available within the region. However there is also a need to consider carefully how we would deal with any reduction in funding.
- 4.7.3 The initial view from the Regional Steering Group was that in the latter situation the region would probably need to consider a combination of targeting a reduction towards a limited number of locations across the region (reflecting the fact that our submission will have a stronger place based narrative) and a reduction in a particular funding stream. The work underway through the RHB, RTB and within SEEDA will help us develop our argument on this issue in greater detail.

5. Next Steps

- 5.1 Work on preparing the draft submission is being taken forward by a working group of officers from the Assembly and SEEDA, working in partnership with other bodies as appropriate. The intention is to have a draft of the submission available by Christmas enabling comments and reaction to be sought prior in early January. The Executive Committee will consider the draft document at its meeting in January.

Martin Tugwell
Director of Development

19 November 2008

Contact: Martin Tugwell, Director of Development
Tel: 01483 555211
E-mail: martintugwell@southeast-ra.gov.uk

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.

SKILLS

Advice will help to inform the work that the Regional Skills partnership (the Regional Skills for Productivity Alliance in the South East) and the Learning and Skills Council do at regional level, although skills funding is not included in the RFA funding envelope.

Table 1: Funding Allocations for the South East (£m) for the current Comprehensive Spending Review period (2008-11)

	2008-09	2009-10	2010-11
Transport (all capital funds)	348	362	379
Housing and regeneration	624	670	785
[of which capital]	599	650	754
[of which resource]	25	21	32
RDA Single Budget	160	158	154
[of which capital]	69	68	66
[of which resource]	90	90	88
European Regional Development Fund (ERDF)	3	3	3
TOTAL	1134	1192	1321

NOTE: Since the guidance was published the Government has identified that funding from the RDA Single Budget will be used to support interventions for the economic crisis. These figures **DO NOT** reflect the reduction in the RDA single budget.

Table 2: Indicative funding allocations for the South East (£m) 2011-19

	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
South East²	1345	1371	1399	1427	1455	1484	1514	1544
<i>Plus ERDF</i>	3	3	2					

² These figures include funding streams set out for inclusion in this RFA, but from 2014-15 exclude ERDF monies, which are set by the European Commission.

Criteria for Advice

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.

Reflecting Spatial Priorities within existing decision making processes

1. Transport – Regional Transport Board

- 1.1. The RTB has a forward programme of investment priorities covering the period to 2016. The prioritisation methodology used by the Board takes into account the extent to which a proposal supports delivery of the regional policy framework.
- 1.2. The Board monitors progress with the delivery of the programme on a quarterly basis using data collected from Local Transport Authorities by DfT. Delivery of the region's existing priorities is progressing – the most highly visible scheme being the A3 Hindhead Improvement. However, there is a growing concern at the extent of slippage within the programme. The Board is seeking reassurances from Local Transport Authorities with schemes in the region that they are making the funds and resources required to develop schemes to the point of delivery available.
- 1.3. The RTB is mid-way through a process of 'mapping' the challenges for the transport system arising from the growth set out in the South East Plan and RES. This exercise is being undertaken in partnership with the Local Transport and Local Planning Authorities. This work is already highlighting challenges for the transport system for which non-transport solutions are potentially more appropriate.
- 1.4. In terms of the RFA submission the primary focus of the Board is to firm up the short term (i.e. the period to 2014) programme and to work with Local Transport Authorities to ensure it is delivered to time.
- 1.5. In the medium to longer term the focus will be to use the outcome of the 'mapping' work to identify whether there are gaps in the list of schemes coming forward for prioritisation. The Board is keen to ensure that the needs of more recent development designations – e.g. Growth Points – are reflected in the investment priorities put forward.

2. Housing – Regional Housing Board

- 2.1. The investment priorities for the RHB are set out in the Regional Housing Strategy; this covers the period to 2010/11. The context for the investment priorities – in particular the spatial distribution of priorities – is provided by the regional policy framework, more specifically the South East Plan.
- 2.2. The key focus for investment is the regional component of the National Affordable Housing Programme (currently managed by the Housing Corporation; managed by the Homes and Communities Agency from 1 December onwards). Progress is monitored on a quarterly basis using information supplied by the Housing Corporation.

- 2.3. The Board is anxious to understand in greater detail the extent to which the downturn in the housing market is having an affect on delivery. In particular it is concerned to ensure that quality standards for affordable housing are not diluted and that the region continues to deliver the right size and type of affordable housing in the right location.
- 2.4. Other programmes that are currently funded through the RHB include investment in achieving decent homes standards in council owned housing stock, investing in the improvement of the private sector housing stock and grants towards the provision of facilities for gypsies and travellers.
- 2.5. The Board is engaged in the on-going review of the Housing Revenue Account. It is working with the HCA to develop proposals that will help shape the relationship between the two into the future. The aspiration is that a proposition will be available for consideration by early February 2009.

3. Economic Development – SEEDA

- 3.1. The RES remains the policy framework within which business planning for SEEDA takes place. The implications of the current economic situation are being monitored on a monthly basis and the intelligence gathered by the Agency is being fed into Government.
- 3.2. The existing Corporate Plan contains a combination of placed based investments and programmes run at a regional level. However, there is a commitment to give greater emphasis to focusing our funds in ‘place-based’ activities. The spatial priorities already set out in the RES are:
 - a) The Diamonds for Economic Growth Funds (in alphabetical order) – Basingstoke; Brighton and Hove; Gatwick Diamond; Milton Keynes and Aylesbury Vale; Oxford/Central Oxfordshire; Reading; Thames Gateway Kent (including Medway and Ebbsfleet); Urban South Hampshire;
 - b) On-going regeneration projects – Ashford; Bexhill/Hastings; Dover; Margate.
- 3.3. Changes in the economic situation are of such fundamental nature that it is likely that short term priorities for support are likely to focus around:
 - Continuing to deliver support for businesses; indeed given the growing number of redundancies announced the need for such support is likely to increase;
 - Continuing to support innovation and science based Research and Development;
 - Continuing direct investment in physical development (including the need for investment that is counter cyclical);
 - Continuing to support education led (capital) regeneration projects.