

**Annex I**

Councillor Keith Mitchell,
Oxfordshire County Council,
County Hall,
Oxford OX1 1ND

04 August 2006

Dear Councillor Mitchell,

REGIONAL FUNDING ALLOCATIONS

Thank you for submitting advice for your region in response to the Regional Funding Allocations (RFA) exercise and for taking the time to meet with our officials to discuss the advice in more detail. Our officials have informed us the meetings with regions were challenging, positive and productive and we hope this will form the basis of further constructive dialogue with central Government. Your advice succeeded in identifying priorities within funding constraints for the recent RFA exercise and we are now writing to set out formally the Government's considered response.

Budget 2006 gave a high-level response and recognition of the considerable effort put into formulating the advice. We were particularly impressed by the way in which regions

- agreed a clear set of transport priorities broadly within the indicative allocation
- secured a widespread level of agreement to the advice from regional and local partners; and
- strengthened the degree of alignment on priorities across the three indicative funding streams.

We believe your advice has substantially met our aim of showing how priorities in transport, housing and economic development in your region relate to each other to form a coherent, credible and strategic vision for improving its economic performance - and how these priorities are aligned to resources.

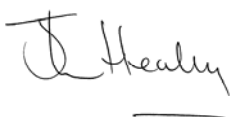
We believe that all regions have benefited from the process of bringing together stakeholders to co-ordinate and agree strategic priorities; and that the advice you have submitted provides us with a rich source of evidence for Government policy making, especially in preparation for the 2007 Comprehensive Spending Review (CSR07). Going forward, we encourage you to build on the partnerships and joint working established through this exercise. Regions' advice recommended that the scope of the RFA funding allocations exercise should be extended in the future. We will consider options for doing this in the cross-cutting review of sub-national economic development and regeneration, which will inform CSR07.

In particular, John Healey wrote to you on 16 June inviting Regional Assemblies and RDAs, by the end of September, to submit joint advice for CSR07 on how we can better use existing levels of public expenditure to achieve the Government's regional economic performance and regeneration targets. In doing so, we have recommended that you build on the existing materials, evidence and partnerships established in your RFA work.

With regard to transport priorities, Douglas Alexander, Secretary of State for Transport wrote to you separately on 6 July commenting on your proposals and setting out decisions on individual schemes.

The attached Annex represents our collective view on the remaining elements of your proposals, based on the advice you submitted at the end of January and the follow-up discussions with Departmental officials.

Yours sincerely




JOHN HEALEY



MARGARET HODGE



GILLIAN MERRON



YVETTE COOPER

SOUTH EAST

As explained in the above letter, the Government believes that the advice from the South East has substantially met the aim of showing how related priorities can be drawn together to form a coherent strategic vision for improving economic performance in the region. Comments on the advice are set out below.

Evidence base

The Government's guidance on RFA advice stressed the importance of regions' prioritisation being based on a robust evidence base. Your advice is underpinned by evidence from other regional strategies for economic development, housing and transport. We note that the South East intends to submit more evidence during the year after the review of the Regional Economic Strategy (RES) is completed and in the context of the new Regional Spatial Strategy.

We welcome the fact that South East transport priorities are based on a robust methodology which also included analysis of sensitivity testing.

Consensus

The advice was produced as a joint effort by the RDA and the Regional Assembly, with the Government Office acting as facilitator. We welcome the specific attention given to setting out how the submission was produced in Annex 4 and note that a stakeholder group was assembled, consisting of a wide range of partners and stakeholder groups. This indicates a good degree of regional consensus on priorities. We would like to see this taken further as you develop your plans and strategies.

Alignment

The RFA process has enabled the region to improve further the alignment of its strategies on housing, economic development and transport and provided greater focus on a wide range of key regional partners. The advice has a good spatial focus and differential prioritisation for the Outer South East, Inner South East Coastal South East and Growth Areas (Milton Keynes and Thames Gateway).

The advice could have benefited from further details on the extent to which investment decisions across the three funding blocks would be aligned in each of these areas. In addition, the advice argues that the South East's desire to innovate and do things better, faster and with greater alignment in the region is impeded by particular existing constraints and commitments. The advice may also be strengthened by exploring in more detail what these barriers are. However, on both these points, we recognise that there was a 30-page limit to the advice.

Realism

Our guidance on the advice asked each region to consider future indicative resource allocations and changes in funding of 10 per cent more or 10 per cent less. At the same time the advice noted that actual resource allocations will continue to be decided through the normal public spending allocation process but that setting out this information would have the purpose of instilling realistic longer term planning. The South East advice is

unclear about how a 10% cut would be managed and the effect on priorities. This is an area of the advice where we would have welcomed further details.

On the basis that the region is vital for economic prosperity as a whole, the advice argues that any reduction in the forecast Regional Funding Allocation should be avoided. In the case of 10% more, the advice refers to setting up a Regional Infrastructure Fund supplemented with Planning Gain Supplement funding. We note the comments made at the meeting with officials about the plans to discuss with other regions how to take forward ideas around a regional infrastructure fund.

We welcome the approach that the South East have taken in their advice by structuring the advice around different sub-regional areas within the South East rather than funding streams and overall there is a good spatial focus to the advice.

The advice makes clear that the RES (and the South East Plan) were under review at the time this advice was submitted and that further details will be submitted at a later stage. The RFA advice shows a good integration already embedded in the region in terms of economic development impacts of transport and housing. It also contains a concise overview of the key draft RES priorities both thematically and spatially, including the 'hubs' and 'diamonds' of specific economic areas in the region, and the importance of also focussing on the less prosperous coastal South East areas.

Transport Ministers have already responded on the detailed advice relating to transport.

Taking the advice forward.

We note ideas contained in the advice to address the South East's "gateway function", use of the productivity component of the Transport Innovation fund for rail improvements and the development of a regional infrastructure fund. We welcome the opportunity to explore these ideas with you in more detail over the coming period.

We note also that the South East argues states that there should be no transfer of resources between budget heads in the period 2007-08, but that you intend providing further advice for future years in the light of emerging priorities.

The advice sets out the case for increasing the scope of the regional funding allocations to include allocations for railways, skills and English Partnership budgets. As part of the Comprehensive Spending Review 2007, the Government has separately invited advice from the South East region on how better to utilise public expenditure across funding streams to achieve the Government's regional economic performance and regeneration objectives. We look forward to you building on your advice in the context of your regional CSR07 submission.