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6 JULY 2006

Councillor Keith Mitchell
Leader of South East Regional Assembly
Berkeley House
Cross Lanes
Guildford
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Dear Cllr Mitchell

REGIONAL FUNDING ALLOCATIONS (RFAs)

I am writing to respond to the transport proposals which were included in the South East's advice presented to Ministers at the end of January. Gillian Merron will also be writing separately to you shortly, together with ministerial colleagues in the Treasury and Departments of Trade & Industry and Communities & Local Government, with the Government's overall response to your region's advice on RFAs.

The Government has, for the first time, given regions a say in decision-making about transport schemes that affect them at the regional and local levels. It has been the first opportunity for you, your local authority partners and other key interests to consider together your transport programme against the region's high level objectives, and to develop a realistic, prioritised and affordable programme which offers the best overall contribution to meeting those objectives. My colleagues and I recognise that the prioritisation of transport schemes has required much work to ensure all the various interests are fully understood and reconciled. We are very impressed with the care and effort which has gone into the development of your advice, and with the progress which has been made in developing a consensus on what needs to be done.

I have read with interest your assessment of the issues and context in your region, and your assessment of the continuing transport challenges. We have been pleased with the step change in thinking in the South East over the last two years. Our concern about your draft Regional Transport Strategy of 2001 was that it lacked prioritisation and presented an aspirational list of schemes with little comment on deliverability or obvious relationship with other interventions. The advice you have provided as part of the RFA process demonstrates that you have collectively made significant progress over the last two years, though you have acknowledged that there is still work to be done.

You are to be congratulated on the degree of consensus achieved across the wide range of interests represented on the Regional Transport Board, which has proved to be an effective vehicle for securing support for a list of interventions based upon a transparent and effective prioritisation methodology. We have noted and accepted the decision of the Board to include previously approved schemes as a matter of principle rather than carrying out a fundamental reappraisal of all schemes against the new methodology. This means that there is little headroom for new schemes or for innovation in the short term.

The question of what sort of interventions should be encouraged and funded in the long term, and where they should be prioritised, is one that the Board acknowledges should be addressed in its future advice for post 2011/12. The absence of advice for post 2011/12 is disappointing but understandable in that context, and your aspiration to “shape the future and not prioritise the past “ is welcomed.

Schemes to be taken forward in the South East

I accept the priorities that you have agreed within your region for the first five years of the RFA period. Accordingly, I am able to confirm the schemes that we expect to fund during the next three years (2006/7 to 2008/9). These include schemes currently under construction and those expected to start construction, and are listed in annex A to this letter.

I also include an indicative list of schemes that can be progressed so that they are ready to be added to the programme where necessary, and start construction in the remaining RFA years, from 2009/10 to 2015/16. These are listed at annex B. Given your intention to submit further advice for the years from 2011/12, this list will need to be further developed.

The Department's provision of funding will, of course, be subject to schemes securing all necessary statutory powers, demonstrating sufficient value for money, and being supported by a satisfactory business case in line with the Departmental requirements. In particular, schemes where the assumed RFA cost exceeds the currently approved DfT maximum contribution will need a revised value for money assessment, and exploration of other funding sources, before we take a final decision on whether Departmental funding for the scheme should be increased.

You will recognise that we cannot commit to precise start dates, given uncertainties about future scheme costs and progress. Given these uncertainties, the Department will need to retain the scope to manage scheme progress to ensure that spending is in line with the total of all regional budgets. However, our aim will be to ensure that spending in each region is in line with its indicative allocation taking a number of years together. And where possible, in making decisions on approvals and start dates, we will be guided by the sequencing and timing set out in your advice.

Schemes previously approved by Government

You will see that the list at annex A includes 5 schemes which are already underway in your region, as part of the Government's programme of sustained and increasing investment in transport. We have increased spending on regional and local major transport schemes by around 50% (in real terms) since 2001/02, and the indicative budgets on which the regional advice is based sustain this record level of investment over the ten year period.

Reflecting your advice, we also expect to fund 16 schemes in your region that are currently at earlier stages of development following an initial Government approval, subject to the caveats noted above. We expect to fund a major programme of investment in the Highways Agency regional network in the south east, including major improvements to the A2 and the A3 Hindhead Improvement scheme (subject to completion of the statutory processes). I accept your advice that the A23 Handcross to Warninglid widening scheme should be confirmed for funding later than previously planned.

New schemes without existing approval

In the light of your advice I have also been able to reach a decision on a new scheme that had not been previously approved. I am today approving the East Kent Access Phase 2 scheme in Kent for entry to your regional programme.

2 other new schemes that you recommended need further work and assessment, but subject to that work being completed satisfactorily and meeting the requirements for funding approval I would expect them to be added to your regional programme over the next ten years.

Given that this has been the first opportunity for you to look at priorities across your region, against your wider objectives, it is not surprising that you have considered that a few schemes that had been approved or developed before the RFA process was introduced are not among your highest regional priorities for the first five years of the RFA period. I accordingly accept your advice that three existing schemes - the Kiln Lane Link in Epsom and the A24 Horsham to Capel and Ashington to Southwater improvement schemes - will not be funded in the first five RFA years. I also accept your advice that no funding provision should be made at this stage for the following three proposed new schemes - Bletchley Link 2, A31 Hickey's Corner, and A228 Colts Hill.

Finally, I welcome your expressed intention to submit further advice on transport schemes. The process as a whole has been generally welcomed and has proved very constructive. We are keen to build on this success, and will be seeking views widely on how the process might be enhanced. Taking those views into account, we expect to seek further formal advice on regional transport priorities within the next two years. In the meantime, we look forward to receiving your advice for 2011/12-15/16 based on an approach which prioritises the most effective and affordable interventions to address the key transport problems across the region. We also want to encourage a continuing dialogue with regions to ensure your views on the regional programme are regularly taken into account as schemes progress.

As a first step my officials will be in touch with yours to arrange a meeting to discuss what processes you would find most helpful. The meeting might also be an opportunity to clarify any points in this letter, or on my recent announcement on TIF, and more generally to consider how future process might be improved and developed in future. This

would include discussion on how allocations might be extended to include rail.

I am writing in similar terms to the Chair of SEEDA.

A handwritten signature in black ink, appearing to read 'Douglas Alexander'. The signature is fluid and cursive, with the first name 'Douglas' written in a larger, more prominent script than the last name 'Alexander'.

DOUGLAS ALEXANDER

Annex A: Schemes for funding within the next three years (2006/07 to 2008/09)

Schemes underway

- A3 Integrated Bus Priority Corridor (Hampshire)
- East Kent Access Phase 1C (Kent)
- A4146 Stoke Hammond and Linslade Western Bypass (Buckinghamshire)
- A228 Leybourne to West Malling Corridor Improvement (Kent)
- Copnor Bridge Replacement (Portsmouth)

Approved schemes not yet underway

- A2 Bean-Cobham Widening - Phase 2 (Highways Agency)
- A2/A282 Dartford Improvement (Highways Agency)
- A27 Southerham-Beddingham Improvement (Highways Agency)
- A3 Hindhead Improvement (Highways Agency)
- M27 J11 to J12 Climbing Lanes (Highways Agency)
- M27 J3 to J4 Widening (Highways Agency)
- A244 Walton Bridge Maintenance (Surrey)
- Undercliff Drive Realignment (Isle of Wight)
- Central Milton Keynes Public Transport Access Improvements (Milton Keynes)
- Ryde Public Transport Interchange (Isle of Wight)
- Sittingbourne Northern Relief Road (Kent)
- M4 Junction 11 and Mere oak (Reading/Wokingham)
- Bexhill to Hastings Link Road (East Sussex)

Annex B: Indicative list of schemes from 2009/10 to 2015/16

Approved schemes

- East Kent Access Phase 2 (Kent)
- A21 Tonbridge Bypass to Pembury Dualling (Highways Agency)
- A23 Handcross to Warninglid Widening (Highways Agency)
- A21 Kippings Cross to Lamberhurst Bypass (Highways Agency)

Schemes which do not yet have approval (i.e. not accepted into the Programme)

- A21 Baldslow Junction Improvements (Highways Agency)
- Brighton and Hove Bus Rapid Transit System (Brighton & Hove)