

# Regional funding advice: guidance on preparing advice

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July 2008

Department for  
**Innovation,  
Universities &  
Skills**

**BERR** | Department for Business  
Enterprise & Regulatory Reform



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Enterprise & Regulatory Reform

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# INTRODUCTION

## REGIONAL FUNDING ADVICE (RFA)

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**1.1** This document builds on the Regional Funding Allocations exercise in 2005-06, and provides indicative regional funding allocations for transport, housing and regeneration, and economic development, and offers regions the opportunity to provide advice to Government on their investment priorities. It also outlines how regions should integrate skills priorities into broader advice. It is hoped that this will help regions coordinate strategies and enhance their input into Government policy and public spending decisions that will promote sustainable economic development<sup>1</sup>. It will also help build the Government's understanding of the challenges that each region faces and help ensure that investments are focused on the right developments, at the right time. In preparing advice, regions will need to ensure that 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 third sectors.

**1.2** The approach to regional funding also needs to take account of the current economic challenges, which will affect each region in different ways. This Regional Funding Advice (RFA) exercise is part of a long-term Government commitment to build a strong dialogue with regional partners in different parts of the UK to drive sustainable economic growth. It also contributes to a wider conversation between the Government, businesses, local authorities, the third sector and individuals in every region to understand how the economy is changing in their area. The RFA is being launched alongside *The Yorkshire and Humber economy: A joint response to changing economic circumstances*, the first of a series of joint papers between the Government and regional agencies that will set out how agents in each region are currently working together to support the local economy and help business and families through the tougher times ahead.

**1.3** The *Review of Sub National Economic Development and Regeneration* in 2007 (SNR) recognised the success of the first round of RFA, and announced the Government's commitment to a second, expanded exercise, covering a wider range of funding streams relevant to economic growth. This RFA exercise fulfils that commitment.

**1.4** This document sets out indicative regional funding allocations for the Comprehensive Spending Review years and beyond, in recognition that developments require investment over a number of years. As in the last RFA exercise, these long-term planning assumptions are not guaranteed but instead are designed to help frame regions' strategic thinking about development priorities. This guidance explains how advice should be prepared to ensure that it has the greatest impact on decisions about public spending that impact regions. Regions are requested to formally submit advice to the Government **by the end of February 2009**.

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<sup>1</sup> Sustainable economic development refers to economic growth that can be sustained and is within environmental limits, but also enhances the environment and social welfare, and avoids greater extremes in future economic cycles - see [http://www.hm-treasury.gov.uk/media/5/E/pbr\\_csr07\\_psa7.pdf](http://www.hm-treasury.gov.uk/media/5/E/pbr_csr07_psa7.pdf)



## THE FIRST REGIONAL FUNDING ALLOCATIONS EXERCISE

**2.1** In July 2005, the Government published indicative funding allocations for transport, housing and economic development for the 2004 Spending Review years and beyond, and asked each region to submit advice on their priorities, to which the Government then responded. Regions' responses set out a clear list of priorities within these indicative allocations and demonstrated wide agreement within each region on strategic priorities. The advice succeeded in strengthening alignment between Regional Economic and Spatial Strategies, and strengthening links between strategy and implementation by setting out the priority investments necessary to deliver regional objectives.

**2.2** The advice was used to inform specific spending decisions that impact the region. A further result of the Regional Funding Allocations exercise was the development of a ten-year programme of transport schemes that the Government is now enabling Local Authorities and the Highways Agency to deliver.

### **Case study: Greater Bristol Bus Network**

One example of a scheme that was taken forward as a result of effective partnership working in the Regional Funding Allocations Exercise was the Greater Bristol Bus Network. The overall aim of the project is to increase bus patronage, improve bus satisfaction, reliability and punctuality. It includes a series of measures including new bus lanes, junction realignment to provide bus priority, new stops and real time information along 10 strategic bus corridors. The scheme was granted initial funding approval by DfT on the strength of the South West's RFA advice. It was fully approved earlier this year with a commitment of £42.3m from DfT. Construction is now commencing with completion expected by 2011.

**2.3** The first exercise also strengthened the relationships between central Government and regions, so that regions are able to input to ongoing policy development. For example, since the Regional Funding Allocations exercise, the Department for Transport (DfT) has met with regions on a six monthly basis to review the regional transport programmes in the light of changes to the timing and cost of schemes. DfT consults regions as a matter of course where decisions are required on individual schemes that may have an impact on the overall programme, thus enabling regional partners to have a genuine and ongoing influence on key decision-making. By providing evidence on the investments that regions considered vital for meeting the Government's objectives, as well as the trade-offs inherent in those priorities, the advice also informed the 2007 Comprehensive Spending Review.

**2.4** The second round of the RFA will build on this success, and in developing this exercise, the Government has undertaken early consideration of the evidence submitted as part of the SNR consultation process.

## DEVOLVING DECISION MAKING TO PROMOTE ECONOMIC GROWTH

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**2.5** The Government has set itself an ambitious Regional Economic Performance Public Service Agreement (PSA) to raise the rate of trend growth in every English region and to narrow the gap in growth rates between the best performing regions (London, South East and East of England) and others (North East, North West, Yorkshire and the Humber, West Midlands, East Midlands and South West). The Government has been clear that devolving decision-making is critical for meeting this ambitious target<sup>1</sup> and driving sustainable economic growth.

**2.6** To promote economic growth in the regions, the Government established business-led Regional Development Agencies as strategic leaders of growth and has increased their responsibilities, freedoms and flexibilities. For local authorities, the Government has also increased financial flexibilities and reduced centrally prescribed targets to allow them to focus on the issues of highest priority in their area including supporting economic growth.

**2.7** In July 2007, the Government published the *Review of sub-national economic development and regeneration* (commonly referred to as the SNR), which set out a further package of institutional reforms to ensure that decisions for promoting economic development sit at the most appropriate spatial level. The Government is taking forward the conclusions of the SNR<sup>2</sup> to streamline regional activity, strengthen the local authority role in economic development and support collaboration by local authorities at the sub-regional level.

**2.8** The SNR also announced that the Government would run a second, expanded round of the RFA, and this round of the RFA will act as a step towards the implementation of the SNR. The RFA encourages regions 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 will also require regions to draw together a robust evidence base on the economic challenges and barriers to sustainable economic growth. Depending on the results of the consultation, the Government will consider how future RFA exercises should support the integration of investment decisions.

**2.9** The SNR also recommended a new framework for regeneration to improve the prioritisation and coordination of Government investment. The new framework, published on 17 July, recognises the importance of the regional level in identifying priorities for regeneration. In line with the approach set out in the new framework, the RFA exercise should also be used 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.

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<sup>1</sup> HM Treasury et al. *Devolving Decision Making: 1 - a consultation on regional funding allocations* (March 2004); *Devolving decision making: 2 - Meeting the regional economic challenge: Increasing regional and local flexibility* (March 2004); *Devolving decision making: 3 - Meeting the regional economic challenge: The importance of cities to regional growth* (March 2006)

<sup>2</sup> *Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration*, Department for Business, Enterprise and Regulatory Reform and Communities and Local Government, March 2008

# 3

## REGIONAL FUNDING ALLOCATIONS

### REALISTIC THREE-YEAR FUNDING ALLOCATIONS

**3.1** This RFA exercise sets out allocations for the Comprehensive Spending Review (CSR) period (2008-2011) and provides indicative planning assumptions beyond 2011. Formulae and technical notes explaining how the numbers were arrived at are included in Annex E of this document.

**3.2** The table below sets out the headline funding levels included in the Regional Funding Advice exercise broken down by year, region and sector for the period covered by the CSR.<sup>1</sup> Note that numbers may not sum due to rounding:

**Chart 3.1: Regional funding allocations by year, region and sector (£ million) 2008-09 to 2010-11**

		NW	NE	Y&H	EM	WM	SW	SE	E	Total
2008-09	Transport ( <i>all capital funds</i> ) <sup>2</sup>	330	127	251	201	256	259	348	255	<b>2031</b>
	Housing and Regeneration <sup>3</sup>	550	170	284	221	325	333	624	429	<b>2986</b>
	<i>Of which capital</i>	<i>518</i>	<i>160</i>	<i>271</i>	<i>211</i>	<i>312</i>	<i>317</i>	<i>599</i>	<i>407</i>	<b>2845</b>
	<i>Of which resource</i>	<i>32</i>	<i>10</i>	<i>13</i>	<i>10</i>	<i>13</i>	<i>16</i>	<i>25</i>	<i>22</i>	<b>141</b>
	Regional Development Agency Single Budget	392	248	303	160	279	157	160	132	<b>1830</b>
	<i>Of which capital</i>	<i>195</i>	<i>127</i>	<i>151</i>	<i>77</i>	<i>139</i>	<i>72</i>	<i>69</i>	<i>58</i>	<b>889</b>
	<i>Of which resource</i>	<i>196</i>	<i>121</i>	<i>152</i>	<i>83</i>	<i>140</i>	<i>85</i>	<i>90</i>	<i>73</i>	<b>941</b>
	European Regional Development Fund	107	41	85	30	44	64	3	12	<b>387</b>
	<b>TOTAL</b>	<b>1379</b>	<b>586</b>	<b>923</b>	<b>611</b>	<b>904</b>	<b>813</b>	<b>1134</b>	<b>828</b>	<b>7233</b>
2009-10	Transport ( <i>all capital funds</i> )	344	124	256	213	264	267	362	263	<b>2112</b>
	Housing and Regeneration	563	191	293	263	338	401	670	455	<b>3274</b>

<sup>1</sup> As set out in Annex D, the adult skills budget is not included in the RFA funding envelope, though the Government would welcome advice on regions' skills priorities as part of regional funding advice.

<sup>2</sup> Transport totals include an element of unallocated transport spending

<sup>3</sup> For the Growth Fund, the 2008-09 split reflects the indicative allocations made to local authorities to date. The Government has not yet determined the allocation for 2009-10 and 2010-11, therefore and solely for the purposes of this exercise, the total remaining in the CSR07 period has been split evenly between these years and then projected forward. The Community Infrastructure Fund (£150 in 2010-11) is included in the total allocations for each year, but cannot be broken down regionally, as currently no regional indicative allocations exist.

	<i>Of which capital</i>	533	179	281	248	327	383	650	436	<b>3137</b>
	<i>Of which resource</i>	30	12	12	15	11	18	21	19	<b>138</b>
	Regional Development Agency Single Budget	386	244	299	158	275	155	158	130	<b>1,806</b>
	<i>Of which capital</i>	191	124	148	75	136	70	68	57	<b>867</b>
	<i>Of which resource</i>	196	121	151	83	139	85	90	73	<b>939</b>
	European Regional Development Fund	92	42	71	30	45	66	3	12	<b>361</b>
	<b>TOTAL</b>	<b>1385</b>	<b>602</b>	<b>919</b>	<b>664</b>	<b>922</b>	<b>889</b>	<b>1192</b>	<b>861</b>	<b>7553</b>
2010-11	Transport ( <i>all capital funds</i> )	361	128	267	223	277	280	379	273	<b>2195</b>
	Housing and Regeneration	531	187	289	291	361	382	785	457	<b>3433</b>
	<i>Of which capital</i>	504	176	278	273	348	369	754	441	<b>3293</b>
	<i>Of which resource</i>	27	11	11	18	13	13	32	16	<b>141</b>
	Regional Development Agency Single Budget	377	239	292	154	269	151	154	127	<b>1,764</b>
	<i>Of which capital</i>	186	121	144	73	133	68	66	56	<b>846</b>
	<i>Of which resource</i>	191	118	148	81	136	83	88	72	<b>917</b>
	European Regional Development Fund	76	43	57	31	46	67	3	13	<b>335</b>
	<b>TOTAL</b>	<b>1345</b>	<b>597</b>	<b>905</b>	<b>699</b>	<b>953</b>	<b>880</b>	<b>1321</b>	<b>870</b>	<b>7726</b>

**3.3** These figures do not represent the totality of Government funding in each region. Full historical information about identifiable spending by function in each region, both capital and resource, is set out annually in the Public Expenditure Statistical Analyses.<sup>4</sup>

## LONG TERM PLANNING ASSUMPTIONS

**3.4** To enable regions to undertake long-term planning towards their sustainable economic development aims, this document projects forward the aggregate planning assumptions for the streams of funding in the RFA in each region to 2018-19 at flat real growth, using the Government's inflation target which is 2 per cent. These figures are set out below.

<sup>4</sup> [http://www.hm-treasury.gov.uk/economic\\_data\\_and\\_tools/finance\\_spending\\_statistics/pes\\_publications/pespub\\_pesa08.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_pesa08.cfm)

**3.5** All funding assumptions are indicative only and final decisions on actual three-year allocations, both in aggregate and as distributed between regions, will be settled through the normal public spending allocation process.

**3.6** It is hoped that providing an indicative long term planning scenario may help regions to plan more strategically than a shorter time-frame with guaranteed budgets might allow. This long-term thinking will also help to provide business with a stable investment framework in which to work and plan.

**3.7** These figures include the funding streams set out for inclusion in this exercise,<sup>5</sup> but from 2014-15 exclude ERDF monies, which are set by the European Commission.<sup>6</sup>

**Chart 3.2: Forward Planning Assumptions 2011-12 to 2018-19**

Figures in £m, current prices		NW	NE	Y&H	EM	WM	SW	SE	E	Total
2011-12	<b>Total Government Funding Indication</b>	<b>1295</b>	<b>565</b>	<b>865</b>	<b>681</b>	<b>925</b>	<b>830</b>	<b>1345</b>	<b>874</b>	<b>7539</b>
	ERDF <sup>7</sup>	63	44	46	31	47	68	3	13	316
2012-13	<b>Total Government Funding Indication</b>	<b>1321</b>	<b>576</b>	<b>882</b>	<b>695</b>	<b>944</b>	<b>846</b>	<b>1371</b>	<b>892</b>	<b>7690</b>
	ERDF	65	45	47	32	48	70	3	13	322
2013-14	<b>Total Government Funding Indication</b>	<b>1347</b>	<b>588</b>	<b>900</b>	<b>709</b>	<b>962</b>	<b>863</b>	<b>1399</b>	<b>910</b>	<b>7844</b>
	ERDF	49	34	36	24	36	53	2	10	245
2014-15	<b>Total Government Funding Indication</b>	<b>1374</b>	<b>599</b>	<b>918</b>	<b>723</b>	<b>982</b>	<b>880</b>	<b>1427</b>	<b>928</b>	<b>8001</b>
2015-16	<b>Total Government Funding Indication</b>	<b>1401</b>	<b>611</b>	<b>936</b>	<b>737</b>	<b>1001</b>	<b>898</b>	<b>1455</b>	<b>946</b>	<b>8161</b>
2016-17	<b>Total Government Funding Indication</b>	<b>1430</b>	<b>623</b>	<b>955</b>	<b>752</b>	<b>1021</b>	<b>916</b>	<b>1484</b>	<b>965</b>	<b>8324</b>
2017-18	<b>Total Government Funding Indication</b>	<b>1458</b>	<b>636</b>	<b>974</b>	<b>767</b>	<b>1042</b>	<b>934</b>	<b>1514</b>	<b>985</b>	<b>8491</b>
2018-19	<b>Total Government Funding Indication</b>	<b>1487</b>	<b>649</b>	<b>994</b>	<b>783</b>	<b>1063</b>	<b>953</b>	<b>1544</b>	<b>1004</b>	<b>8661</b>

**3.8** In the last year of the CSR period (2010-11) circa 85% of the funds in the allocation are capital; in considering future allocations it is appropriate to make a similar capital/resource assumption. This is indicative only and does not predetermine future spending decisions.

**3.9** Finally, as in the first RFA exercise, it would be helpful if regions could consider priorities within a context of different funding and costing scenarios, setting out how their advice might change if:

<sup>5</sup>Funding streams for this exercise include: funding for major transport schemes, local authority block allocations for integrated transport and maintenance (from 2011-12), the Regional Housing Pot, English Partnerships funding, Housing Market Renewal, Growth Funds, the Community Infrastructure Fund, Thames Gateway funding and the RDA single budget.

<sup>6</sup> Allocations for the ERDF under the current financial perspective end in 2013. The level of any allocations beyond 2013-14 will not be known until 2012 at the earliest.

<sup>7</sup> Allocations for the ERDF under the current financial perspective end in 2013. The level of any allocations beyond 2013-14 will not be known until 2012 at the earliest.

- given a high case of 10 per cent more funding per annum or a low case of 10 per cent less or
- costs were to increase or decrease by a similar margin.

**3.10** Regional advice must respect overall funding assumptions, be based on realistic costings of current and future priorities and recognise other fiscal constraints, including the split between capital and resource spending and responsibility for any contingent liabilities.

# 4

## GUIDANCE ON PROVIDING ADVICE

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**4.1** Regions should provide advice both on the short-term investments needed to support the economy through tougher times, and on the medium to long-term investments necessary to meet the sustainable economic needs of the region. To do this, regions' advice should set out **specific funding priorities** for each year up to and including 2018-19, with an indication of how these priorities could best be met within the funding streams set out in the CSR years, recognising the parameters set out in annexes A-E, and for later years within the overall indicative allocation. In recognition of the difficulty of doing this for later years of the period, it is recommended that regions consider long-term strategic priorities over specific blocks of years.

**4.2** The advice should set out how the proposed portfolio of investment will meet the region's objective to raise the rate of sustainable economic growth and help deliver relevant national PSAs. Greater weight will be given to advice that demonstrates the contribution to national priorities. **The advice should illustrate a clear prioritisation of investments**, and should explain the trade-offs that have been made, with the evidence base supporting difficult decisions.

**4.3** Since decisions on economic development, housing and regeneration, transport and skills are inter-related and inter-dependent, the advice should demonstrate an **integrated approach to investments**, demonstrating the linkages between decisions across funding streams.

**4.4** For the CSR years funding allocations are set out by policy area. In the forward planning period the **funding streams have been aggregated into a single indicative government funding allocation** to allow regions maximum flexibility in their advice. For the longer term regions therefore have the option to change the balance of spending between policy areas in their advice if they think this would be the best way to meet economic growth objectives. If advice suggests changing the balance of funding, regions must provide strong evidence that the programmes of investment are **consistent with the delivery of existing commitments and strategic priorities**.

**4.5** Advice should be **clearly sequenced**, illustrating how programmes of activity support growth over time. Timescales should be used to indicate which levels of investment would be required at which points, and what, if any, assumptions have been made about other resources which may be needed to support suggested development programmes. Regions may advise in favour of deferral of spending from earlier to later years, within the overall amount allocated for the period, but may not bring forward spending into earlier years.

### CRITERIA FOR ADVICE

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**4.6** In addition to these broad principles, the Government expects to see the following criteria met in each region's advice:

- **Evidence based:** Advice should articulate the economic conditions and challenges faced by the region, underpinned by relevant and reliable regional data. Regions should also clearly demonstrate how the evidence base has shaped the advice and priorities identified. Advice should take into account evidence about the region's key environmental and social challenges and be consistent with current and anticipated future conditions;

- **Realistic:** Advice must be based on the indicative funding assumptions in this document. Advice should show that risks to programmes have been considered and strategies to mitigate these risks have been put in place. Advice should demonstrate that the risks of cost and funding changes have been specifically considered and planned for;
- **Value for money:** Regional advice must represent value for money, with costed proposals that have been tested for deliverability, so far as is reasonably practical. These should follow the Best Practice model for proportionate and well-structured business cases (the five-case model) set by the Green Book.<sup>1</sup> For projects which cannot yet fully demonstrate these criteria, regions will need to set out the reasons why they have been prioritised;
- **Consistent:** Regions should consider how the advice they submit fits with other existing regional strategies and with pan-regional strategies such as the Northern Way Growth Initiative. There has already been consultation in regions on the Regional Economic Strategies and RDAs' Corporate Plans for 2008-11 which set out the priorities for delivery of the RES. Advice should also draw on sub-regional initiatives where appropriate, such as the New Growth Points initiative which identifies locations for housing growth and proposals to develop Integrated Transport Authorities;
- **Reflect national priorities:** Advice should include an assessment of the impact of proposed investment approaches on national priorities, as set out in the Government's PSA set<sup>2</sup>. Relevant PSAs include but are not limited to:
  - 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<sup>3</sup>: Lead the global effort to avoid dangerous climate change;
  - PSA 28: Secure a healthy natural environment for today and the future; and

<sup>1</sup> [http://www.hm-treasury.gov.uk/economic\\_data\\_and\\_tools/greenbook/data\\_greenbook\\_index.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/greenbook/data_greenbook_index.cfm)

<sup>2</sup> [http://www.hm-treasury.gov.uk/pbr\\_csr/psa/pbr\\_csr07\\_psaindex.cfm](http://www.hm-treasury.gov.uk/pbr_csr/psa/pbr_csr07_psaindex.cfm)

<sup>3</sup> In considering regions' advice, the Government will need to take account of its long term targets for reductions in carbon dioxide emissions by 2020 and 2050, and the five year carbon budgets that will be established by the Climate Change Bill. The long-term planning assumption should be that these constraints will become more, not less, challenging over time. Regional advice should take account of this position. The Government will set the first three carbon budgets alongside Budget 2009.

- **Reflect the priorities emerging in Multi Area Agreements:** Where MAAs have been signed-off or are in development, regional advice should be consistent with the MAA evidence base, and show how the proposed investment programme will support the delivery of the sub-regional outcomes, strategies and priorities agreed by sub-regions, the Government and RDAs. As cities are engines of economic growth, contributing to competitive regions, advice should also reflect how investments will promote growth within cities and help ensure that sustainable economic growth within them contributes to rising prosperity throughout the region. If necessary, regional advice will need to make trade-offs between the priorities of different sub-regions within a region, whether or not they are covered by an MAA.

## PREPARING THE ADVICE

**4.7** In recognition that the institutional architecture, challenges and priorities in each region are different, the Government does not intend to prescribe the process which regions should follow in producing advice. The Government also recognises that regions are in a transitional phase while the SNR is being implemented and therefore the arrangements for each region will vary.

**4.8** As in the first exercise, the advice should represent that of the whole region, and not of any one single organisation. Regional Development Agencies, Regional Assemblies, Leaders' Forums (where they have been established) and local government will all have a key role to play in developing the advice. Sub-regional partners and cities should also play a role in ensuring that the advice recognises the importance of developing functional economic areas.

**4.9** As in the first exercise, 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. Regional stakeholders are encouraged to engage the public when gathering advice on regional priorities for development. The RFA should build on the dialogue between regional and local partners, and the Government over the coming weeks and months, in response to the series of regional economic documents, to help shape short-term advice to support the economy. The Government recognises that stakeholders may differ in their perception of priorities and many will need to compromise to reach a broad consensus on priorities within resource constraints.

**4.10** The Government Offices will again act as facilitators of the process, ensuring that regional partners have a clear understanding of the task and that points for clarification are considered by Whitehall Departments in advance of submission. Regional Ministers will work with regional partners to facilitate the development of the regions' advice and broker agreement on the regions' priorities where necessary. The final advice back to the Government should clearly set out the organisations that have agreed the final recommendations.

**4.11** In London, the institutional governance framework is different from other English regions, with a directly elected Mayor and a separately elected Assembly. In order that London can benefit from the opportunities afforded by the Regional Funding Advice exercise, the Government will progress the RFA exercise separately with the relevant London institutions. No data concerning allocations to London is therefore included in this document.

## FORMAT AND STRUCTURE

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**4.12** The advice submitted should contain a short evidence base, and details of the proposed programmes of investment. Advice should be no longer than 35 pages including annexes and tables. References can be made to other documents, especially background evidence, and these can be submitted to the Government separately. However, advice must be free-standing and should be prefaced by a clear executive summary.

# 5

## NEXT STEPS

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**5.1** Regional advice will assist the Government in developing policy and in making public spending decisions that impact directly upon the regions.

**5.2** Outlined below are the major central Government decision areas which regions' advice will be valuable in informing:

### Transport

- Local Authority and Highways Agency regional major transport schemes – proposals as to which schemes should receive funding; and
- For local transport block funding (post 2010-11) – proposals as to the relative size and distribution of these budgets (including the proportions of funding to be allocated between blocks and major schemes)

### Housing and regeneration

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

### Economic Development

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

### Skills

- Advice will help to inform the work that the Regional Skills Partnership and the Learning and Skills Council do at a regional level, although skills funding is not included in the RFA funding envelope (see annex D).

**5.3** The evidence provided in regions' advice will inform the next spending review and help the Government to ensure that public finances are allocated in the most appropriate way to support sustainable economic development across the UK to deliver value for money.

## WHO TO SEND RESPONSES TO

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**5.4** Advice should be submitted by the end of February 2009 to Regional Ministers, at the relevant Government Office. The Government will issue a response to regions' advice after it has been considered.

**Rt Hon Beverley Hughes MP**

**Regional Minister for the North West**

Government Office for the North West  
City Tower  
Piccadilly Plaza  
Manchester  
M1 4BE

**Rt Hon Nick Brown MP**

**Regional Minister for the North East**

Government Office for the North East  
Citygate  
Gallowgate  
Newcastle upon Tyne  
NE1 4WH

**Rt Hon Rosie Winterton MP**

**Regional Minister for Yorkshire & the Humber**

Government Office for Yorkshire & the Humber  
Lateral  
8 City Walk  
Leeds  
LS11 9AT

**Phil Hope MP**

**Regional Minister for the East Midlands**

Government Office for the East Midlands  
The Belgrave Centre  
Stanley Place  
Talbot Street  
Nottingham  
NG1 5GG

**Liam Byrne MP****Regional Minister for the West Midlands**

Government Office for the West Midlands  
5 St Philip's Place  
Birmingham  
B3 2PW

**Ben Bradshaw MP****Regional Minister for the South West**

Government Office for the South West  
2 Rivergate  
Temple Quay  
Bristol  
BS1 6ED

**Jonathan Shaw MP****Regional Minister for the South East**

Government Office for the South East  
Bridge House  
1 Walnut Tree Close  
Guildford  
Surrey  
GU1 4GA

**Barbara Follett MP****Regional Minister for the East of England**

Government Office for the East of England  
Eastbrook  
Shaftesbury Road  
Cambridge  
CB2 8DF



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## INTRODUCTION AND POLICY CONTEXT

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**A.1** It is essential that regional strategies are underpinned by realistic and effective transport planning. Transport is relatively capital-intensive, with investment which can take time to prepare and may be costly to deliver. The opportunity to achieve agreement on an affordable ten year programme is therefore important and timely.

**A.2** In the first RFA exercise regions carefully designed and prioritised programmes of major schemes to be delivered by local authorities and the Highways Agency. The exercise was strongly welcomed and has in particular offered local authorities much greater clarity on whether and when particular schemes are likely to go forward. The second exercise will build on this success, and on the development work which all regions have undertaken over the last three years.

**A.3** There have been some significant developments in national policy since the first RFA exercise. The Eddington and Stern Reports have been prepared, and the Department for Transport (DfT) has published proposals for taking these forward. Regions will need take full account of these developments and documents as they prepare their advice:

- Eddington, for example, undertook valuable research showing how transport contributes to sustained economic prosperity. His report emphasises that the basic connectivity of the UK transport network is good; journey times between major cities compare well with our European competitors and there is no evidence that travel-to-work times are excessive. However, in some places, at certain times of day, there is crowding on public transport services and congestion on roads, and this leads to unpredictability of end-to-end journey-times. Eddington therefore proposed that the strategic economic priorities for transport should be key international gateways, inter-urban corridors and key urban areas. Eddington's conclusions about how transport can best support economic growth apply equally at a regional level.
- *Towards a Sustainable Transport System*<sup>1</sup>, proposed a wider set of transport goals and challenges. A revised version, following discussion with a wide set of stakeholders, was published by DfT on 1st July 2008, and regions will wish to consider the application of these goals and challenges in identifying their own needs and prioritising options.
- Regions will also wish to have regard to Eddington's recommendation that the process for determining investment programmes needs to be rigorous and systematic, starting with a clear analysis of problems, considering a range of options for improvement and ensuring that spending is focussed on the best proposals.
- In July 2007, DfT published a White Paper entitled 'Delivering a Sustainable Railway'. This sets out in an appendix a statement on what the Government proposes to buy from the rail industry in the period 2009-2014.

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<sup>1</sup> <http://www.dft.gov.uk/about/strategy/transportstrategy/>

**A.4** DfT will also be looking for advice which carefully considers the links between transport and other proposed investment, particularly in housing and economic development.

**A.5** Alongside this guidance, DfT has also published a technical supplement to help regions in preparing their advice. Copies of this can be found at the DfT website at <http://www.dft.gov.uk/pgr/regional/strategy/rfa/>.

## **SCOPE OF THE TRANSPORT ALLOCATION**

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**A.6** As in the first Regional Funding Allocations exercise, regions are asked to advise the Government in making decisions on

- Local transport major schemes where direct DfT grant is sought by the local authority; and
- Highways Agency investment in major schemes valued at over £5m on roads of regional significance.

**A.7** Expenditure on major schemes currently comprises only about a third of the capital investment available to regions and local authorities for supporting transport. Around £1.3 billion per year is allocated to local authorities in “block funds” for capital highways maintenance and to support smaller projects to enhance traffic management, public transport, road safety, etc. While the great majority of such projects are very local in nature, and rightly the responsibility of local authorities, it is important that at a strategic level funds are prioritised and allocated in ways which are consistent with regional strategies as well as national objectives. Under this RFA exercise, therefore, regions are asked to put forward advice on the allocation of block funds as well as major schemes.

**A.8** Regions will be provided with information on the current assumptions on block grant, and may advise both on the balance of their proposed programme between major schemes, integrated transport and maintenance, and on the appropriate distribution of integrated transport and maintenance blocks to local authorities. They should ensure that in doing so they have regard to the long-term needs of the region, and should provide clear and considered arguments to justify any significant changes proposed. The advice provided should be about overall allocations for individual authorities and major schemes; DfT does not seek to change the flexibilities local authorities already enjoy to determine their own priorities and programmes. Regions should base their advice on the distribution of block grant on the needs of authorities rather than any assumptions about the way in which the funding might in future be made available. The funding methodology will not be subject to change over the CSR07 period, but may be reviewed in advance of the next three-year settlement.

**A.9** The transport elements of Regional Funding Advice and the indicative forward planning assumptions which have been rolled out at a two per cent flat real growth rate, are set out in the table below. Please note that numbers may not sum due to rounding:

**Chart A.1: Transport elements of funding allocations and indicative planning assumptions: 2008-09 to 2018-19<sup>2</sup>**

Figures in £m, current prices		NW	NE	Y&H	EM	WM	SW	SE	E	Total
2008-09	Majors	119	44	88	76	93	90	144	98	<b>752</b>
	Block	-	-	-	-	-	-	-	-	-
2009-10	Majors	121	45	90	77	95	92	147	100	<b>767</b>
	Block	-	-	-	-	-	-	-	-	-
2010-11	Majors	123	45	92	79	97	94	150	103	<b>783</b>
	Block	-	-	-	-	-	-	-	-	-
2011-12	Majors	125	46	93	81	99	96	154	105	<b>799</b>
	Block	223	87	168	151	184	207	244	174	<b>1439</b>
2012-13	Majors	128	47	95	82	101	98	157	107	<b>815</b>
	Block	228	89	172	154	187	211	249	178	<b>1468</b>
2013-14	Majors	130	47	97	84	102	100	160	110	<b>830</b>
	Block	232	91	175	157	191	216	254	181	<b>1497</b>
2014-15	Majors	132	48	99	86	104	102	164	112	<b>847</b>
	Block	237	93	179	160	195	220	259	185	<b>1527</b>
2015-16	Majors	135	49	101	88	106	105	167	115	<b>866</b>
	Block	242	94	182	163	199	224	265	189	<b>1558</b>
2016-17	Majors	137	50	103	89	108	107	171	117	<b>883</b>
	Block	247	96	186	166	203	229	270	193	<b>1589</b>
2017-18	Majors	140	51	105	91	110	109	174	120	<b>901</b>
	Block	252	98	189	170	207	233	275	196	<b>1621</b>
2018-19	Majors	143	52	107	93	113	111	178	122	<b>919</b>
	Block	257	100	193	173	211	238	281	200	<b>1653</b>

**A.10** While these are the budgets which have been considered by DfT in providing indicative allocations, regions should not regard them as restricting the scope of their advice. Regions may include proposals in their advice to spend a part of their allocation on, for example, investment in rail or strategic roads of national importance, or on a scheme which benefits their area but which is outside it. DfT will also be willing to discuss any proposals for disinvestment, with the region benefiting from the proceeds.

**A.11** Regions need to include against their allocations only that part of the cost of major schemes which requires support from central DfT funds. Where it is anticipated that there will be a local contribution from other sources (such as developers), regions should make clear in their advice the assumptions which are being made.

<sup>2</sup> Numbers for block funding in 2008-09 to 2010-11 are not set out in the table because allocations of block funds to local authorities were announced as part of the local transport settlements for those years and are thus pre-committed. The numbers used to provide indicative block funding for 2011-2019 assume some minor changes to the current formula. Further details are provided in Annex E: Funding Formulae and Technical Notes.

**A.12** Some schemes which regions will wish to consider may be eligible for support from other sources, for instance the Transport Innovation Fund (TIF). TIF is not being incorporated into Regional Funding Advice, since it is designed specifically to support the achievement of national objectives. Regions should not at this stage assume that TIF will support any particular scheme, but should make clear in their advice where they are aware that funding from TIF is being actively sought, and how their advice supports or complements those bids.

**A.13** Private Finance Initiative (PFI) programmes for street lighting, maintenance and other transport schemes will continue to be managed nationally, and the related credits are not included in this exercise.

## **THE PROPOSED INVESTMENT PROGRAMME**

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**A.14** Regions are requested to provide information on regional priorities up to and including 2018-19, and should aim to show how their proposals can be accommodated within the overall indicative allocation for each year. More detailed advice on the assumptions which should be made about costs, rate of spend and the treatment of risk will be made available in the DfT technical supplement.

**A.15** In *Towards a Sustainable Transport System* ("TaSTS"), DfT has set out its plans for implementing the Eddington and Stern Reports, and drawing together its decision-making in five-year cycles. DfT is keen that regions play their full part in identifying and prioritising options relevant to the success of their area. DfT is currently considering the best way of organising the overall process, including for considering rail enhancements beyond the current High Level Output Specification (HLOS) period. It is anticipated that following the current Regional Funding Advice exercise, regions will have a further opportunity to review and consider programmes for the years 2014-15 to 2018-9.

**A.16** Advice from each region should include:

- a proposed programme of major transport investment schemes;
- proposals for allocating block funds to local authorities from 2011-12 (following the current three year Revenue Support Grant settlement);
- a commentary on the development of the proposals and the assumptions and judgments which have been made; and
- an assessment of the impact of the proposed programme on relevant PSA indicators (including transport, climate change, natural environment and regional economic performance). It is intended that a wider set of outcome metrics will be developed as part of the TaSTS process and, to the extent that is possible in the time available, DfT would encourage regions to consider how they might be reflected in their advice (further details on this can be found in the DfT technical supplement).

**A.17** Regions should ensure that the transport proposals put forward can be afforded within the total indicative regional funding allocation, taking into account a sensible level of over-programming to allow for scheme slippage. Details of the precise level of over-programming permitted are included in the DfT technical supplement.

**A.18** Regions should be aware that the RFA will be the main source for funding all transport schemes that support wider Government initiatives, including housing growth. In these cases, DfT will particularly welcome schemes with innovative funding

packages. In the case of schemes that specifically support Eco-towns, DfT will carefully scrutinise regions' assumptions about the level of contributions being made by developers and other funding sources to support that Eco-town.

**A.19** We would also welcome advice on regional priorities for study work by the Highways Agency, where this might lead in the longer term to the need for investment in the Highways Agency's regional roads. In particular, further study may be required of the investment needed to support the region's Spatial Strategy, as worked through by individual planning authorities in their Local Development Frameworks (notably in their Core Strategies). By taking early views on this, the Government would aim to ensure that the necessary preparatory work is undertaken to facilitate informed decisions on funding priorities in any future RFA rounds.

**A.20** Regions may also wish to set out their priorities for rail option development which they are either already working on with Network Rail (for example through the Route Utilisation Strategy process), or would wish to do so. Given that resources for such work are finite for both the Highways Agency and rail, regions are requested to very clearly prioritise the work they would like to see taken forward during this RFA period. Further details are provided in the DfT technical supplement.

## PRE-EXISTING COMMITMENTS

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**A.21** Allocations of **block funds** to local authorities announced as part of the Local Transport Settlement for 2008-09 to 2010-11 should be regarded as firm commitments in advice.

**A.22** In preparing their advice on **major schemes**, regions will wish to identify and consider existing commitments to assess the extent to which new schemes may be accommodated. There are a number of schemes within each region which are already in progress or where planning is so far advanced that the required expenditure will need to be treated as firmly committed. Regions should be aware that the cost of these schemes falling in each year will need to be found from within the overall allocation set aside for each region. Relevant information and further advice is provided in the DfT technical supplement.

## OTHER CONSIDERATIONS

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### Cost estimates and profiles

**A.23** In providing their advice, regions will need to use estimates both of cost profiles and of the feasible timing of spend for individual schemes. These estimates may be very uncertain, particularly for longer-term schemes. Further advice will be provided for regions on this in the DfT technical supplement.

### Deliverability

**A.24** In providing their advice, regions need to pay particular attention to the prospects for delivering candidate schemes to ensure that their suggested profile of funding can actually be spent. Failure to deliver schemes to timetable could mean a region foregoing funding over the RFA period.

**A.25** In preparing advice regions should:

- take account of the requirements for schemes to be developed, appraised and then go through statutory procedures, and the effect of this on the time needed to prepare each scheme, when drawing up their prioritised programme;
- make clear how future operational and maintenance costs arising from proposed capital projects will be funded; whether schemes depend on third party funding and/or approvals (e.g. from Train Operating Companies, the Office of Rail Regulation) and if so, the degree of commitment so far obtained from these bodies; and
- take account of the number of schemes a particular authority is seeking to deliver over the RFA period and their track record in delivering other similar schemes.

## Carbon dioxide emissions

**A.26** The Government is committed to urgent action to tackle transport emissions of CO<sub>2</sub> and other greenhouse gases, and is awaiting the advice of the Committee on Climate Change on appropriate targets. In providing their advice, regions should consider and estimate the effects on carbon dioxide emissions which may result from their proposals. DfT will need to reflect on the aggregate emissions impacts of national and regional proposals in the light of carbon budgets set following enactment of the Climate Change Bill and any target set by the EU.

**A.27** Carbon budgets and targets are likely to become more challenging over time. Given this, regions should also reflect on the medium to long-term transport emissions impacts of their advice, which DfT will have to consider in identifying viable proposals.

## Value for Money

**A.28** Ensuring that transport investment provides good value for money is a key objective of DfT. It is for this reason that DfT undertakes a value for money appraisal of schemes using the New Approach to Appraisal system. More details of this process can be found in the *Guidance to Local Authorities Seeking DfT Funding for Transport Major Schemes*<sup>3</sup>.

**A.29** The Government recognises that schemes likely to be considered by regions will in general not yet have completed appraisal. Nevertheless, where possible, it would be helpful for regions to outline what value for money assumptions have been made about schemes being prioritised, and the evidence supporting those assumptions. Regions may wish to make use of value for money appraisals which have already been carried out for individual schemes, and DfT will provide this information where it is available. DfT does not generally fund schemes that do not meet value for money criteria and such schemes should not be prioritised unless there are overwhelming reasons to so do and regions can provide a full justification for this.

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<sup>3</sup> <http://www.dft.gov.uk/pgr/regional/ntp/major/majorschemeguide/>

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## Procurement assumptions

**A.30** For the purposes of the advice, regions should in general assume that schemes are being funded by conventional procurement unless Private Finance Initiative (PFI) or Public Private Partnership (PPP) has already been agreed, in which case regions should consider only any part of the agreed costs being conventionally funded. In preparing plans which include potential future PFI or PPP procurement, regions should assume no significant effect on the way that the costs of the schemes are spread over the duration of the scheme. Regions may wish to discuss particular cases with DfT contacts, and to comment in their advice on where PFI is being explored in relation to particular schemes. The procurement for schemes on the trunk road network will, as at present, be determined by the Highways Agency.

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## SUMMARY

**A.31** Advice from each region should therefore include:

- a proposed programme of major transport investment schemes;
- proposals for allocating block funds to local authorities from 2011-12 (following the current three year RSG settlement);
- a commentary on the development of the proposals and the assumptions and judgments which have been made; and
- an assessment of the impact of the proposed programme on relevant PSA indicators.



## INTRODUCTION

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**B.1** Supporting housing growth, securing delivery of social housing and continuing regeneration of disadvantaged areas are key challenges for the Government over the next decade. The 2007 Housing Green Paper, *Homes for the future: more affordable, more sustainable* set out the scale of the housing challenge and the Government's response to it. Ministers committed to deliver 2 million new homes by 2016 and 3 million new homes by 2020, and to increase the supply of new social homes to 45,000 by 2010-11. *Transforming Places; changing lives*, a new framework for regeneration, sets out the Government's ambitions for improving outcomes in disadvantaged areas.

**B.2** To help secure the delivery of these commitments, Ministers announced their intention to create the Homes and Communities Agency (HCA). The figures for housing and regeneration in this document include funding for English Partnerships, the Housing Corporation's investment funding, and housing and regeneration funding from Communities and Local Government which will transfer to the new Homes and Communities Agency (HCA) when it is set up. Funding for Private Sector Decent Homes, included in the Regional Housing Pot, will not transfer. This will become the national housing and regeneration agency for England and will bring together English Partnerships (EP), the investment functions of the Housing Corporation and some delivery functions of Communities and Local Government. The HCA has committed to working on a regional basis, and to making its investment decisions on the basis of a series of 'single conversations' with local areas on their housing and regeneration ambitions, in the context of an overall investment strategy for the region.

**B.3** The RFA process plays a key role in these conversations, and will inform the HCA's development of its regional investment strategies. The majority of the HCA's funding is therefore included in this exercise. The advice received will lead to further in-depth collaborative work between local authorities and the HCA on priorities for investment. As set out in the framework for regeneration, the RFA process should be used to identify the priorities for regeneration within the region, helping to coordinate and target public investment.

## SCOPE OF THE ALLOCATION

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**B.4** The scope of the housing and regeneration allocation is significantly expanded from the first RFA process, and now includes significant regeneration funding, reflecting the remit of the HCA.

**B.5** The housing and regeneration elements of Regional Funding Advice and the indicative forward planning assumptions which have been rolled out at a two per cent flat real growth rate, are set out in the table below. Please note that numbers may not sum due to rounding:

**Chart B.1: Housing and Regeneration elements of funding allocations and indicative planning assumptions: 2008-09 to 2018-19<sup>1</sup>**

Figures in £m, current prices		NW	NE	Y&H	EM	WM	SW	SE	E	Total
2008-09	Regional Housing Pot	264	88	173	143	206	241	407	236	1758
	English Partnerships Funding	93	35	35	33	39	67	117	60	479
	Housing Market Renewal	193	47	76	0	65	0	0	0	381
	Growth Funds	0	0	0	45	15	25	43	74	252
	Thames Gateway	0	0	0	0	0	0	57	59	116
	<b>Total Housing and Regeneration</b>	<b>550</b>	<b>170</b>	<b>284</b>	<b>221</b>	<b>325</b>	<b>333</b>	<b>624</b>	<b>429</b>	<b>2986</b>
2009-10	Regional Housing Pot	287	95	188	152	228	281	458	271	1960
	English Partnerships Funding	97	52	37	76	41	96	114	60	573
	Housing Market Renewal	179	44	68	0	55	0	0	0	346
	Growth Funds	0	0	0	35	14	24	32	52	257
	Thames Gateway	0	0	0	0	0	0	66	72	138
	<b>Total Housing and Regeneration</b>	<b>563</b>	<b>191</b>	<b>293</b>	<b>263</b>	<b>338</b>	<b>401</b>	<b>670</b>	<b>455</b>	<b>3274</b>
2010-11	Regional Housing Pot	280	100	198	154	246	290	507	293	2068
	English Partnerships Funding	85	48	32	102	54	68	189	44	622
	Housing Market Renewal	166	39	59	0	47	0	0	0	311
	Growth Funds	0	0	0	35	14	24	32	52	307
	Thames Gateway	0	0	0	0	0	0	57	68	125
	<b>Total Housing and Regeneration</b>	<b>531</b>	<b>187</b>	<b>289</b>	<b>291</b>	<b>361</b>	<b>382</b>	<b>785</b>	<b>457</b>	<b>3433</b>
2011-12	<b>Total Housing and Regeneration</b>	<b>542</b>	<b>191</b>	<b>295</b>	<b>297</b>	<b>368</b>	<b>390</b>	<b>801</b>	<b>466</b>	<b>3502</b>
2012-13	<b>Total Housing and Regeneration</b>	<b>552</b>	<b>195</b>	<b>301</b>	<b>303</b>	<b>376</b>	<b>397</b>	<b>817</b>	<b>475</b>	<b>3572</b>
2013-14	<b>Total Housing and Regeneration</b>	<b>564</b>	<b>198</b>	<b>307</b>	<b>309</b>	<b>383</b>	<b>405</b>	<b>833</b>	<b>485</b>	<b>3643</b>
2014-15	<b>Total Housing and Regeneration</b>	<b>575</b>	<b>202</b>	<b>313</b>	<b>315</b>	<b>391</b>	<b>413</b>	<b>850</b>	<b>495</b>	<b>3716</b>
2015-16	<b>Total Housing and Regeneration</b>	<b>586</b>	<b>206</b>	<b>319</b>	<b>321</b>	<b>399</b>	<b>422</b>	<b>867</b>	<b>505</b>	<b>3790</b>
2016-17	<b>Total Housing and Regeneration</b>	<b>598</b>	<b>211</b>	<b>325</b>	<b>328</b>	<b>407</b>	<b>430</b>	<b>884</b>	<b>515</b>	<b>3866</b>
2017-18	<b>Total Housing and Regeneration</b>	<b>610</b>	<b>215</b>	<b>332</b>	<b>334</b>	<b>415</b>	<b>439</b>	<b>902</b>	<b>525</b>	<b>3943</b>
2018-19	<b>Total Housing and Regeneration</b>	<b>622</b>	<b>219</b>	<b>339</b>	<b>341</b>	<b>423</b>	<b>448</b>	<b>920</b>	<b>535</b>	<b>4022</b>

<sup>1</sup> For the Growth Fund, the 2008-09 split reflects the indicative allocations made to local authorities to date. The Government has not yet determined the allocation for 2009-10 and 2010-11, therefore and solely for the purposes of this exercise, the total remaining in the CSR period has been split evenly between these years and then projected forward. CIF (£150 in 2010-11) is included in the total allocations for each year, but cannot be broken down regionally, as currently no regional indicative allocations exist.

**B.6** Regions are asked to advise the Government and the HCA in making decisions on the allocation of funding between these programmes.

**B.7** The Regional Housing Pot and EP funding will be allocated between all regions. The funding streams which are currently restricted to some regions are listed below:

- The Housing Market Renewal programme was established in 2002-03 to address problems of severe housing market failure in places where prices had collapsed and there was widespread abandonment. The programme operates in four regions only (North West, North East, Yorkshire and the Humber, and the West Midlands).
- The Growth Fund is designed to support the delivery of infrastructure in the Growth Areas and Growth Points. In the past, growth funding has been used to fund site infrastructure such as site access and remediation, alongside wider community and public realm facilities including green infrastructure, public realm and town centre improvements and small-scale transport solutions. The Growth Fund is not divided into regional pots and local authorities currently bid into one central pot. The Growth Areas are already defined and there are no plans to create new ones. However, while the first round of Growth Points were restricted to areas of greatest housing need, the second round is open to all regions. Thus, once successful applicants are announced, the regional distribution may change.
- The Thames Gateway is Europe's largest regeneration programme, stretching from the centre of London along the Thames to Southend in Essex and Sittingbourne in Kent. However, as funding for London is being considered separately, Thames Gateway funding is only relevant to this exercise for the East of England and South East regions.

**B.8** The Community Infrastructure Fund (CIF) is a joint Communities and Local Government/DfT fund for transport schemes supporting housing growth. Regional Assemblies, together with Regional Development Agencies, have been asked to advise on the prioritisation of expressions of interest in their regions. Regional breakdowns of CIF are not included in this Guidance, as advice is currently being sought from regions on the prioritisation of bids for CIF. Decisions on funding from 2008-09 onwards will be announced in December. However, regions will wish to consider CIF prioritisation alongside the wider RFA exercise and take account of successful CIF bids in finalising advice on regional investment priorities.

**B.9** Housing PFI Credits are not included in the RFA process. Regions should therefore assume that conventional procurement will apply for all projects they propose, unless PFI has already been agreed. If this is the case, they should consider only that proportion of a scheme to be funded conventionally in their advice to government.

## THE PROPOSED INVESTMENT PROGRAMME

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**B.10** Regions are requested to provide information on regional priorities for housing and regeneration up to and including 2018-19 and should aim to show how their proposals can be accommodated within the overall indicative allocation for each year.

**B.11** Advice should cover:

- the levels of delivery of affordable housing and the degree to which it can be influenced by other factors such as early infrastructure provision; the mix of tenures; and the spatial distribution of delivery anticipated by the Regional Spatial Strategy and sub-regional housing market assessments;
- analysis and evidence from the Regional Housing Board and Strategic Housing Market Assessments; and
- how strategic brownfield or surplus public sector sites will be unlocked for development – either for housing or for other uses.

**B.12** Investment to bring about new housing will take a number of forms. These range from large scale regeneration schemes, often with associated infrastructure, developed over 10–15 years or longer, to smaller-scale affordable housing delivered on infill or as part of a larger but more localised housing or broader development. Advice will therefore need to cover both the numbers and broad geographic distribution of housing investment together with advice on larger scale, scheme specific decisions.

**B.13** The Housing Green Paper sets the goal of building 50,000 social homes per year in the next spending review period, though there is no commitment to an increase in funding levels. The Government will therefore be looking in particular for innovative ways of increasing outputs through economies of scale and other efficiencies.

**B.14** Regions should provide information on priorities up to and including 2018-19, with a particular focus on the years following the end of the current spending review period. Regions should aim to show how proposals can be accommodated within the overall indicative allocation for each year, as set out above. If there are years in which regions are proposing a housing and regeneration spend which varies from the estimated indicative allocation - for example, as a result of a proposed change in the balance of spending between housing and regeneration, economic development and transport – this should be clearly indicated in the advice.

**B.15** The advice also needs to reflect plans and assumptions in signed-off option appraisals for delivering Decent Homes.

## EXISTING COMMITMENTS

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**B.16** A large proportion of housing and regeneration funding is already the subject of indicative allocations for the current spending review period. In particular, Ministers have announced national targets for the delivery of affordable housing over the CSR07 period to be delivered by the National Affordable Housing Programme. To date the Housing Corporation has announced approvals for £3.6 billion of the National Affordable Housing Programme for 2008–11 and additional commitments will have been made prior to receipt of the Regional Funding Advice.

**B.17** In preparing advice, regions will wish to consider existing commitments and the extent to which new proposals can be accommodated. However, most value will generally be added in terms of the period after 2011. Regions are encouraged to consider later years in one or more blocks.

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## OTHER CONSIDERATIONS

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**B.18** Regions should bear in mind the changes and increased flexibility that will be brought about by the creation of the HCA.

**B.19** All housing and regeneration investment should take place in the context of the relevant Regional Spatial Strategy and Local Development Frameworks. It should also take account of the Housing Green Paper ambitions and the priorities for regeneration set out in the Regeneration Framework published on the 17 July. It is impossible to create sustainable communities without taking into account the link between specific housing and regeneration funding and wider investment – particularly transport and economic development. Regions should therefore consider and reflect these linkages in their advice to Government.

**B.20** Regions will need to demonstrate that all proposed investment proposals are costed on the basis of good value for money, and it would be helpful if regions could conduct preliminary value for money appraisals on projects to enhance the evidence base. For projects which cannot yet demonstrate how they will meet value for money criteria, regions will need to set out the reasons why they have been prioritised. This is particularly necessary for non-housing investment designed to facilitate house-building.

**B.21** In developing advice we would also expect regions to include evidence that there has been detailed consultation with those stakeholders who are delivering the outcomes. In addition, we would welcome evidence of how any proposals for this CSR07 period will support and build on the outcomes of Local Area Agreement National Indicators, particularly net additional homes provided (National Indicator 154), gross number of affordable homes delivered (National Indicator 155) and number of households living in temporary accommodation (National Indicator 156)<sup>2</sup>, as well as Multi Area Agreements that impact on the provision of housing growth and affordable housing. Weight will be given to proposals which demonstrate and take advantage of the increased flexibility that the Homes and Communities Agency will bring.

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## SUMMARY

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**B.22** Regional advice on the housing and regeneration dimension of regional funding allocations should include the following key elements:

- a clear description of housing and regeneration ambitions for the region;
- a clear outline of which investments, affordable within the planning assumptions, are considered priorities for the achievement of those objectives;
- an account of how priorities have been determined which provides evidence for those decisions and takes into consideration value for money; and
- evidence of stakeholder engagement and level of support for advice as presented.

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<sup>2</sup> <http://www.communities.gov.uk/documents/localgovernment/pdf/735112.pdf>



## INTRODUCTION

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**C.1** This Annex deals with issues related to the economic development element of the Regional Funding Advice. Advice is welcomed on the key strategic priorities for economic development in regions and how this aligns to and complements priorities in the other areas covered by this advice, to represent a coherent vision of the development of the region which is aligned to resources based on long term planning assumptions.

**C.2** The Government aims to improve the economic performance of each of the English regions and, in the long term, to reduce the persistent gap in growth rates between the best-performing regions (London, South East and East of England) and others (North East, North West, Yorkshire and the Humber, East Midlands, West Midlands and South West).

**C.3** The Regional Development Agencies (RDAs) were set up to act as the strategic leaders of economic development in each of the English regions. Their main tasks are to help the English regions improve their relative economic performance and reduce economic disparities within and between regions. They do this both through their own activities and through their leadership role in drawing up the Regional Economic Strategy for the whole region.

**C.4** Every region has an existing RES which sets out a shared vision for the development of the region's economy, to improve economic performance and enhance the region's competitiveness. It addresses the particular needs of the region, while supporting, enhancing and delivering national policies, and identifies measures that will lead to an improvement in economic performance. These measures could be targeted at regional or sub-regional levels, or inter-regionally, as in the case of the Northern Way Initiative. Advice on priorities and resources should be consistent with the Regional Economic Strategy and the RDA's own Corporate Plan.

## SCOPE OF THE PROGRAMMES

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**C.5** Two funding streams are included under the heading of economic development – the RDA Single Budget, and the European Regional Development Fund (ERDF), as part of the EU Structural Funds.

**C.6** These two funding streams are, to an extent, inter-related, as the RDA Single Budget may be a significant source of the match funding which programmes have to find under the requirements of the Structural Funds Regulations. These budgets represent a part of the investment within any region on economic development, and should be considered alongside the regeneration funding set out in Annex B. Furthermore, economic development priorities should mutually support and enhance the impact of proposed transport and housing investment.

**C.7** The economic development elements of the Regional Funding Advice and the indicative forward planning assumptions which have been rolled out at a two per cent flat real growth rate, are set out in the table below. Please note that numbers may not sum due to rounding:

### Chart C.1: Economic Development elements of funding allocations and indicative planning assumptions: 2008-09 to 2018-19

Figures in £m, current prices		NW	NE	Y&H	EM	WM	SW	SE	E	Total
2008-09	RDA Single Budget	392	248	303	160	279	157	160	132	<b>1830</b>
	ERDF	107	41	85	30	44	64	3	12	<b>387</b>
2009-10	RDA Single Budget	386	244	299	158	275	155	158	130	<b>1,806</b>
	ERDF	92	42	71	30	45	66	3	12	<b>361</b>
2010-11	RDA Single Budget	377	239	292	154	269	151	154	127	<b>1,764</b>
	ERDF	76	43	57	31	46	67	3	13	<b>335</b>
2011-12	RDA Single Budget	385	243	298	157	274	154	157	130	<b>1799</b>
	ERDF	63	44	46	31	47	68	3	13	<b>316</b>
2012-13	RDA Single Budget	393	248	304	160	280	158	160	132	<b>1835</b>
	ERDF	65	45	47	32	48	70	3	13	<b>322</b>
2013-14	RDA Single Budget	400	253	310	163	285	161	164	135	<b>1872</b>
	ERDF	49	34	36	24	36	53	2	10	<b>245</b>
2014-15	RDA Single Budget	408	258	316	167	291	164	167	138	<b>1909</b>
2015-16	RDA Single Budget	417	263	322	170	297	167	170	140	<b>1947</b>
2016-17	RDA Single Budget	425	269	329	173	303	171	174	143	<b>1986</b>
2017-18	RDA Single Budget	433	274	335	177	309	174	177	146	<b>2026</b>
2018-19	RDA Single Budget	442	280	342	180	315	177	181	149	<b>2066</b>

**C.8** Advice is sought in order to inform Government policy development and public spending decisions that affect the regions. Final decisions on all spend within regional economic development allocations will remain with the RDAs (subject to the existing requirement on RDAs to seek consent for offering financial assistance and other activities, as set out in the RDA Act 1998 and the Structural Funds Regulations relating to use of ERDF monies).

**C.9** The ERDF allocations shown are based on agreed funding to the end of 2013. Allocations beyond this point are yet to be agreed by the European Council and will not be known until at least 2012. Therefore we have not attempted to make any indicative assumption for the period beyond 2013-14. Regions may wish to consider how their longer-term economic priorities may be influenced by the future level of EU Structural Funds beyond the end of 2013. This consideration should take into account the possibility of no Structural Funds being available after that time.

**C.10** The “N+2” rule allows ERDF monies to be spent up to two years after their allocated year. As a result, planned spend may not tie in precisely with the indicative allocations shown. Regions should make clear in their advice where such a planning assumption has been made.

## COMMITMENTS

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**C.11** In preparing their advice under both the RDA Single Budget and the ERDF, regions will wish to identify and take into account existing commitments in order to assess the level of headroom.

**C.12** Regions should note that, as the ERDF budget is set by the European Commission, there is no scope for virements to or from this funding stream, so this option cannot be considered, and as such ERDF has not been aggregated into long term budgets.

## LEVERAGE

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**C.13** The RDA Single Budget and the ERDF together represent only a fraction of the total spend on economic development in each region. Therefore, in setting priorities and aligning these to available resources, regions should also take into account the amount of economic development funding from other sources which might be levered in, including through particular RDA programmes or projects, or aligning to achieving the strategic goals identified in Regional Economic Strategies.

## SCRUTINY OF CORPORATE PLANS

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**C.14** Corporate Plans provide full details of how the RDAs will allocate their budgets to deliver progress in meeting the objectives set for the Agency by the Regional Economic Strategy, and how this activity will contribute to the targets that the RDAs have been set. The Corporate Plans cover three year periods corresponding to spending reviews.

**C.15** RDAs’ Corporate Plans for the period 2008-09 to 2010-11 have all been submitted to BERR and will shortly all have been approved by Ministers.

## SUMMARY

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**C.16** Regional advice on the economic development dimension of regional funding allocations should include the following key elements:

- a clear outline of the priorities for economic development, consistent with the Regional Economic Strategy, reflecting national policy priorities and aligned to available resources calculated through longer term planning assumption for regional funding allocations;
- if appropriate, a summary of any specific programmes or projects which will deliver the prioritised objectives, with indicative costings and if possible a brief assessment of value for money;
- an account of how priorities align with housing and regeneration, transport and skills priorities and economic development investment from other sources;

- evidence of stakeholder engagement and level of support for advice as presented; and
- how other investment in economic development in regions can be aligned.

# D

## SKILLS

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**D.1** The Government would welcome advice on regions' skills priorities as part of the overall package of regional funding advice, although the adult skills budget is not included in the RFA funding envelope.

### INTRODUCTION

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**D.2** The adult skills budget managed by the Learning and Skills Council (LSC) is the primary means of delivering the Government's PSA to 'Improve the skills of the population, on the way to ensuring a world-class skills base by 2020'.

**D.3** Training and skills provision for adults at every level has to be delivered in ways which provide the best possible support for economic development at national, regional, sub-regional and local levels. The LSC, colleges, and training providers are engaged as full and active partners in discussions about linking economic development goals with the spatial strategy for each area.

**D.4** The mechanism for making this connection is the Regional Skills Partnership (RSP). The RSPs bring together the RDAs, the LSC, Jobcentre Plus (JCP) and their regional partners – including representatives of local authorities and in some cases third sector/voluntary groups – for the purpose of identifying skills priorities in the context of wider issues affecting employment, regeneration, business support and sectoral issues at regional and sub-regional level. In preparing regional advice, the region should draw on the expertise of the RSP and employers to ensure that there is alignment between the broader advice and the identified skills needs.

### SCOPE AND COMMITMENTS

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**D.5** Improving skills is critical for driving economic growth, and for meeting regional growth targets. Therefore it is critical that the regions' advice integrates skills within broader advice about housing, transport and economic development, to ensure that there is alignment between the strategic priorities that regions identify and that spending is coordinated to promote growth. The regional advice should therefore set out the critical skills investment required to meet the region's growth trajectory.

**D.6** It is vital that training responds swiftly to the changing needs of employers, so **regions should focus their advice on what needs to be done in the three years of the CSR period, including any action which needs to begin in the CSR period**, to meet strategic skills requirements which employers are saying will arise in the longer term.

**D.7** Therefore, to ensure that regional advice meets the needs of employers, **regions should consult with employers** to identify what the key investments in skills will be to drive growth in the short and medium term, as well as the investments necessary to support the region's long-term growth trajectory. In doing so, regions should also set out how to sequence skills investment to support the evolving development of their region.

**D.8** The advice should also take into account existing commitments, in the form of training already started which needs to be completed, and show how subsequent investments build on these existing commitments. The LSC will be able to advise on the likely scale and duration of these commitments.

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## **COST ESTIMATES, PROFILES AND VALUE FOR MONEY**

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**D.9** The LSC is the organisation which is charged with delivering the Government's targets for training and skills within PSA2. These key national targets include, by the end of the CSR period:

- 597,000 people of working age to achieve a first level 1 or above literacy qualification, and 390,000 to achieve a first entry level 3 or above numeracy qualification;
- 79 per cent of working age adults qualified to at least full Level 2;
- 56 per cent of working age adults qualified to at least full level 3; and
- 36 per cent of working age adults qualified to Level 4 and above by 2014, with an interim milestone of 34 per cent by 2011.

**D.10** It is important to have a clear focus on the targets, the arrangements for delivering them and the budgetary allocation which supports them. It is also important that there is continuing budgetary flexibility so that colleges can be helped to specialise where appropriate, and sectoral priorities can be addressed.

**D.11** The joint Grant Letter sets out the national allocations to the LSC, and it is the LSC which makes decisions about regional allocations. It bases this on a wide range of factors including overall learner numbers and the contribution that each region can make to specific programmes and priorities. Regional Commissioning Plans set out the challenges and priorities that each LSC region has identified within the framework set by the national targets, and the associated investment plans for the region, including the volumes it is looking to contract - but not an overall budgetary allocation for the region. It is the LSC's responsibility to secure value for money in its commissioning.

**D.12** These Commissioning Plans are published on the LSC website<sup>1</sup>, and set the framework for local commissioning. The LSC also has discretion to move funding between regions should the need arise. In-year allocations made to FE providers, and for Train to Gain, Adult Continuing Learning and work based learning (including Entry to Employment) by region are also available on the LSC website.

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<sup>1</sup> [www.lsc.gov.uk](http://www.lsc.gov.uk)

## Chart D.1: LSC Programme Expenditure by Regional Office<sup>2</sup>

	2005-06	2006-07	2007-08
	£m	£m	£m
<b>Region</b>			
East of England	933.4	1,004.9	1,068.6
East Midlands	835.7	861.6	930.3
North East	610.8	640.7	667.0
North West	1,445.0	1,481.5	1,577.5
South East	1,440.8	1,541.8	1,660.1
South West	959.9	1,028.7	1,038.5
West Midlands	1,194.6	1,254.4	1,331.9
Yorkshire and the Humber	1,022.2	1,044.0	1,097.2
<b>Total Programme Expenditure in these regions</b>	<b>8442.3</b>	<b>8857.5</b>	<b>9,371.1</b>

**D.13** Although we cannot identify an overall budgetary allocation for each region in advance, the Regional Skills Partnership provides a mechanism, within the RFA framework, for the LSC, RDAs, local authorities and other partners to provide an agreed view on the skills and training priorities that will best support delivery of regional and local economic development within the overall framework of the national skills strategy and PSA targets. Where appropriate, that can include advice on how different funding streams can be aligned to ensure that skills priorities can support economic development.

## SUMMARY

**D.14** Skills funding aims to achieve PSA2 and the supporting targets set out above.

- Skills advice should identify the key strategic investments for promoting growth to support the regions' economic development trajectory;
- Regional Skills Partnerships (RSPs) provide an existing process for aligning skills funding with the Regional Economic Strategy, and the new Regional Strategy. Regional partners can and should draw on the work on priority-setting currently being carried out through RSPs;
- Regions should work with RSPs to ensure that advice is drawn up alongside plans for housing, transport and economic development more widely, and reflects the demand for skills at every level from both employers and individuals; and

<sup>2</sup> These budgets included relate to the whole range of LSC expenditure, covering education and training for 14-19 year olds, and adult learning, as well as adult skills development and services for employers.

- RDAs will be able to judge how best to reflect advice on skills through the RSPs in each region. Regional partners will also want to consult the Learning and Skills Council, JCP, Sector Skills Councils, and any sub-regional bodies in the region working on employment and skills. Where regional partners consider that value would be added by a new employer-led, sub-regional Employment and Skills Board, this could be included in the RFA advice.

## TRANSPORT SCHEMES

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### Major schemes

**E.1** The formula for the distribution of funding for local authority and Highways Agency major schemes is based on population as projected by the Office of National Statistics for 2007-08.

### Block funding

**E.2** For the integrated transport block, the regional figures are aggregations of formula-based figures calculated at passenger/local transport authority level, while for highways capital maintenance they are aggregations of local highway authority level figures. The assumed funding envelope is the total block allocations for 2010-11, which have already been announced, increasing by 2 per cent per year.

**E.3** The distribution of integrated transport funding follows the current formula and data as used in the local transport capital settlement of 2006 without adjustments for performance. It therefore distributes funding between areas in proportion to the scale of their road safety, accessibility, congestion and pollution challenges. The figures assume some minor changes to the current formula, including the previously announced discontinuation after 2010-11 of some specific extra funding for a few localities, and the removal of elements of the calculations related to designated growth areas and air quality management areas since these tend to vary significantly over time.

**E.4** The distribution of highways capital maintenance funding follows the current formula used in the local transport capital settlement of 2007 but without any year-on-year transitional adjustments (to avoid locking-in previous funding distributions, which can distort future allocations) and without road condition data for unclassified roads (which was removed as part of the November 2007 funding settlement). It also assumes:

- the discontinuation of separate funding allocations for specified main road bridge projects - as local authorities should have completed these works - with that funding being included in the main block funding for the years after 2010-11; and
- the transfer of sub-£5m major schemes into the majors funding stream (to provide the discipline of preparing a business case where previously this was lacking).

It therefore distributes funding between localities in proportion to road length (weighted by class and - in the case of classified roads - condition), bridge stock and stock of old street lighting columns.

**E.5** Further details of the current formulae are available on the Department's website at <http://www.dft.gov.uk/pgr/regional/ltp/capital/ltpsettle06/>. As before, final decisions on all spend within regional transport advice will remain with the Secretary of State for Transport.

## HOUSING AND REGENERATION

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**E.6** The figures include funding which is currently distributed according to formula (such as the Regional Housing Pot), in response to bids (such as Housing Market Renewal and Growth Areas/Points) and as investment opportunities arise (English Partnerships). Forward projections for these funding streams beyond 2010-11 have been based on extrapolation of estimated figures for 2010-11. However, because of the different ways in which grant levels are determined, the balance of future regional distribution may be more likely to change than for other funding streams that are included in this exercise.

### Regional Housing Pot 2008-11

**E.7** Provisional regional allocations drawn from the Regional Housing Pot 2008-11 were arrived at by means of a formula made up of indicators reflecting relative need for the three programmes that the Regional Housing Pot supports: the National Affordable Housing Programme; Local Authority Decent Homes; and Private Sector Decent Homes, Regeneration and Mixed Communities.

**E.8** Several indicators were used to arrive at the formula. The indicators were grouped under general headings reflecting broad policy priorities supported by funding drawn from the Regional Housing Pot. Each indicator also reflects relative need for funding to be directed at a specific policy priority.

- **Affordable housing needs:** Five indicators have been used to reflect different elements of overall affordable housing need: homeless households in temporary accommodation; overcrowded, sharing and concealed households; ratio of lower quartile house prices to lower quartile earnings; regeneration; additional affordable housing in the Growth Areas.
- **Local Authority Decent Homes:** One indicator, the Local Authority Stock Condition Index, was used to provide a measure of the need for local authorities to achieve the Decent Homes standard in their own stock. This is a composite indicator drawn from historic spend, data from the Options Appraisal process and a needs based measure.
- **Private Sector Decent Homes, regeneration and mixed communities:** Three indicators were considered for use to reflect relative funding needs for decent homes activity in the private sector: Housing Association Repairs and Re-improvement (HARR); Private Sector Stock Condition Index (PSSCI) and Regeneration.
- **Combining the indicators into a formula:** Weightings were given to each indicator in line with the Government's priorities. These are expressed in the form of the levels of funding made available to support the programmes covered by the Regional Housing Pot. Cost compensation was applied to reflect the cost of carrying out work on the existing stock or providing additional affordable housing across the country. Two types of cost compensation factors were applied to different parts of the formula depending on whether the works were associated with new build paid for by social housing landlords, or rehabilitation works. The resulting allocations were then adjusted to ensure that no region receives less than a 5 per cent cash year on year increase in overall allocation using 2007-08 actuals as a

starting point and to establish the Growth Support (Affordable Housing) Fund.

## Thames Gateway

**E.9** A basic commissioning model was used to determine the regional split. The strategic outcomes, agreed by the Cross-Government Board, were distilled into outcome types such as housing, jobs, parklands etc (as per page 17 of the Delivery Plan<sup>1</sup>). The strategic outcomes were refined into a set of defined outputs, and the outputs were ranked for importance at three levels: local, regional and across the Gateway. Candidate programmes were then evaluated against four key criteria: strategic fit, outputs, affordability and deliverability. Funding was based on how successfully the candidate programmes scored against the four key evaluation criteria.

## English Partnerships

**E.10** English Partnerships has prioritised its spending programme according to levels of deprivation and communities with the greatest need and also according to where strategic major public sector intervention on the basis of market failure, is judged to be optimum, according to English Partnership's knowledge of the regions.

## Housing Market Renewal

**E.11** The Housing Market Renewal programme was established in 2002-03 to address problems of severe housing market failure in places where prices had collapsed and there was widespread abandonment. The programme aims to reconnect these areas to their wider regional housing markets and create more stable communities. The programme operates in four regions only (North West, North East, Yorkshire and the Humber, and the West Midlands).

**E.12** For the CSR period 2008-11, the Government has committed a further £1.038 billion to the programme, after considering business plans prepared by the HMR partnerships, together with advice from the Audit Commission on partnerships' past performance and future investment need, and regional views sought by the Government Offices.

**E.13** Funding for year 1 (2008-09) is 100 per cent committed, and for years 2 and 3 (2009-10 and 2010-11) is 90 per cent committed – the indicative figures issued may, therefore, move up or down by plus or minus 10 per cent.

**E.14** Responsibility for the day-to-day management of the programme is expected to transfer to the Homes and Communities Agency. The Agency will make recommendations on any changes to the indicative allocations for 2009-10 and 2010-11. As before, the Audit Commission has been invited to assist with this process, and will make assessments of each partnership in November, based on the partnership's use of resources and future investment need.

**E.15** Advice should look at the period beyond the Spending Review, considering an appropriate balance for the future, recognising that some housing market renewal areas are starting to experience growth, or are adjacent to growth areas, while others remain less well-connected and continue to face more traditional problems of low demand.

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<sup>1</sup> <http://www.communities.gov.uk/publications/thamesgateway/deliveryplan>

## Growth Fund

**E.16** The Growth Fund is designed to support the delivery of infrastructure in the Growth Areas and Growth Points. It will provide £732m for the three newer Growth Areas and the existing Growth Points for 2008-09 to 2010-11.

**E.17** The Growth Fund supports the delivery of infrastructure by providing unringfenced block funding to individual local authorities and local authority partnerships based on an assessment of their Programmes of Development. These are documents that set out local areas' plans and ambitions for growth, including a trajectory for housing delivery and the infrastructure needed to support it, identified resources and the extra support needed to deliver.

**E.18** As an unringfenced grant, with the exception of reflecting the split between capital and revenue, there are no grant conditions about how or when it is spent. The local authorities prioritise how the funding is used in their area with performance monitored through the indicators in the Local Government Performance Framework.

**E.19** In the past, growth funding has been used to fund site infrastructure such as site access and remediation, alongside wider community and public realm facilities including green infrastructure, public realm and town centre improvements and small scale transport solutions.

**E.20** The Growth Fund is not divided into regional pots. Local authorities bid into one central pot. The breakdown above demonstrates the spread across regions of funding decisions taken to date.

**E.21** Allocations for 2009-10 and 2010-11 are currently indicative. There is currently no published split of funding between 2009-10 and 2010-11. Local Authorities have only received a combined indicative figure. This split will be confirmed in early autumn when final funding decisions are made. At this point a further £172m will be included in the pot. Solely for the purposes of this exercise, this has been split evenly between 2009-10 and 2010-11, then projected forwards. We expect to confirm indicative allocations for the remaining CSR07 years in the early autumn, just after summer recess.

## Community Infrastructure Fund

**E.22** The Community Infrastructure Fund (CIF) is a joint Communities and Local Government/Department for Transport fund specifically for transport schemes supporting housing growth. This is the second round of funding (CIF2). The first was from 2005-2008.

**E.23** The first round of CIF was open to local authorities in the four Growth Areas. For CIF2 the scheme has been expanded to include the 29 Growth Point partnerships, as well as those local authorities that will be successful in the second round of Growth Points, the London Opportunity Boroughs of Barnet, Brent and Islington, and those local authorities with a short listed Eco-town bid.

**E.24** £300m has been made available for the second round of CIF (2008-2011). The Thames Gateway Delivery Plan announced that £100m would support 13 planned schemes in the Gateway. The remaining £200m is available to the three other Growth Areas, Growth Points, successful second round Growth Points and short listed Eco-towns.

**E.25** CIF is designed to fund a range of small to medium scale transport schemes, including road improvements, railway station enhancements and improved facilities for public transport, cycling and walking. CIF is a capital fund and no revenue funding is available.

**E.26** There is a two stage bidding process. Stage 1 is for local authorities to submit any Expressions of Interest. The Government will then consider the Expressions of Interest and announce in summer 2008 those bids that will be taken forward to stage 2, full business case, which will involve a more detailed assessment of bids. Not all bids will be taken forward to stage 2, and progressing to stage 2 does not guarantee any funding.

**E.27** Regional Assemblies, together with Regional Development Agencies, have been asked to prioritise the Expressions of Interest in their area. This will help to inform decisions regarding which schemes should be invited to submit a full business case. It will, however, only be a guide and the Government reserves the right to re-prioritise schemes which it believes would better meet the aims of the fund.

**E.28** CIF is designed to complement mainstream transport funding, such as the RFA, and is specifically aimed at funding transport infrastructure that will unlock or accelerate the delivery of housing. CIF is not divided into regional pots. Local authorities bid into one central pot.

## **ECONOMIC DEVELOPMENT**

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### **RDA Single Budget**

**E.29** Following the 2004 Spending Review, the majority of the RDA Single Budget funding was allocated to the RDAs using a funding formula which takes into account various measures of need and opportunity. The resulting distribution of funding remained unchanged following the CSR07. The key determinants of that formula are measures of unemployment, deprivation, skills deficit and differences in Gross Domestic Product.

### **ERDF Funding**

**E.30** National allocations of ERDF funding for the years 2007-2013 were agreed at the European Council of December 2005 as part of the overall agreement of the Structural Funds budget. That agreement also allocated funds to Convergence regions (formerly Objective 1 regions). The remaining funds were allocated between regions using a funding formula based on indicators of innovation, entrepreneurship, skills and economic output. ERDF allocations are defined in Euros. Figures shown here are based on an exchange rate of €1.00 = £0.80.

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