

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

BOARD MEETING ON 11 DECEMBER 2008

ITEM 7

REGIONAL FUNDING ADVICE

Recommendation

The Board is invited to consider the approach for developing the economic development input into the Regional Funding Advice and **AGREE** its preferred approach which will also form the basis of SEEDA's business planning for 2009-10.

Overview

1. The Regional Funding Advice (RFA) is the key opportunity for the region to set out its investment priorities to Government. The scope of the funds covered by the RFA is set out in Annex 1. For this region the RFA amounts to £1.192bn (2010/11) increasing to £1.544bn (2018/19) – Annex 2. The Agency's budget amounts to approximately 13% of the funding available.
2. The region's submission to Government must be underpinned by a regionally agreed, coherent investment programme which aligns spatial planning, transport, economic development and housing. The criteria that the region's submission must satisfy are set out in Annex 3.
3. The relative scale of the Agency's budget serves to emphasise the importance of using our strategic influencing role. It also serves to emphasise the importance of understanding how our investment complements the other funding streams within the RFA.
4. We do not start with a blank sheet of paper. The region's previous advice, which the Government endorsed, is being taken forward through the work of the Regional Transport Board (RTB) and Regional Housing Board (RHB) and through our own work as part of delivering the RES.
5. Our input into the RFA submission needs to build on our business planning process. Our business planning will be framed by the RES. However in order to satisfy the requirements of the RFA guidance we need to develop a more transparent and robust approach to the allocation of our funds.
6. In order to shape our business planning and, therefore our input into the RFA, it is essential that there is agreement on the locations within the region that will form the focus for us to target investment in economic development. It is also essential that there is agreement on what the focus for that investment should be.

Working Arrangements

7. It falls to SEEDA and the Regional Assembly to take the lead in producing the RFA submission, working in partnership with key regional agencies and sub-regional partnerships.
8. The region has established structures – in the form of the Regional Housing Board and Regional Transport Board – through which we are able to develop specific advice on investment priorities for individual policy areas. We have the RES Steering Group as a mechanism for working with partners – including the RHB and RTB – to help align invest in support of delivering the RES.
9. We are using these existing fora to review our previous advice and to consider the impact of the current economic situation. While we need to take into account funding commitments arising from previous RFA advice this does not preclude us reviewing existing commitments in the light of more recent information.
10. The RFA Regional Steering Group has been established to oversee the development of the RFA submission. We need to ensure that our input on economic development feeds into the Steering Group.

RFA Regional Steering Group

11. The Steering Group met on 12 November; a meeting chaired by the SEEDA Chairman. As a result the region has an initial steer on a number of key issues. This outcome of this meeting provides the context within which our advice on economic development needs to be developed.

Spatial Priorities

12. It was agreed that there is a need to develop a stronger place based narrative that demonstrates how our investment priorities are aligned towards delivering the agreed outcomes set out in the regional policy framework. It was further agreed that we will once again use the spatial geography that underpins the South East Plan and the RES.
13. The significance of Growth Areas and Growth Points as national designations will be reflected as spatial priorities within the RFA submission. Beyond that there was agreement that we should use the focus provided by the South East Diamonds for Investment and Growth (which relate well to the sub-regional strategy areas in the South East Plan) to help shape our advice.
14. The mapping of current Agency activity across the region provides the starting point for assessing the extent to which our current investment priorities relate to these priorities. This will in turn enable us to identify where there is a need to refocus our current investment in economic development to better align with other RFA funding streams

Redistribution between funding streams

15. It was agreed that we need to explore more positively the potential of recommending transferring funds between the policy headings in the RFA guidance. BY way of example, this could involve recommending switching some funds from delivering affordable housing to investing in infrastructure that enables housing. Alternatively it could involve switching funds from investment in physical infrastructure to measures that improve productivity.

Public Sector Leadership

16. It was agreed that there is a need to consider the scope for recommending additional investments are made from the RFA into pump priming mechanisms such as the Regional Infrastructure Fund.

New approaches to delivery

17. It was agreed that while the economic circumstances are challenging, they also present an opportunity for us to recommend channelling some of the RFA investment into initiatives that encourage new approaches to delivery. Again such initiatives could be focused on either physical measures (for example retro-fitting of existing housing stock) or on measures that address business needs in the short term.

Issues of Governance

18. It was agreed that we will want to use our submission to promote greater alignment of investment across the public sector – for example ensuring we get the best value from aligning investment in skills with RFA investments. The RFA submission is an opportunity to set out how the region might want the governance and decision making arrangements to evolve following the demise of the Learning and Skills Council.

Alternative funding scenarios

19. The Steering Group was keen to make sure that the RFA submission sets out clearly the impact that a reduction in funding will have on delivery. Conversely it is also the opportunity to demonstrate the added value that could be achieved through additional investment. It was agreed that any reduction in funding would be managed through a combination of reducing investment in places and programmes.

Economic Development Advice: Government Requirements

20. Government guidance makes it clear that the economic development input into the RFA submission, on which we lead, must include:

- a) a clear outline of the priorities for economic development consistent with the RES, reflecting national policy priorities and aligned to available resources calculated through longer term planning assumptions for regional funding allocations;

- b) if appropriate, a summary of specific programmes or projects which will deliver the prioritised objectives, with indicative costings and, if possible, a brief assessment of value for money;
- c) an account of how priorities align with housing and regeneration, transport and skills priorities and economic development investment from other sources;
- d) evidence of stakeholder engagement and level of support for advice as presented;
- e) how other investment in economic development in regions can be aligned.

Implications for Business Planning

21. It increasingly evident that in future we will need to look to a larger proportion of RES targets being delivered by partner organisations. This means that we must have greater clarity as to the core 'SEEDA offer'. We must also have greater clarity on where there is a need to target additional support, over and above the core offer.
22. By way of context, the advice developed by the Regional Transport Board is informed by a prioritisation process that is based on an assessment of policy compatibility, deliverability and value for money. The advice developed by the Regional Housing Board is shaped by the policy framework in the South East Plan, in particular the spatial distribution of housing need.
23. The Strategic Investment Framework that is being developed is more appropriate for detailed consideration of individual proposals within a programme. For the purpose of allocation of funds for business planning purposes – and hence for feeding into the preparation of the RFA submission – broader consideration of issues of policy compatibility, deliverability and value for money is likely to be sufficient.
24. The need for a more objective approach to the allocation of funds is also a fundamental part of the transition for the Agency towards its strategic role.

The Economic Development Input into RFA

25. Building upon the policy framework set out in the RES and taking into account the economic circumstances we believe that the focus for our business plan, and hence the input into the RFA, should be focused around the twin themes of:
- a) helping business to survive the economic situation in the short term;
 - b) investing in developing the capacity and capability of the region such that it is positioned to respond to the eventual upturn from a position of strength.

26. Developing these themes suggests that the focus for our investment should primarily be on:
- a) continuing to deliver our support for businesses; indeed given the growing number of announcements of redundancies across the region the need for such support will increase;
 - b) continuing to support innovation and science based Research and Development;
 - c) continuing direct investment in physical development (including the need for investment that is counter cyclical);
 - d) continuing to support education led (capital) regeneration projects.
27. By implication this means that there will be a range of activities that we currently undertaken which in future we will need to look to others to delivery or which will stop.
28. In terms of spatial priorities the significance of Growth Areas and Growth Points as national designations has already been acknowledged by the Regional Steering Group. These designations attract funding in their own right through national initiatives. However, we should ensure that, through the RFA submission, we highlight the importance of the region continuing to provide support for their delivery where this is appropriate.
29. The RES sets out a commitment to give greater emphasis to focusing our investment in 'place based' activities. Our spatial priorities, as set out in the RES, are:
- a) the Diamonds for Investment and Growth (in alphabetical order) – Basingstoke; Brighton and Hove; Gatwick Diamond; Milton Keynes and Aylesbury Vale; Oxford/Central Oxfordshire; Reading; Thames Gateway Kent (including Medway and Ebbsfleet); Urban South Hampshire.
 - b) On-going regeneration projects – Ashford; Bexhill/Hastings; Dover; Margate.
30. By implication this means that outside of these spatial priorities our activity will be limited to the core SEEDA. This will be focused around programmes such as Business Link, Manufacturing Advisory Service, inward investment, innovation and growth teams.
31. Greater priority for funding should be given to those Diamonds where the delivery arrangements are more advanced: currently Urban South Hampshire; Thames Gateway Kent; Milton Keynes and Aylesbury Vale; Gatwick Diamond.

Delegation

32. There is a need for us to set out clearly our proposed approach to delegation of funding.

33. We can categorise the way in which our investment is delivered into three groupings, namely:
- a) Programmes that operate at the regional level and which are managed by the Agency – e.g. inward investment;
 - b) Purpose-led vehicles and delegations that provide services on a contractual basis – e.g. business link;
 - c) Place-led partnerships established to lead on delivery of sustainable economic development – e.g. Hastings and Bexhill Task Force/Seaspace.
34. In this model the scope for delegation of funding is likely to be limited primarily to the place-led partnerships. Even then, any consideration of delegation of funding would be dependent upon the availability of delivery mechanisms.

Linkages with other RFA Work Streams

35. A key focus for the RFA is to ensure that we achieve greater alignment of investment across the key policy areas. We therefore need to be mindful of the work underway through the Regional Transport and Regional Housing Boards. We also need to make sure that we use our membership of both Boards to provide leadership on aligning investment decisions.
36. The RTB is mid-way through a mapping exercise that will identify the transport challenges arising from the growth set out in the RES and South East Plan. The mapping work is being used to identify 'gaps' in the current investment programme and is focusing primarily on the sub-regions in the South East Plan; there is a broad correlation between the Plan's sub-regions and the economic contours in the RES.
37. The RHB has access to an increasing amount of monitoring data that shows the region's performance in delivery the housing figures set out in the South East Plan. This shows a number of significant of under performance issues – particularly within the Growth Areas. The Board is also exploring the scope for it to target additional funds in support of measures that encourage retro-fitting.
38. Although not formally part of the RFA the Government is looking for the region's advice on linkages between the RFA and the investments made by the Learning and Skills Council. We are working with partners involved in the Regional Skills and Productivity Alliance as a means of developing our advice on this issue.
39. Achieving even greater alignment in the targeting of the funding streams included within the RFA (including our own budget) will inevitably require a degree of iteration throughout the business planning process.

Next Steps

40. The approach set out in this report provides the basis for producing our input into the RFA submission in a way that will meet the requirements set out in the guidance.
41. There are a number of significant challenges facing us in delivering this approach – the development of a transparent and objective approach to prioritisation for example. However, those challenges need to be addressed not only for the purpose of the RFA but also as part of the transition towards a more strategically focused organisation.
42. Confirmation by the Board as to our approach to business planning will enable us to develop the economic development input into the RFA submission.
43. We will need the Board to consider in greater detail the content of that input at its meeting on 28 January 2009. This will in turn feed into the RFA submission; the final draft of which will be considered by the Regional Steering Group at its meeting on 11 February 2009.

Communications Issues

44. The RFA submission will attract significant interest from technical and non-technical press. A proactive approach to media will need to be developed in partnership with the Regional Assembly. We will want to focus on ensuring that the story is sold into regional business publications to raise business awareness. We will need to develop a Q&A that explains the RFA process in general, and more specifically the approach to targeting investment in economic development.

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Annex 1

Scope of the Regional Funding Advice

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

Transport

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

Housing and Regeneration

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

Economic Development

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

Skills

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

Annex 2

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

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

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

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

	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
South East¹	1345	1371	1399	1427	1455	1484	1514	1544
<i>Plus ERDF</i>	3	3	2					

¹ These figures include funding streams set out for inclusion in this RFA, but from 2014-15 exclude ERDF monies, which are set by the European Commission.

Annex 3

Criteria for Advice

While it is for the region to determine the approach that will be used to prepare the RFA submission the guidance sets out that Government expects to see the following criteria to be met:

- a) It must be evidence based – it should articulate the economic conditions and challenges faced by the region, underpinned by relevant and reliable regional data. It should also take into account evidence about the region’s key environmental and social challenges and be consistent with current and anticipated future conditions.
- b) Realistic – the advice must be based on the indicative funding assumptions. Risks to programmes need to be considered and strategies to mitigate these risks have to be put in place;
- c) Value for Money – the advice must represent value for money, with costed proposals that have been tested for deliverability, so far as is reasonably practical;
- d) Consistent – consideration must be given as to how the advice set out in the region’s submission fits with other regional strategies;
- e) Reflect National Priorities – the advice should include an assessment of the impact on national priorities as set out in the Government’s PSA set. The relevant PSAs identified in the guidance are:
 - PSA 1 : Raise the productivity of the UK economy;
 - PSA 2 : Improve the skills of the population, on the way to ensuring a world class skills base by 2020;
 - PSA 5 : Deliver reliable and efficient transport networks that support economic growth;
 - PSA 6 : Deliver the conditions for business success in the UK;
 - PSA 7 : Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions;
 - PSA 20 : Increase long-term housing supply and affordability;
 - PSA 27 : Lead the global effort to avoid dangerous climate change;
 - PSA 28 : Secure a healthy natural environment for today and the future.
- f) Reflect the priorities emerging in Multi Area Agreements – where MAAs have been signed off or are in development the advice submitted should be consistent with the MAA evidence base.