KEY POINTS

- The introduction of Regional Funding Allocations (RFAs) reflected a desire to improve regional priority setting, enhance regional partnership capacity and develop the regional evidence base.
- A Treasury-led Cross Departmental Steering Group was established to deal with RFA submissions.
- A lack of dialogue between departments led to ‘unsatisfactory’ responses to RFA submissions.
- Institutional arrangements in the Departments for Business, Enterprise and Regulatory Reform (DBERR) and Communities and Local Government (DCLG) remain largely unaffected, although the RFA process has resulted in positive developments in inter-governmental relations between the Department for Transport (DIT) and the regions.
- RFA submissions received ‘noteworthy airtime’ in negotiations around the Sub-national Review (SNR) and Comprehensive Spending Review (CSR).
- Prioritisation was identified by all departments as the essential ingredient in RFA submissions. There was anecdotal evidence to suggest that some regions had ‘performed better’ than others.
- Whitehall officials viewed the first RFA round positively, although they wanted to see regions ‘test the boundaries’ in future rounds.

INTRODUCTION

In July 2005 the Government published indicative RFAs for selected funding streams within transport, housing and economic development. Within these allocations regional partners were invited to jointly prepare advice to ministers on spending priorities in each policy area through to 2007-08 and to prepare indicative planning assumptions up to 2016, including examining the scope for the virement of allocations between budget headings and a potential 10% variation in the level of funding. Funding allocations amounted to £4.1bn in 2006/7 (economic development £1.9bn, housing £1.5bn, transport £0.7bn). While significant, this represents just 14% of total public expenditure in the three policy areas and 1.5% of public expenditure in the regions.

Based on interviews with senior Whitehall officials between Summer 2007 and Spring 2008, this briefing paper explores (i) Whitehall motivations behind the introduction of RFAs (ii) mechanisms in Whitehall for processing RFA submissions (iii) regional influence at the Centre (iv) departmental perceptions of regional capacity and (v) Whitehall aspirations for future RFA rounds.
MOTIVATIONS UNDERPINNING REGIONAL FUNDING ALLOCATIONS

The introduction of the RFAs was underpinned by a number of key motivations, including:

- The Government’s desire to strengthen regional institutions and ensure that policy design occurs at the most appropriate level.
- An attempt to build on previous prioritisation exercises, i.e. Regional Priority Documents (RPDs) in 2001 and Regional Emphasis Documents (REDs) in 2003. Whitehall officials described these exercises as ‘wish lists’ that had failed to develop realistic priorities. As a DCLG official commented, ‘there was too much lobbying in the regions and not enough prioritising and sensible policy making. RFAs are an opportunity to take that forward’.
- A drive to achieve greater joined-up policy making and implementation at all governance tiers.
- Enhancing regional partnership capacity. While policy networks around the three policy areas already existed at a regional level, it was felt that ‘the added incentive of cash would help to prompt a more focussed discussion’ (Treasury official).
- Developing the regional evidence base. This was seen as particularly important for transport as it was the first time that there had been a ring-fenced regional transport fund. Regions developed methodologies for prioritising transport schemes, which ‘has enabled DfT to approve projects on the basis of much better information’ (Treasury official).

WHITEHALL MECHANISMS FOR PROCESSING RFA SUBMISSIONS

A number of examples can be drawn upon to illustrate how departments digested and responded to regional RFA submissions, including:

- The Treasury led a Cross Departmental Steering Group that facilitated negotiations between departments, considered alignment of funding streams and acted as a ‘clearing house’ for evidence.
- The Treasury’s brokering role limited direct negotiations between departments. Departments appeared to develop their responses in isolation, which they sent to the Treasury for dissemination.
- The Regional Co-ordination Unit (RCU) played a marginal role in negotiations. A senior RCU official described their remit as supporting the Government Office (GO) network, not ‘orchestrating a dialogue between departments’.
- Departments were formally obliged to respond to RFA submissions but because much of the work for economic development and housing had already been conducted as part of the Regional Economic Strategies and Regional Housing Strategies, DBERR and DCLG ‘had very little to say’ (DCLG official).
- DfT decided to ‘go it alone’ by providing its own response. DfT officials opined that they had given the other departments an opportunity to participate.
- Both DBERR and DCLG officials agreed that their responses to the first round had been ‘inadequate’ and that this would need to be addressed in future rounds.
- The extent to which RFAs facilitated greater inter-departmental working remains questionable.
REGIONAL INFLUENCE AT THE CENTRE

The RFA exercise provided an opportunity for Whitehall departments to enhance central-regional relations. The evidence suggests that this had mixed results.

- Institutional arrangements in DCLG and DBERR remain largely unaffected. Funds for these areas were already tied into established programmes, so there was no significant change in how the departments liaised with regional counterparts.
- The process did serve to enhance inter-governmental relations between DfT and the regions. DfT officials indicated RFAs had resulted in (i) regular meetings between DfT and regional officials (ii) established key contacts in each region (iii) increased flows of information (iv) reduced conflict between DfT and regions due to regions making the ‘tough decisions themselves’ and (v) reduced administration costs due to the fact that unfeasible schemes were rejected before they reached DfT for approval.
- The option by regions not to vire funds prevented difficult negotiations in Whitehall.
- Officials across all departments agreed that RFA submissions had been taken seriously and had fed into both the SNR and CSR, although precise examples were difficult to pinpoint.

DEPARTMENTAL PERCEPTIONS OF REGIONAL CAPACITY

Whitehall officials found it difficult to comment in detail on individual RFA submissions. Nonetheless, a number of observations relating to regional capacity were forthcoming.

- Officials agreed that RFA submissions were much better than previous attempts at regional prioritising.
- The regions’ use of consultants to develop transport methodologies was viewed differently across departments. Officials in the Treasury, DBERR and DCLG felt that the regions need to develop the capacity ‘in house’, while DfT encouraged the use of consultants by granting each region £150k to spend.
- There appeared to be no specified procedures for examining regional evidence or the processes that regions undertook to develop submissions. Officials agreed that they relied on contacts in the GOs for guidance and terms like ‘broad brush’, ‘trust’ and ‘goodwill’ were used to describe the process of digesting submissions.
- There was some anecdotal evidence about differences in the quality of submissions but this was lacking in detail and evidence.
- Prioritisation was identified by all departments as the essential ingredient.

WHITEHALL ASPIRATIONS FOR FUTURE ROUNDS

- A second round of RFAs is due to be completed in Spring 2009 and government guidance is to be issued in Summer 2008.
- As regional strategies are re-drafted, Whitehall officials want regions to consider virement, deferral and a 10% variation in budget headings.
- Advice is to be based on clear evidence and economic rationale rather than spatial equity.
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