

A Regional response to Whitehall reflections on Regional Funding Allocations

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KEY POINTS

- Regional actors agreed that Regional Funding Allocations (RFAs) had served to increase regional capacity around prioritisation,
- Some officials questioned the degree of ministerial support for RFAs and wanted to see greater evidence of commitment from Government to the RFA process in the medium to long term,
- Regional officials wanted to see greater clarity and precision about the schemes, timescales and funds to be included in the second round of RFAs,
- Some officials were disappointed that skills policies had not been included in the second round,
- The use of consultants to develop prioritisation methodologies for evaluating transport schemes was viewed as highly beneficial and officials would like to see additional funds from the Department for Transport (DfT) to develop methodologies in round two,
- There was a desire for far greater clarity about how Whitehall departments intended appraising the 2009 RFA submissions,
- All Whitehall departments need to make clear their enthusiasm for virement if regions are to consider it in round two,
- Regional priorities continue to be dominated by existing national spending commitments and government targets, hindering the scope for genuine policy coordination at the sub-national level,
- Regional officials expressed considerable uncertainties about how RFAs will fit within the proposed Single Regional Strategies (SRS),
- The role of Regional Ministers in the RFA process is unclear and needs to be clarified by government,
- More robust mechanisms for ‘lesson drawing’ between regions would greatly assist in easing the complex transition of English regionalism post the Sub-National Review (SNR).

INTRODUCTION

During Autumn 2007 and Spring 2008 interviews were conducted with senior Whitehall officials to explore Whitehall's Perspective on Regional Funding Allocations. These findings were presented at practitioner events in each of the English regions, between April and May 2008. Presentations were delivered through a variety of forums including, a 'high-level' meeting of Government Office, Regional Development Agency and Assembly executives in the East of England, a meeting of the RFA working group in the South West and a specially convened group of practitioners and Local Authority leaders engaged in the RFA process in the West Midlands. Presentations centred on:

- Whitehall motivations behind the introduction of RFAs,
- Mechanisms in Whitehall for processing RFA submissions,
- Gauging regional influence at the Centre,
- Departmental perceptions of regional capacity, and
- Whitehall aspirations for future RFA rounds.

At these meetings regional stakeholders had an opportunity to comment on the findings. Moreover, a broader discussion was facilitated by the following questions:

- What do regional actors want to see in the RFA guidance due this summer?
- Do regional actors see greater scope for regional policy coordination in the second round?
- What would have to happen for regions to consider virement?
- How will the SNR impact on RFA objectives and procedures?

The following issues emerged from these meetings.

REFLECTIONS ON THE RFA PROCESS

Regional actors raised a number of issues with regards the RFA process so far, including:

- Agreement that the first round of RFAs had served to prompt a more focussed discussion around prioritisation,
- Acknowledgment of greater involvement by local authority leaders in regional debates around strategy development, prioritisation and policy coordination. This was viewed as giving the RFA process weight and credibility,
- Significant improvements in regions' capacity to prioritise schemes, particularly in the area of transport,
- A concern about the degree of Ministerial support for RFAs, which are seen as very much a civil service driven agenda. Individuals in a number of regions questioned whether any minister was 'championing RFAs at the Centre',
- A desire for clarity regards the longevity of RFAs and the degree of cross-party support for the process.

REGIONAL ASPIRATIONS FOR 2008 RFA GUIDANCE

The following aspirations for the 2008 RFA guidance were identified by regional partners:

- A desire for government to be more candid about the precise resources and schemes to be included in the RFA process, including clear start and end dates and what ‘pots of money’ can be carried over into future spending rounds. Stakeholders called for clear and robust guidance to enable them to develop priorities with conviction,
- Clarity from DfT about what transport schemes will be included. Some officials stressed that the 2005 guidance was ambiguous about the incorporation of some schemes, e.g. maintenance grants and rail expenditure,
- Clearer guidance from DfT about how to deal with overspend in transport scheme costs. Transport practitioners referred to the challenges in managing budgets, even after careful planning,
- Some indication of the commitment by the newly appointed Homes and Communities Agency to RFAs. Regional actors were unsure as to the precise remit, resources and objectives of the Agency, while others queried how ‘region friendly’ or ‘potentially flexible’ the new Agency might be,
- A desire for the Government to re-examine the scope for incorporating funding for skills policies in RFAs. It was felt that if RFAs are to make an impact on promoting the economic productivity of the regions then skills is an essential component. Indeed, many were disappointed that it had not been included in the SNR implementation plans in March 2008,
- The inclusion of more funds was seen as essential in taking the RFA process forward. 1.5% of regional spend was seen as insufficient to develop schemes that would make a real difference to regions’ circumstances. Also, with regards transport, the ‘whale in the pond’ issue - one large scheme swallowing up the majority of money at the expense of smaller schemes – should be alleviated by an increased resource base,
- Regions wanted central government agreement to use consultants to undertake evaluations of transport programmes and projects in the second round RFAs. Indeed, it was felt that to conduct the process ‘in house’ would be hugely difficult due to a lack of capacity and issues over impartiality and objectivity,
- Some transport officials felt they required further resources from DfT to develop and advance transport methodologies. Each region was given £150k to develop methodologies in 2005 and regions would like this repeated. The policy agenda was seen to have moved on and new methodologies must reflect developments, including the Stern (2007), Nichols (2007) and Eddington (2006) Reviews and the Local Transport Bill (2007),
- A desire for government to consider the six month timeframe required to prepare RFA submissions. The guidance due to be published this summer coincides with the holiday period, during which meetings are difficult to schedule. Given this, full engagement with the process does not begin until September, leaving limited time,

- There was confirmation that the 30 page limit was indeed manageable and a useful guideline for submissions,
- Regional actors would like to see some indication from government about how submissions will be appraised. While they do not want the guidance to remove the discretion held by regions in developing their proposals, more indication of what success criteria Whitehall intends to use to judge submissions would be of considerable value.

SCOPE FOR VIREING FUNDS BETWEEN BUDGET HEADINGS

Regional actors held different views about the possibility of vireing funds between budget headings, including:

- There was a feeling that the first round of RFAs had ‘sowed the seed for virement’ by getting regional officials to think about ring fenced regional budgets,
- Officials in some regions indicated that they were in a better position to think about virement due to an improved understanding of the rationale underpinning RFAs,
- Short timeframes and existing spending commitments restricted virement in the first RFA round. As regional strategies are re-drafted and incorporated within Single Regional Strategies, regional actors felt that the scope for virement would become increasingly viable,
- There was some confusion as to how European Regional Development Funds (ERDF) might be included in the RFA scheme. ERDF funds are negotiated between the European Commission, UK national government and regional bodies. Any move to vire ERDF funds would require re-negotiation across these agencies - a process viewed as politically and logistically unfeasible,
- Regional officials would like a better steer from government about where virement is appropriate. As one official stated, ‘we want to see an indication of what arguments need to be presented so that we can avoid a non-starter’,
- Departments need to demonstrate their genuine commitment to virement. There was a perception amongst regional actors that DfT was enthusiastic, while the Departments for Business, Enterprise and Regulatory Reform (DBERR) and Communities and Local Government (DCLG) were noncommittal. Numerous officials said that ‘DfT were most likely enthusiastic about virement as they see themselves as the potential winner in this game’,
- Accusations of mixed messages were levelled at Whitehall with regards to virement. Some regional actors indicated that *informal* soundings about virement had resulted in a resounding ‘no’ from Whitehall in the first round. This undermined their confidence in pursuing it. Government commitment needs to be expressed formally in the guidance and through informal soundings if confidence is to be built around virement.

ABILITY TO SECURE GREATER POLICY COORDINATION

In efforts to promote greater policy coordination, a number of advantages and constraints were identified, including:

- RFAs were viewed as being a ‘step in the right direction’ as attempts to synergise the three policy areas - economic development, housing and transport - had received more attention,
- Some officials opined that it remained difficult to put good intentions into practice, as schemes remained tied to existing spending programmes. This, combined with timescales and national targets, gave regional actors minimal room for manoeuvre, particularly in the areas of economic development and housing,
- Transport officials stated that the RFA transport funds often needs to be spent in conjunction with other transport funds, hindering flexibility and making planning and implementation more difficult. There were examples of RFA objectives and funds being ready to implement but delayed due to the implementation of related schemes,
- Greater flexibility in the timescales of RFAs funds would help to facilitate coordination with other schemes and policy areas,

THE IMPACT OF THE SUB-NATIONAL REVIEW ON RFA PROCEDURES

The SNR was viewed as having considerable implications for RFAs, for example:

- Regional officials were unclear about the extent to which RFA submissions would need to contribute to the SRSs,
- Queries were raised about how to align the phasing out of Regional Economic and Spatial Strategies (RES & RSS), the introduction of the new SRSs and the second round RFA exercise,
- In the context of the SNR, some officials questioned whether housing and transport priorities would need to more clearly articulate their contribution to economic productivity,
- Local authority officials stressed the need for elected local leaders to have greater influence over future RFA rounds. Some suggested that RFA submissions should be managed and signed off by the newly established regional forums of local authority leaders,
- The potential role of Regional Ministers in the second round of RFAs was repeatedly raised. Some local authority officials were of the opinion that the role of Regional Ministers should be ‘kept to a minimum’ and control left to local authorities,
- Regional actors acknowledged that the SNR was leading to considerable uncertainty surrounding the future institutional architecture of the English regions. Some considered that more conscious and robust mechanisms for ‘lesson drawing’ between regions would be valuable in easing this transition.

ACKNOWLEDGEMENTS

This work is funded through the Economic and Social Research Council (ESRC).
Project title: *English Regionalism: Rhetoric or Substance? Evaluating Decision Making Procedures for Regional Funding Allocations*, Award number RES-061-23-0033.

For more information see the project website at
www.bristol.ac.uk/sps/regionalism/default.shtml