

Evaluating decision making procedures for Regional Funding Allocations: A preliminary analysis of six English regions

Sarah Ayres (University of Bristol) and Ian Stafford (Cardiff University)

KEY POINTS

- Regional actors agreed that Regional Funding Allocations (RFAs) had served to increase regional capacity around prioritisation.
- RFAs were *not* seen as representing a genuine decentralisation of decision making as central government continues to dictate prioritisation via established funding streams, targets and ‘signing off’ regional submissions.
- Transport policy was deemed to be the area most influenced by the first round of RFAs, while the impact on promoting sustainable development was viewed as having least impact.
- Moving forward to the second round, there appears to be genuine enthusiasm regards the opportunities presented by the scheme to deliver regional discretion over policy making.
- ‘Mixed messages’ from Whitehall about the potential for virement has resulted in a cautious response from regions about transferring pots of money between budget headings.
- RFA funding, the economic downturn and variable regional evidence were viewed as the biggest challenges in developing RFA submission for 2009.
- The vast majority of actors agreed that their organisation has had adequate opportunity to engage in RFA discussions.
- Regional actors are adopting a range of collaborative strategies to ensure their inclusion in RFA discussions, including feeding in evidence, developing submissions and regularly attending meetings.
- Disagreement between actors was most likely *between* geographical areas and *within* policy sectors, although most agreed that conflict is usually resolved as part of the process.
- Effective leadership was viewed as the most important mechanism for dealing with conflict.
- The Sub-national Review (SNR) was viewed as having a considerable impact on RFAs. Many felt that the proposals outlined in the SNR would serve to promote greater policy coordination, although some questioned how RFAs would fit within new institutional and procedural arrangements.

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. A second round of RFAs was announced as part of the *Sub-national Review* in July 2007 with skills and employment policy mooted for inclusion. Nonetheless, when the second round guidance was published in July 2008 employment policy had been dropped and, while regions were asked to provide indicative advice on skills expenditure, the skills 'pot' was *not* included in the RFA funding envelope.

During Summer and Autumn 2008, face-to-face semi-structured interviews were conducted with senior officials involved in the RFA process in London, the South East and North East regions to explore how decisions have been made about RFA priorities. Officials from the key regional institutions (Government Office (GO), Regional Development Agency (RDA) and Regional Assembly), local government, regionally based Executive Agencies (e.g. Highways Agency) and the business and voluntary sector participated. These interviews centred on:

- Examining actors' views on RFA arrangements in the first round of RFAs,
- Preparations for the second round of RFAs due for submission in February 2009,
- Decision making procedures for RFAs within regions, and
- The implications of the Sub-national Review.

Insights from these interviews were used to develop a quantitative evaluation tool in the form of a web-based survey. The survey focussed on the same themes and adopted the same sampling framework as the interview in the three case study regions. Between October and January 2009 the web-based survey was carried out in the remaining six English regions:

- North West
- Yorkshire and Humber
- West Midlands
- East Midlands
- East of England
- South West

The opportunity to respond to the survey will remain 'live' until Spring 2009 until after the second round RFA submissions are due. To date, the survey has been sent to 280 individuals with 97 responses received so far - a response rate of 35%. This research summary presents some preliminary findings from the survey data

REFLECTIONS ON RFA ARRANGEMENTS IN THE FIRST ROUND

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

- Regional actors felt most strongly that the decision to introduce RFAs in 2005 was underpinned by a desire from government to ‘get regions to make tough decisions about prioritisation’.
- Although the scheme was broadly welcomed as a basis to think about prioritisation, few respondents felt that it resulted in genuine decentralisation of decision making or more flexible regional budgets.
- Final decisions on prioritisation rest with parent departments and there were repeated incidences of regional preferences being ‘overruled’ by government at the ‘signing off’ stage.
- Most agreed that the first round had served to enhance the regional evidence base, improve regional capacity to prioritise schemes and promote regional partnership working.
- There was broad agreement that the first round had served to prompt a more focussed discussion around prioritisation.
- Only a third of respondents felt that the scheme had served to facilitate intergovernmental relations between the regions and Whitehall departments - a situation that many wanted to see improve in future rounds.
- While the RFA process was viewed positively in terms of regional capacity building, partners were more circumspect about influence ‘on the ground’ at the delivery stage.
- Transport policy was deemed to be the area most influenced by RFAs, while the jury remains out on the level of impact with regard economic development and housing.
- The scheme was viewed as having minimal bearing on attempts to promote environmental policies and sustainable development.

PREPARING FOR THE SECOND ROUND OF RFAS

Regional actors raised a number of issues with regard the second round guidance published in July 2008, including:

- An encouraging 70% of respondents agreed that the scheme provided scope for regional discretion over priority setting.
- Officials referred to some ambivalence regarding the role of Regional Ministers and the ‘brokering’ role of the GOs in round two. In essence, the procedures that regions adopt have been left open to interpretation.
- Regions have received ‘mixed messages’ from Whitehall departments regards the government’s support for virement (transferring funds between budget headings).

- According to regional actors the Department for Transport (DfT) appear supportive of virement, ‘largely because they see themselves as the winner in any potential settlement’ (East of England RDA official). The Departments for Business, Enterprise and Regulatory Reform (DBERR) and Communities and Local Government (DCLG) appear more hesitant.
- The majority of respondents viewed the inclusion of skills policy as advantageous in terms of generating a more joined up and cohesive approach to prioritising funding, although they felt that the skills budget *should* be included formally in the RFA funding envelope.

ANALYSING DECISION MAKING PROCEDURES

Moving forward to the second round of RFAs, respondents identified the following issues in terms of their objectives and resources:

- The most significant challenge in terms of developing second round RFA submissions was felt to be a lack of funds. 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.
- The downturn in the UK economy and the variable quality of regional evidence and statistics was considered a further challenge.
- Partners are motivated to get involved with the RFA process by a ‘desire to secure greater influence over investment decisions’.
- Perhaps surprisingly, given the economic downturn, 54% of respondents indicated a desire to use the RFA process to deliver sustainable development. Nonetheless, genuine commitment to this cause can only be reflected in action at the delivery stage and is notoriously difficult to measure and evaluate.

Moving forward to the second round of RFAs, respondents identified the following issues in terms of institutional arrangements for regional decision making:

- There was an acknowledgement that for RFAs to be a success, a range of partners and organisations must be involved and give their full backing. The important role that the emerging Local Authority Leaders Forums (or Boards) have in formulating and legitimising prioritisation decisions was strongly acknowledged.
- Responsibility for writing RFA submissions appears to fall to key personnel within the three regional institutions. In most regions a specially convened ‘RFA working group’ has been set up as a focus for discussion and debate.
- Regional groups or boards for the four policy areas (economic development, housing, skills and transport) were viewed as central in providing evidence and managing methodologies used for prioritisation. Views and proposals are sent from these boards to the RFA working group and subsequently ‘high level’ executive meetings (involving executives from the regional bodies and Executive Agencies) for final consideration.

- Informal face-to-face meetings are considered central to negotiations with 80% of respondents acknowledging the vital role played by informal contacts in helping the ‘smooth’ the process of regional partnership working and consensus building.
- Encouragingly, 85% of respondents agreed that their organisation had sufficient opportunity to engage in the second round RFA process. Working in partnership and ensuring that ‘individuals with appropriate authority attend meetings’ was viewed as an effective strategy to ensure inclusion.

Moving forward to the second round of RFAs, respondents identified the following issues in terms of collaborative strategies and interactions:

- Disagreement between sectors, organisations and individuals was viewed as ‘inevitable’ but were usually resolved as part of the RFA process.
- ‘Disagreement between geographical localities’ was viewed as the biggest cause of conflict (66% of respondents), while ‘disagreement over priority setting *within* sectors’ was viewed as the second most likely cause (54% of respondents).
- Leadership was considered the most effective way to resolve disagreement between actors with 70% of respondents viewing ‘effective leadership’ as ‘very important’.
- Formal voting amongst relevant parties was seen as the least effective conflict resolution mechanism with 50% of respondents viewing this as ‘not important’.
- Most partners agreed that an enhanced dialogue *between* policy sectors would serve to improve decision making about RFAs. A lack of joined-up thinking and policy co-ordination was seen as a persistent problem.

THE IMPACT OF THE SUB-NATIONAL REVIEW ON RFA PROCEDURES

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

- 77% of respondents agreed that the emerging Single Regional Strategy (SRS) will make it easier to integrate policy areas.
- There is some confusion, however, as to how prioritisation in round two of RFAs will fit with the emerging SRS. As one RDA official in the West Midlands commented, ‘we have been asked to allocate funds before we have set our strategic priorities in the SRS. It’s a case of the cart before the horse’.
- The Sub-national review identifies the central role of Multi Area Agreements in boosting regional economic performance. However, respondents were undecided about whether this would make it more likely that investment decisions for RFAs will focus more on the conurbations.

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