

The implications of Regional Funding Allocations for transport policy in England

Sarah Ayres and Ian Stafford, University of Bristol

KEY POINTS

- Ring-fenced regional funding for economic development and housing policy already existed through previous schemes. Nonetheless, under the Regional Funding Allocation (RFA) programme, it was the first time that a regional transport fund had been available.
- In developing regional transport priorities, regions built on the work carried out for Regional Transport Strategies (RTS).
- Regions each received £150k from the Department for Transport (DfT) to be spent on developing priorities, including commissioning consultants. DfT officials felt that this would facilitate objective and evidence based prioritisation methodologies.
- Transport prioritisation methodologies varied in complexity and sophistication.
- The RFA process resulted in an improved dialogue between DfT and the regions.
- Whitehall officials agreed that regions had moved away from ‘wish lists’ to realistic spending priorities for transport.
- Despite improvements, the process of identifying transport priorities remains complex. Schemes are often threatened by a lack of funds and inability to avoid overspend and slippage in timescales.
- Transport priorities have developed largely in isolation from economic development and housing priorities, limiting any advance in regional policy coordination.

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 and selected regional contacts between Summer 2007 and Spring 2008, this briefing paper explores (i) the policy context within which RFAs were developed (ii) procedures for developing regional transport priorities and (iii) the implications of RFAs for regional transport policy making and delivery.

POLICY CONTEXT

- Government guidance emphasised that RFA submissions should demonstrate how priorities relate to each other to form a coherent, credible and strategic vision for improving the economic performance of regions.
- RFAs reflected the Government's desire to boost productivity by building on local synergies and indigenous strengths. Nonetheless, the guidance also stated that submissions were more likely to obtain departmental approval if they helped deliver national targets.
- Economic development and housing funding streams had already been decentralised via the RDAs' *Single Pot* in 2001 and the Regional Housing Fund in 2005. It was the first time, however, that regional partners had an opportunity to identify transport priorities linked to investment. As a Treasury official commented, 'the big prize was bringing transport into the equation'.
- RFAs for transport included major schemes in Local Transport Plans (LTPs) and Highways Agency projects, other than those of national and international importance. Rail expenditure was excluded.

IDENTIFYING TRANSPORT PRIORITIES

Regions adopted different procedures for developing their transport submissions. For example:

- All regions adopted clear methodologies to prioritise transport schemes, which were supported by funding from each Government Office (GO). Some regions, like the South East and North West, took full advantage of this funding. Others, like the South West, chose 'not to waste money on consultants given that [they] had already identified transport priorities in the Regional Transport Strategy' (South West regional official).
- In general, these 'methodologies' emphasised the importance of (i) policy fit, reflecting various regional strategies, e.g. spatial, economic development and housing (ii) value for money and (iii) deliverability.
- There were variations between regions with regard to their methodologies' complexity and sophistication. For example, the North West and Yorkshire and Humber regions developed methodologies based upon a DfT formula that emphasised the importance of overarching regional objectives. In the South East, more weight was attached to value for money and deliverability, while 'the South West adopted a particularly streamlined approach' (DfT official) based on the RTS.
- Despite noted differences in process, a 'best-practice' methodology has not materialised. Indeed, a report by the DfT concluded that it remained unclear whether an increase in the sophistication of methodologies had any bearing on the quality of advice submitted to the Centre.

IMPLICATIONS FOR REGIONAL TRANSPORT POLICY

The first round of RFA advice was submitted to Government in January 2006.

- Whitehall officials confirmed that the process had resulted in valuable information being transferred from the regions to the Centre. This had resulted in 'DfT being far more informed about sub-national transport issues' (Treasury official).
- Whitehall officials were also encouraged by regional partners' efforts to prioritise schemes. Both Whitehall and regional officials confirmed that the regions are moving increasingly from 'wish-lists' to more realistic priority setting.
- While no region opted to vire funds between policy areas, Yorkshire and Humber's bravery in stating that any increase in expenditure would be spent on transport (as opposed to economic development or housing) won them applause in Whitehall.
- Regions broadly adopted a collaborative approach to developing their transport priorities, either based on previous consultation for the RTS or through newly established forums and working groups. 'It promoted policy formation based on high levels of collective ownership and stakeholder buy-in' (West Midland regional official).

Despite evidence of added value, the RFA process can also be criticised.

- In a bid to focus the RFA process on regional transport priorities, the guidance stated that programmes *under* £5m should *not* be included. This ruling was criticised on two counts: (i) less expensive schemes could still be strategically vital to regions (ii) some *local* schemes *over* £5m were wrongly submitted.
- A further concern was referred to as the 'whales in the pond' issue, created by large infrastructure projects swallowing up large chunks of RFA funding to the detriment of smaller but nonetheless valuable schemes.
- Planning expenditure for transport projects was viewed by regional officials as hugely complex. Well established schemes were almost impossible to exclude, while emerging schemes lacked evidence and uncertainties over costs threatened their inclusion.
- There was confusion regarding the use of RFA funds for rail transport. Most regions had *not* incorporated rail in their submissions. However, in the South East, RFA funds were used to pump-prime a Network Rail scheme to expand Reading train station. This led some regional officials to question the clarity of advice emanating from DfT.

CONCLUSIONS

- The RFA process has helped to strengthen regional transport partnerships, enhance the evidence base and facilitate inter-governmental relations.
- RFAs were intended to enhance policy coordination. However, because priorities for economic development and housing had already been established there was limited scope for manoeuvre. Transport priorities were essentially developed in isolation, hindering a more holistic approach.
- In July 2007 the Sub-National Review of Economic Development and Regeneration (SNR) confirmed that an expanded second round of RFAs would take place. In future rounds, there may be more opportunity to link priorities across all three policy areas as regional strategies are re-drafted.

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