

22 July 2009

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Dear Mr Dutton

Dear Mr Laverty

Ministers have today written to the Chairs of your organisations with the Government's response to your Regional Funding Advice submitted in February. This letter is to provide you with further details of this Department's response to the transport aspects of your advice.

Firstly, we should stress the Department's appreciation for the detailed work that has been carried out at regional and local level to provide the transport RFA advice. The work already carried out will provide a good context for the prioritisation work to contribute to the Department's strategy for investment post 2014, and for the work in preparing integrated Regional Strategies. It is particularly commendable that this work was completed successfully at a time of regional transition following the sub-national review.

This second RFA round has built on the success of the first round. It has given the Regional Development Agencies and Regional Assemblies/ Leaders' Boards, in conjunction with their local authority, and other, partners, the opportunity to consider their transport proposals against their regional objectives and strategies, and to develop a prioritised programme of investment that best meets their needs for the future. It has, furthermore, enabled regions to advise on the distribution of block funds for the first time, and on the balance between funding for major schemes and block. The Department has been encouraged by the creative way in which several regions have utilised these flexibilities.

Looking ahead, there is a need to think more broadly about options for the period to 2019 and beyond, as set out in "Delivering a Sustainable Transport System" (DaSTS). We are grateful for the advice which the region submitted on 30<sup>th</sup> June on studies which might be undertaken in that context, including the careful look you have already given to the available evidence and wider knowledge base. We are discussing this advice further with you, with a view to making early progress on your proposals.

Most regions have, in their RFA2 advice, submitted transport programmes that have fully committed their allocations to 2019 but the Department will expect regions to reconsider and re-prioritise their advice for the medium to long term in the light of new options that are developed through the DaSTS study work over the next two years. We are attaching with this letter further Guidance on DaSTS which our Ministers have now agreed.

Carbon emissions will become an increasingly important determinant of the transport choices we make. The work that regions have done on carbon in developing their RFA2 advice is a start, but it is clear that the evidence currently available is not sufficient to fully appraise the carbon impacts of schemes and programmes to the extent that the Department would like, nor in most cases are the carbon implications yet seen to be driving either the overall strategy or scheme prioritisation. The Department acknowledges that much of the proposed RFA programme is early in development and that conditional and/or full approval would be subject to promoters fulfilling current NATA advice and assessing and monetising the greenhouse gas impacts of schemes. Notwithstanding this, the region should be aware that the UK is signed up to very challenging targets on greenhouse gas (GHG) emissions – committed to a 34% reduction in GHG emissions by 2022, and an 80% reduction by 2050. Transport has a key role to play in meeting these obligations, and reducing GHG emissions is one of the goals established under its DaSTS work. The Department is looking to regions to make a positive contribution towards meeting these objectives, including, where possible, through sustainable transport measures. The Department will be carrying out its own work into reducing transport's carbon dioxide emissions, developing the work set out in its Carbon Reduction Strategy, and will be happy to share its work on the impacts of interventions that are open to regional and local bodies.

It is clear that the choices that regions and Government make now in terms of priorities for funding need to take due account of the above developments, particularly in a context of fiscal uncertainty going forward. Each decision made now will impact upon the funding available for future schemes and, potentially, levels of block funding. There is also a risk that development costs may be wasted if schemes are progressed but cannot be delivered in the timescale proposed. Both the Department and regions will need to consider such risks with care over the coming months.

The Department is generally content with your transport advice and can accept the priorities you have identified. But given the fiscal uncertainty, increasing carbon constraints and DaSTS work in hand, a 10-year programme must

necessarily remain provisional at this stage. We are nevertheless willing to work in the short to medium term on the basis of the programme you have recommended.

As a general assumption all schemes that were accepted in the RFA and remain in your RFA2 advice will continue to be progressed as planned through the system. For schemes that have been prioritised by you for the first time in RFA2, the Department is willing to accept Major Scheme Business Cases from the promoters of these schemes at the appropriate point, but will wish to work very closely with regions and individual authorities to ensure that these proposals are as robust as possible before a bid submission is made. This includes fully examining and challenging schemes' appraisal of options against stated objectives.

Furthermore, the Department proposes that any new applications for formal scheme approvals should be accompanied by an assurance from the region that, taking account of the future fiscal uncertainties, they still wish the scheme to be progressed as a priority, having considered the risks involved, particularly to the prospects for other potentially important schemes at an earlier stage of development and to general levels of block grant.

This will apply not only to Local Authority schemes' progression through the Department's funding approval stages but also to Highways Agency schemes moving into the Options, Development and Construction phases of the Agency's Project Control Framework. The Department would expect the region to re-consider the proposals within its development work for DaSTS. The Department's Regional Engagers will be happy to talk through these requirements with you in more detail.

Naturally the Department regrets the necessity of a further procedure. We hope however you will understand that we are seeking to develop constructively with each region the most prudent way forward. It is important that each region gains the maximum benefit from the funding available.

We are also able to confirm the Department's response to the following specific proposals in your advice.

The region has a challenging delivery programme which will take some considerable management by all the local authorities and regional bodies if it is to be delivered to time and cost. We are grateful for the work of the Joint Strategy and Investment Board and the work that has been done to develop a collective and proactive ownership of programme management which will be vital to the region's success. DfT looks forward to continuing its partnership working with the West Midlands.

We accept your advice that the following schemes are not among your highest regional priorities for the foreseeable future and will, therefore, not be prioritised for funding - SPARK (Warwick & Leamington Public Transport Improvements); Brownhills Transport Scheme (Walsall); Longbridge Link Road (Birmingham); and Stourport Relief Road (Worcestershire). On this

basis, we will now be withdrawing Programme Entry status for the SPARK scheme.

We recognise the importance that the promoters attach to both the proposed Hereford Outer Distributor Road and the Brinsford Park and Ride schemes. For the reasons set out below, the identified schemes would appear premature. We therefore propose that these two schemes are removed from the section of the RFA programme titled "Potential Major Schemes for Preparation and Commencement before 2014" and the relevant resources moved to the section where further investigative work is needed for projects to be implemented after 2014.

On Hereford ODR we recognise that the proposed housing growth will have implications for the transport network and may require significant investment. However, given the history of schemes in this area including the removal on environmental grounds of the previous Hereford Bypass scheme from the national roads programme in 1998 and that a specific alignment has not been agreed, we consider that the promoter should in line with the DaSTS approach to transport planning build on and expand its current study work and investigate a full range of options for addressing the transport challenges in the area. DfT will consider how it can best support this work.

Planning permission for housing developments in Staffordshire and the related Brinsford Park and Ride scheme was refused in October 2008. This decision will affect future demand projections and provides an opportunity for the Region to consider further whether the current proposal represents the optimum solution to transport problems in this area having particular regard to the effect on current and future rail services.

Moving the resources to the post-2014 category will ensure that in both cases the funding is still there for the right schemes. It will be open to the Region to advise the Department in due course that the preferred options arising from this further work should continue to be regional priorities and, if possible, reinstate one or both schemes on the original timescale..

We can now confirm that, where regions are recommending a total RFA contribution of £5m or less for any scheme, we would be content for this to be paid as an addition to block in a similar way, subject to regions' agreement. We are therefore content, in principle, to treat the following schemes in your region this way, subject to further consideration of their deliverability.

Kidderminster Station (Worcestershire)

University Boulevard (Stoke)

Stratford Parkway Station (Warwickshire)

Discussions are continuing on these schemes with those respective local authorities and we will inform the Region of the outcome of these discussions in due course. We understand that discussions are already underway to explore whether the RFA funding contribution to A449/Wobaston Rd (Wolverhampton) and Bromsgrove Station (Worcestershire) could be reduced to £5m to allow these schemes to benefit from this flexibility.

We support the creation of a Regional Infrastructure Fund which Advantage West Midlands are taking forward on behalf of the Region. We are currently considering the detailed Business Case but would hope to be in a position to agree a way forward in order for the fund to commence in September 2009.

In addition to the programme, the Region has made a number of proposals for the Department to consider and our responses on them are as follows.

*Proposition 1 – Closer working with DfT.*

Given the scope of the recommended programme and past performance on delivery, we agree that the programme will require close management by regional partners, GOWM and the Department. We note the Region's wish to work closely with the Department in order to develop a framework for partnership working and we are pleased to endorse this proposition. The Department and Government Office are already working more closely with the Region regarding programme monitoring and have agreed to meet quarterly to discuss scheme specific issues. In addition a seminar was held in Birmingham on 11<sup>th</sup> May 2009 to meet scheme promoters who have had their schemes prioritised by the Region and are now expected to submit Major Scheme Business Cases to the Department in line with their funding profile.

*Proposition 2 – Piloting of the Light Touch Approval Process*

We are happy to consider piloting an appropriate West Midland scheme for the proposed light touch assessment process currently under development. We will work with the Region in identifying a possible pilot as the light touch work is further developed by the Department.

*Proposition 3 – Regional Programming and Overprogramming*

We note the region's proposal to delegate financial programme management to them. Whilst we are happy to agree to the Region overseeing the monitoring of the RFA programme and proposing changes as necessary, the final decisions on scheme costs including increases must stay with the Department for wider financial programming reasons across the RFA programme.

*Proposition 4 – Regional Rail Funding*

We support in principle the proposed Regional Rail Funding proposition. Officials are in discussion with promoters and the Region on the specific schemes. They will require Departmental endorsement where they have an impact on franchised train services.

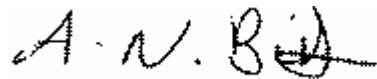
The Department notes the region's position in leaving unchanged the current distribution of block grant, and the balance between block grant and majors, in this round of regional funding advice. You will note from the DaSTS Guidance that if the region wishes to offer further advice on the distribution of block grant it needs to do so by April 2010, in order to feed into the next 3-year local settlement. The Department will encourage the region to develop its evidence base and review its position on block funding in the light of its DaSTS work and the wider financial climate.

We will wish to continue to work closely with regions in managing their programmes, particularly during periods of fiscal uncertainty and Bob Collins will be in touch shortly to arrange a meeting regarding next steps.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. D.', with a horizontal line underneath.

**John Dowie**  
**Director**  
**Regional and Local Transport Delivery Directorate**

A handwritten signature in black ink, appearing to read 'A. N. Bisson', with a horizontal line underneath.

**Nick Bisson**  
**Director**  
**Regional and Local Transport Policy Directorate**