



Department for
Transport

From the Secretary of State

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Councillor Nick Skellett
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29 MAR 2007

Further to my letter of 22 January I am now writing to respond to the advice you provided in your letter of 19 December on priorities for major transport schemes in the South East for the period 2011 to 2016 within your Regional Funding Allocation (RFA). I have also taken into account the revision to the advice expressed in your letter of 14 March.

As with your original advice provided in January 2006 my colleagues and I appreciate the work that has gone into formulating your scheme priorities through the Regional Transport Board and on the continuing development of the consensus among the various parties in the region. Understandably your first set of advice was driven by schemes already in existence or planned, but I am particularly pleased that a more strategic view has clearly been taken this time around, and that you have achieved an acceptable balance of spend over the ten year period, accommodating the significant over-commitment in the first five years.

I am pleased to say that I accept your advice on the schemes you have put forward as priorities and I therefore attach a revision to the Annex B to my letter of 6 July 2006 - the indicative list of schemes that can be progressed so that they are ready to be added to the programme where necessary, and start construction in the years from 2009/10 to 2015/16.

In respect of these schemes the Department's provision of funding will, of course, be subject to schemes securing all necessary statutory powers, demonstrating sufficient value for money, and being supported by a satisfactory business case in line with the Departmental requirements. In

particular, schemes where the assumed RFA cost exceeds the currently approved DfT maximum contribution will need a revised value for money assessment, and exploration of other funding sources, before we take a final decision on whether Departmental funding for the scheme should be increased.

You will recognise that we cannot commit to precise start dates, given uncertainties about future scheme costs and progress. Given these uncertainties, the Department will need to retain the scope to manage scheme progress to ensure that spending is in line with the total of all regional budgets. However, our aim will be to ensure that spending in each region is in line with its indicative allocation taking a number of years together. And where possible, in making decisions on approvals and start dates, we will be guided by the sequencing and timing set out in your advice.

While I am happy to accept your advice in general I would like to make the following comments some individual schemes.

You have now prioritised the Provisionally Approved **A24 Ashington to Southwater** improvement scheme, promoted by West Sussex County Council but to a significantly later timetable than previously planned. We will be pleased to consider this scheme subject, in view of the time lag, to a new business case being produced at a time commensurate with the start date implied in your advice.

You have also prioritised a £15m RFA contribution to a larger scheme to improve Capacity at **Reading Station**. Decisions on Government support for such a scheme, must await my announcement on the High Level Output Specification (HLOS) in July. Nevertheless we accept the Regional Transport Board's advice, that, should a wider scheme go ahead, the RFA would contribute £15m.

Your prioritisation of Milton Keynes Council's **A421 Milton Keynes to M1** improvement scheme now aligns with the contribution from Bedfordshire County Council, that has already been prioritised by the East of England.

I would also like to mention two issues that have arisen on schemes within your existing programme. As you are aware there has been a significant increase in the expected cost of East Sussex County Council's **Bexhill to Hastings Link Road** scheme, beyond the amount currently approved by the Department. I know you have already discussed this issue with GOSE and DfT officials and I look forward to receiving your advice in due course on whether you are prepared to continue to support the scheme at the higher cost within your overall allocation. We would also need to undertake a

revised value for money assessment before we make a decision on whether to provide additional funding for this scheme.

There has also been a smaller increase on the expected cost of the **A23 Handcross to Warninglid** Highways Agency scheme. The current estimated cost of this scheme is £53m, which is £13m more than the cost assumed in your advice. The Highways Agency is aiming to publish the draft Orders and Environmental Statement later in the year and I would like to give you the opportunity to consider your support for the scheme at the higher cost before I make a formal decision on the increase. This scheme will also be subject to a revised value for money assessment.

DfT officials will liaise with you on the detail of these schemes and the precise budgetary management implications, however I am satisfied that neither decision is of sufficient magnitude as to affect my overall acceptance of your new advice.

You have prioritised a number of package schemes in **Oxfordshire, Portsmouth, Southampton and Chichester**. I accept this advice on the basis that further discussion between us will be needed to resolve the challenging appraisal and assessment issues that can arise when considering a variety of measures at different time-scales. We need to work closely with you as these packages are developed, and the meeting between the South East Regional Bodies, GOSE and my officials on 12 April will take this discussion further.

In your 14 March letter to reaffirm your support for a revised **Walton Bridge** scheme, subject to certain conditions. I am happy to accept the revised scheme in your indicative programme, subject to a satisfactory revised business case being produced, and on the understanding that Surrey County Council are able to progress the scheme such that it meets your conditions of support. The slippage of this scheme will alleviate the pressures in the early years of the RFA period to some degree. However in light of the South East's significant remaining overcommitment in the early RFA years, I do not consider that the funds set aside for the Walton Bridge scheme can be simply reallocated to other schemes in the region. I recognise that the **Brighton and Hove Rapid Transit Scheme** is your top priority to be brought forward and I am content that this scheme be progressed to allow for early delivery should funds become available. We will need to continue to monitor the budget situation to determine when this might be. My officials will discuss a realistic timeline with officers in the region and Brighton & Hove Council.

I note that you have taken the opportunity to formulate a longer term view of priorities and have set out an indicative programme for the years from 2016-26. Clearly this has to be regarded as highly provisional and, as it goes

beyond the period of the published RFAs, I cannot give any firm indications of support. Nevertheless I welcome the fact that you have adopted this longer term view and I hope it will assist future scheme planning, including, as you suggest, decisions on scheme preparation within the Highways Agency.

I have noted your comments about the overall level of resources provided for the South East within the RFA process and I know that you have provided further detail on that within your submission to the Comprehensive Spending Review. I think it is right that those discussions are dealt with as part of the CSR process and so I will reserve comment until the outcome of the CSR is known.

Finally I understand that the independent panel's report on the South East Plan is due in the summer and that the final RSS will be published in 2008. I would of course expect you to ensure that the next formal round of RFA advice is fully aligned with the emerging SE Spatial Strategy including any alterations the Government subsequently consults on.

Yours ever,

A handwritten signature in black ink that reads "Douglas". The signature is fluid and cursive, with a large initial 'D' and a long, sweeping tail.

DOUGLAS ALEXANDER

Revised Annex B to Secretary of State's Letter 6 July 2006
Indicative list of schemes from 2009/10 to 2015/16

Approved schemes

- East Kent Access Phase 2 (Kent)
- A21 Tonbridge Bypass to Pembury Dualling (Highways Agency)
- A23 Handcross to Warninglid Widening (Highways Agency)
- A21 Kippings Cross to Lamberhurst Bypass (Highways Agency)
- Bexhill to Hastings Link Road (East Sussex) (*subject to revised value for money assessment*)*
- A244 Walton Bridge (Surrey) (*subject to revised business case*)*
- A24 Ashington to Southwater (West Sussex) (*subject to revised business case*)

(* formerly in Annex A but now slipped)

Schemes which do not yet have approval (i.e. not accepted into the Programme)

- A21 Baldslow Junction Improvements (Highways Agency)
- Brighton and Hove Bus Rapid Transit System (Brighton & Hove)
- Windsor Park & Ride (Windsor & Maidenhead)
- Reading Station (Reading)
- Guildford Hub (Surrey)
- Reigate-Redhill Hub (Surrey)
- A34/Access to Oxford (Oxfordshire)
- Ashford Smartlink and Bus Rapid Transit (Kent)
- Coastal Expressway (West Sussex)
- A421 Milton Keynes to M1 (Milton Keynes)
- A27 Chichester ByPass improvements (Highways Agency)
- A2 Bean Junction (Highways Agency)
- A27 Wilmington (Eastbourne) Improvements (Highways Agency)
- A3 (A247-A31) Junction Improvements (Highways Agency)
- Thames Valley Strategic Bus & Coach corridor (Buckinghamshire)
- Strategic Development in Portsmouth (Hampshire)
- Strategic Development in Southampton (Hampshire)