



Ministry of Housing,
Communities &
Local Government

Towns Fund Stage 2 FAQs

General

Project prioritisation/confirmation process

- 1. What happens if the required Towns Fund contribution to a project increases between signing Heads of Terms and project confirmation (for example, if match-funding arrangements change)?**

Towns may reallocate funding between projects if there is a change in co-funding arrangements. However, any change between projects should not exceed the overall value of the deal and MHCLG should be notified of the change at project confirmation stage.

- 2. What are the conditions attached to funding?**

The Heads of Terms sets out MHCLG's offer to towns. This includes any conditions placed on the funding offer. Funding for individual projects will be subject to successfully completing Stage 2 of the Towns Fund process. This includes detailed project development and business case assurance at local level. Additionally, towns should take all reasonable steps to progress the agreed projects as far and quickly as possible.

- 3. What can we expect to happen between Heads of Terms and project confirmation?**

Towns have up to two months from Heads of Terms being signed to submit their final projects through a project confirmation document and financial profile. Decisions on which projects to include should be taken locally, including with approval from the Town Deal Board.

Business case submission/assurance

- 4. When should Towns submit their Summary Documents?**

Towns have up to 12 months from Heads of Terms agreement to complete their business cases and submit summary documents to MHCLG. Summary documents can be submitted on a rolling basis, as soon as each business case is assured. The Department should be notified in writing of the dates when towns expect to submit their summary documents, either through CLGU Leads or directly to the Towns Fund inbox. This will ensure that summary document review by MHCLG can take place in a timely way and funding can be released, subject to the documents being approved. The Department should also be notified if these dates change at any point.

For projects where funding needs to be drawn down in 2021/22, an indicative timetable for submissions and payment is set out at Question 10.

5. What should business cases include?

The Towns Fund business case guidance sets out *general guidance* on business cases. Green Book compliant business cases should be developed for each project in order to allocate government funds. We expect business cases to include:

- a. The evidence for the intervention using rigorous analysis of quality data and the application of best practice.
- b. An assessment of value for money, including showing how different types of projects will be compared and assessed. Typically, this would include the following considerations at a level proportionate to the scale of funding required for the proposal:
 - a clear economic rationale that justifies the use of public funds in addition to how a proposed project is expected to contribute to strategic objectives
 - clearly defined inputs, activities, outputs and anticipated outcomes, ensuring that factors such as displacement and deadweight have been considered
 - appropriate consideration of deliverability and risk along with appropriate mitigating action (the costs of which must be clearly understood).

No minimum value for money threshold is set for Towns Fund projects. However, to follow best practice, all business cases must contain robust value for money assessments. If value for money is low, then additional justification should be provided.

Business cases should address, in a proportionate manner, the five cases set out in the HM Treasury Green Book.

Each business case should be assured by the Accountable Body prior to submitting summary documents. MHCLG recognises that each case will be proportionate to the scale of investment – for example we would not expect the same level of detail in a business case for a £100,000 scheme to that of a multi-million pound project. **It is for the Accountable Body to determine proportionality.**

6. For Towns who have not yet received Town Deal offers and may still receive them, how does this affect timelines for summary documents submission and completing projects by financial year end 25/26?

Where towns need to draw funding down in 2021/22, summary documents should be submitted to MHCLG in time for payments to be made this financial year (see question 10). **These documents should be based on a locally assured business case. As noted at question 4**, the Department should be informed in writing of the dates when towns expect to submit their summary documents, either through CLGU Leads or directly to the Towns Fund inbox.

Where towns need to spend money on a project in 2021/22 this should be included in financial profiles.

Towns have until the end of the 2025/26 Financial Year to spend their Towns Fund offer. There is no plan to extend the funding programme beyond 2025/26. If towns have concerns about their ability to deliver projects and spend allocated funding before this time, they should raise them with their CLGU Towns Lead.

7. What guidance is there for local assurance processes and the governance for ongoing assurance?

The lead local authority should use its own Green Book compliant assurance processes. Local authorities should also adhere to the Local Government Governance and Accountability Framework.

There are other documents available that could be used as a guide. For example, whilst it is aimed principally at Mayoral Combined Authorities and Local Enterprise Partnerships, the national local growth assurance framework sets out some key principles of good practice which local authorities may find it helpful to reference in their own processes.

Towns will be required to provide reports to MHCLG as part of the ongoing monitoring of each deal. Payments will be made on an annual basis subject to the satisfactory progress of each deal.

Finance

8. When is eligible spend from?

It is for Section 151 officers to determine, but expenditure must be within the total Town Deal award and must support the projects agreed by MHCLG.

9. What happens once the summary document has been sent to MHCLG and once approved, how soon will funding be released?

MHCLG encourages towns to complete this process as quickly as possible. CLGU Towns Leads and the Towns Fund Delivery Partner are on hand to provide support.

MHCLG will review summary documents and, provided the Department is satisfied and there are no outstanding issues to address, payments will be made following this review.

- If submitted by 29 July 2021 payment will be made in September 2021
- If submitted by 28 October 2021 payment will be made in December 2021
- If submitted by 28 January 2022 payment will be made in March 2022

Places that require project funding in 21/22 must submit summary documents by 28 January 2022 if they require MHCLG to issue payment this financial year.

Further payment schedule dates for summary documents will be issued for 22/23 in due course but we expect them to be by financial quarter.

10. Will any change in overall spending of projects require a project adjustment form?

Information on the project adjustment process can be found at section 5 of the [business case guidance](#).

11. Can funding be held between fiscal years?

Accountable bodies may use freedoms and flexibilities in the usual way. This includes capital swaps and moving money between projects to achieve spend. 2025/26 is the deadline for Towns Fund spend.

12. Does the capital cost of a project include elements required to bring the asset into operational use?

Yes, provided that all these costs are clearly defined.

13. What is the frequency of drawing down funding after the first payment?

Initially, payments will be made to towns as summary documents are approved. Thereafter, payments will be made at the beginning of each financial year. Towns will be expected to report regularly into MHCLG on the spend and delivery progress of agreed projects.

14. How should towns manage projects involving State Aid/ Subsidy Control requirements?

State Aid / Subsidy Control requirements should be managed through local assurance processes. Every scenario is likely to be different, and towns should seek formal advice where required. Further Government guidance is available [here](#). Please also see the blog by Towns Fund Delivery Partner for more detail: <https://townsfund.org.uk/blog-collection/state-aid>

Revenue funding

15. How will revenue funding be allocated?

Revenue funding can be either for programme management costs or project specific revenue costs. This is set at up to 7% of the overall deal for project specific RDEL, and up to 5% for programme management costs. These requirements should be clearly set out in financial profiles submitted to MHCLG at project confirmation stage, by completing the Excel annex a 1: financial profile, previously circulated to towns.

Programme management relates to associated general programme costs such as supporting project prioritisation, preparing M&E plans, or overseeing business case development. In general, the programme management budget should only be utilised where relevant costs cannot be capitalised. Where towns have asked for programme management costs, and these are within the 5% cap, 21/22 payments will be made alongside first summary document payments.

Programme management costs will then be paid on an annual basis thereafter. Towns should expect to be asked to confirm that the previous year's programme management budget has been spent before the next year's sum can be paid.

16. Are there any additional requirements for Town Deal projects such as grant programmes and those using financial instruments?

Some Town Deals include grant programmes or schemes based on financial instruments such as patient capital loans, equity investment, or property portfolio management.

Clear governance arrangements should be in place to oversee the management of these programmes, with private sector representation encouraged so far as the management of conflicts of interest and commercial sensitivity allows.

This could be through the Town Deal Board or a sub board, and its primary function should be to advise on reinvestment. The accountable body will ultimately be accountable for the management of the programme.

Arrangements should include:

- a high-level description of the governance arrangements for programme oversight
- details of how the programme will be managed with the corresponding resource requirements.
- a high-level description of the model which will be used to distribute funds and/or acquire sites, as well as how these will be prioritised.

There should be a clear and transparent process for assessment and decision making.

To deliver maximum value for money, programmes should be geared towards addressing market failure e.g. through acquiring and consolidating multiple ownerships stalling development, or de-risking sites for future development by the private sector. A simple way of gauging market failure would be to highlight the length of time a site has remained dilapidated or underused.

For programmes using financial instruments to recoup funding, the business case may be assessed by MHCLG before funding is released. The business case should include market analysis and demonstrate understanding of costs. It should also contain a list of potential projects for the first round of funding, and an agreed framework for how these will be shortlisted and selected.