

Match Funding Guidance

This document sets out high-level guidance on the classification of match funding and co-funding for Towns writing their Business Cases.

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INTRODUCTION

Towns have successfully submitted their Town Investment Plans and have prepared, or are currently preparing, Business Cases for their interventions. As part of the preparation of these Business Cases, Towns need to consider all the sources of funding and how these sources will be used to deliver their interventions.

This short note sets out guidance on match funding, and more widely co-funding, for Towns as part of the production of Business Cases for the projects that were allocated Towns Fund funding. While it is not an exhaustive or fully comprehensive note, it aims to support the development of the Business Cases and decision making of Towns.

It should be noted that a degree of judgement will still need to be applied by Towns on a case-by-case basis when explaining how match funding has been achieved. We have included some examples at the end of this guidance.

DEFINING MATCH FUNDING

Typically, we would anticipate co-funding sitting alongside Towns Fund monies to deliver the interventions proposed, and where this co-funding equals the contribution made by the Towns Fund we would denote this as 'match funding.'

Match funding (and co-funding) should contribute towards funding or directly enhancing the capability of the asset and/or service, over and above the current position, noting that in some instances a new asset will be built.

These contributions are typically of a capital nature when delivering an asset, but where a service is provided, this may be considered as a revenue contribution.

Co-funding and match funding (co-/match funding) can be provided by a variety of parties, including the public and private sector. This is intended to build upon the funding provided by central government through the Towns Fund.

TOWNS FUND GUIDANCE ON MATCH FUNDING

Towns Fund [Further Guidance](#) for co-/match funding sets out that it is not compulsory for Towns to reach a certain level of co-/match funding for each project. Instead, it is important for Towns to demonstrate that they have taken time to seek additional funding that could be leveraged to maximise the impact of their interventions.

This includes clear evidence that Towns have sought to initiate conversations with potential partners and/or investors regarding co-/match funding. It is noted that given the different types of intervention that the Towns Fund supports, this will drive the ability of Towns to progress co-/match funding solutions.

Towns should also set out how the level of co-/match funding secured is reasonable for the project and that there is commitment from partners. These commitments should be clearly evidenced in the Business Case, reflecting the terms of any agreements with partners, as expanded in the section below on managing this funding.

In line with this, the co-/match funding set out in the Business Case should refer back to the original co-/match funding levels set out in the Town Investment Plans (TIPs) for each project. Whilst TIPs included a high-level view of the co-/match funding commitments, it is important that there is a clear evidence trail between the co-/match funding expected, as set out in the TIP, and in the Business Case once developed, since TIPs were formally approved by DLUHC prior to the award of funding to Towns. It should also be noted that any material departures from the position presented as part of the TIP stage should be logged for audit trail purposes. There is a requirement for Towns to notify DLUHC to any significant changes to the funding allocations.¹

¹ <https://townsfund.org.uk/resources-collection/mhclg-stage-2-faqs>

MANAGING MATCH FUNDING OPPORTUNITIES

Throughout the process of developing Business Cases, Towns should maintain contact and dialogue with partners that have made commitments to provide funding to their project(s).

When drafting the Business Case, it is important that Towns are clear on committed co-/match funding and instances where partners' contributions carry a risk of not materialising, or only partially meeting the original agreement. This applies for both public sector and private commitments.

To ensure that there is a high likelihood of co-/match funding commitments being met by private and public sector partners, formal signed letters of support should be sought by Towns from prospective partners. A term sheet, a Heads of Terms (or other similar document) setting out the conditions, will formalise the contributions from partners in writing, acting as a strong indicator for support of the commitments presented in the Business Case and reinforcing the original match funding in the TIP. If there is a material departure from this, Towns may need to notify DLUHC in line with the [Stage 2 Guidance and FAQs](#).

RISK MANAGEMENT

It is important to note that the funding received from the Towns Fund by each Town is just one element of the full funding and financing package needed to deliver the projects, which often includes contributions from local authorities themselves alongside co-/match funding from the private sector.

Once the Town Deal Offer has been received and Towns have submitted their Project Confirmations to DLUHC, Towns should pull together all sources of funding and put appropriate risk management processes in place to act as a contingency measure should any reductions in the funding of a project materialise.

For example, reducing the scope, size or scale of a project may be necessary if a co-/match funding commitment falls away, with the Town retaining the pot of Towns Fund money that it has been granted to fulfil the project as far as possible. Some examples of contingencies that Towns may wish to consider for inclusion in the Business Case are as follows:

- Contingency levels in the costings
- Explanation of how value engineering can be used to ensure delivery
- Over-funding from partners such that there is buffer if required (but is given back should the risk not materialise)
- A combination of the above factors described

ILLUSTRATIVE EXAMPLES

We have set out some potential questions below, with associated responses, on what could be classed as match funding. In all cases, the examples are underpinned by the need to ensure that a robust agreement is in place between the Council, Town Deal Board and the prospective partners, both from the public and private sector.

Q: Can contributions of equipment from partners and industry contribute towards match funding at their current value, whether the equipment is provided on a permanent basis or on a fixed loan agreement?

We understand that fixtures and plant would qualify for match funding on the basis that the equipment is considered capital in nature. Any agreement for match funding should set out the exact equipment provided, the terms of the provision, any associated conditions, and the value of the equipment.

Q: Would a revenue contribution, for example a membership fee for services, be classified as match funding?

The exact nature of the relationship between the project and a 'member' should be set out in the terms and conditions of the services agreement. Also, one should consider the term of this relationship and whether this is actually a revenue contribution which is part of the ongoing operating position of the particular intervention. Ultimately this consideration is not binary and should be considered carefully with reference to the guidance.

Q: When discounts are received on services or capital equipment items, for example based on the Council being a public sector customer, would the discount contribute to the match funding total?

This is dependent on the terms around the contribution. Should the provision of equipment or services work to enhance the capacity and capability of the asset or project and have a clear monetary value associated with it, then this could be a form of match funding. The Town should also consider how they present an analysis of the funding sources and costs (e.g., gross or net of the discount) to ensure a like-for-like assessment is made, and that there is consistency between the TIP, Business Case and co-/match funding documentation.

For example, if a piece of machinery worth £100 is provided as part of an intervention, this would count as co-funding (or potentially match funding). If this same piece of equipment is offered to the Town for £80 as a discount due to the Council being for example a public sector customer, the full gross price of £100 could still be classed as co-funding or match funding, provided that is the true value of the asset.

Q: In kind contributions from industry, such as time spent by private sector experts on the project once it is operational, for visitors to speak to and hear from. Is this match funding?

Any relationship of this nature should only be classed as match funding if the relationship is long-term, regular and working to enhance the value of the asset or the service (i.e., there should be a formal arrangement in place). This agreement should be set out in clear contractual terms for it to constitute match funding as opposed to incidental in nature. Again, one should consider the term of this relationship and whether this is actually a revenue contribution which is part of the ongoing operating position of the particular intervention.

For example, a contribution of this nature that is made during the investment phase of a project would be an in-kind contribution that enhances the value of the asset or service. In contrast, if this was made during the operational phase of the asset or service, this would be a revenue contribution as it is not funding any capital and would contribute to the ongoing operating model as opposed to offsetting the funding requirement.

Q: Would revenue from partners for the rental of space constitute match funding?

This is likely to be classed as a revenue contribution, as part of the operations phase of the project, and therefore would not contribute to match funding. However, should an upfront premium be paid by any prospective partner, which can be offset against the capital spend, this would qualify as match funding.

Q: Can the added value from skills uplift associated with the project contribute toward the match funding pot?

This is outside the scope of match funding but it would contribute to the economic assessment within the economic case as a key output.