



Ministry of Housing,
Communities &
Local Government

Sarah Healey CB CVO
Permanent Secretary

**Ministry of Housing, Communities & Local
Government**

Sir Geoffrey Clifton-Brown
Chair of the Public Accounts Committee
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Dear Sir Geoffrey Clifton-Brown,

In response to the 2020 Public Accounts Committee enquiry on the selection of towns for the Towns Fund, the department has committed to providing you with an Annual Towns Fund Report. The first progress report was provided in September 2021, with the subsequent annual reports submitted to you in the Autumn of 2022 and 2023. I am pleased to provide the latest update today.

The report provides a comprehensive update on the progress of the Towns Fund, with a particular focus on the support we are giving to local authorities during the delivery stage. We also include headline delivery statistics, an update on our Monitoring and Evaluation work, and some project case studies which highlight the variety of projects being delivered by the Fund across England.

I do hope you and the Committee find the report of interest.

Yours sincerely,

SARAH HEALEY CB CVO

Public Accounts Committee: Towns Fund Annual Report 2024

1. **Background and context**

1.1 The £3.6bn Towns Fund was announced in July 2019, and has two components:

- The £2.6bn Town Deals programme¹ aims to regenerate towns and deliver long-term economic and productivity growth. This will be achieved through investing in urban regeneration, digital and physical connectivity, skills, heritage and enterprise infrastructure.
- The £1bn Future High Streets Fund (FHSF) competition² aims to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability.

Town Deals

1.2 In Autumn 2019, MHCLG invited 101 towns to develop Town Deal proposals as part of the Towns Fund. Funding recipients were chosen on the basis of a selection methodology that took into account various qualitative and quantitative indicators.

1.3 Each of the 101 towns was required to convene a Town Deal Board who were responsible for working with a lead local authority to pull proposals together in the form of a Town Investment Plan. All key delivery decisions continue to be overseen by local Town Deal Boards working in collaboration with a lead local authority as the accountable body and Town Deal Boards continue to be central to the delivery of Town Deals.

1.4 All Town Investment Plans were submitted to MHCLG for TIP assessment. This assessment considered both the vision and strategy for the town, and also the extent to which local stakeholders were engaged in shaping the investment plan. Final funding allocations were determined by the outcome of TIP assessment and by July 2021 MHCLG had offered Town Deals to all 101 places that were invited to submit proposals, committing over £2.35 billion of investment nationwide.

Future High Streets Fund

1.5 On 26 December 2020, the Communities Secretary announced that following a competition 72 places had been selected to receive a share of £830 million from the Future High Streets Fund.

¹ Of the £2.6bn, £300m has now been allocated to Levelling Up Fund and £100m to the Freeports programme, as these interventions align with the objectives of the Towns Fund.

² Of the £1bn, £107m has been allocated to DCMS for Heritage High Streets regeneration, and £10.7m allocated to the High Streets Task Force.



- 1.6 All 72 places are in the latter stages of delivering their plans. The majority of bidders have received their entire funding allocation.
- 1.7 In October 2023, the department announced a six-month extension to the FHSF spend deadline taking it to the 30 September 2024. This was in response to concerns from local authorities that they would be unable to meet the original spend deadline of 31 March 2024. In total, 52 places secured an extension to deliver their projects after demonstrating need for additional time.
- 1.8 We have continued to monitor delivery progress, considering the trade-off between recognising the challenging economic delivery conditions and extending the spend deadline, and the desire for projects to deliver value for money of our citizens within set budgets and timeframes. In September 2024, a further extension of the FHSF was agreed and communicated to grant recipients, taking the deadline from 30 September 2024 to 31 March 2024. This extension will allow places to apply for additional time of up to six months to commit the remainder of their FHSF grant. Places have been asked to submit requests that demonstrate need for additional time and a decision on extension requests will be communicated to places by mid-October. We anticipate the last FHSF payments to be released within the financial year.

Simplification Pathfinder Pilot

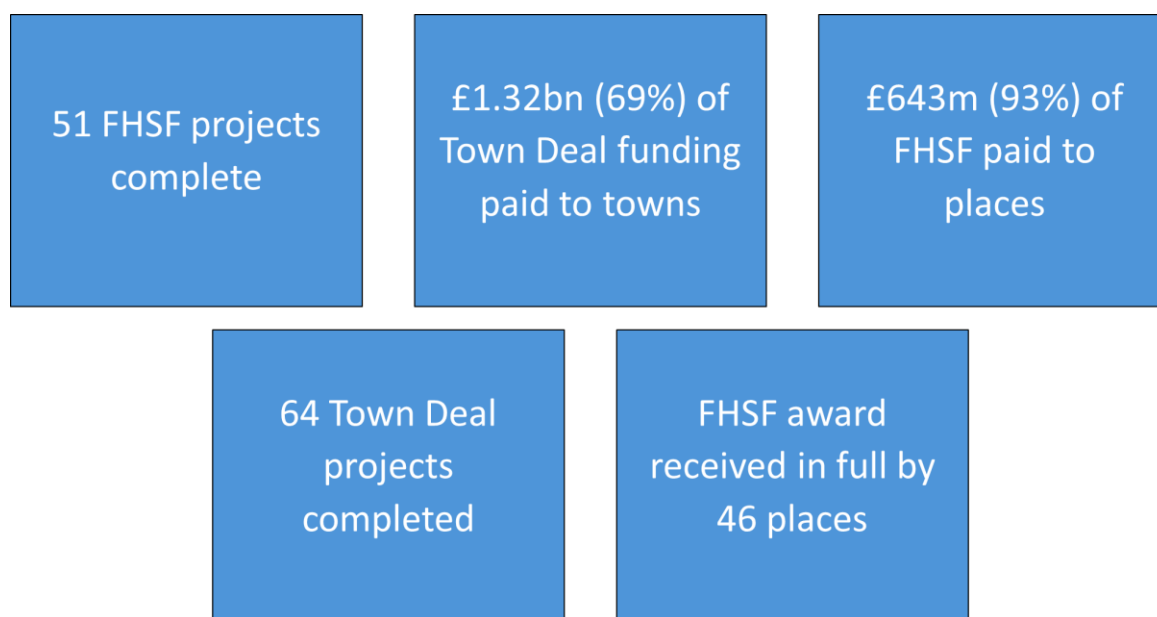
- 1.9 In Autumn 2023, the department invited a small group of 'pathfinder' local authorities across England to pilot a simplified approach to funding delivery, aimed at devolving decision-making responsibility over three in-flight capital funding programmes. Each of the 10 local authorities selected had been awarded funding from the FHSF, Town Deals and Levelling Up Fund (Round 1).
- 1.10 As a result of the pilot, pathfinder local authorities are no longer a part of the Towns Fund and have separate performance monitoring obligations. Information within this report regarding progress of the Towns Fund does not include these 10 local authorities (11 Town Deals and 12 FHSF places).
- 1.11 Of the 101 places awarded a Town Deal (totalling £2.35bn), 11 are now part of the pathfinder pilot, bringing the total Town Deal grant allocation for the remaining 90 places to £2.1bn.
- 1.12 Similarly, of the 72 high streets awarded a share of £830.6m from the FHSF, 2 are now part of the pathfinder pilot, bringing the total FHSF grant allocation for the remaining 60 high streets to £689.6m.

Annual Progress Report

- 1.13 In July 2020 the National Audit Office published a report on the selection of towns invited to prepare for a Town Deal. Later that year a Public Accounts Committee was held on the selection of towns. In its formal response, the department committed to share an annual progress report on Town Deals. The

first annual report was submitted to the Committee in September 2021, with subsequent reports submitted in the Autumn of 2022 and 2023. This update report covers progress since then; in particular, delays to project delivery, the support being given to towns and high streets, and the ongoing activity to monitor and evaluate the programme.

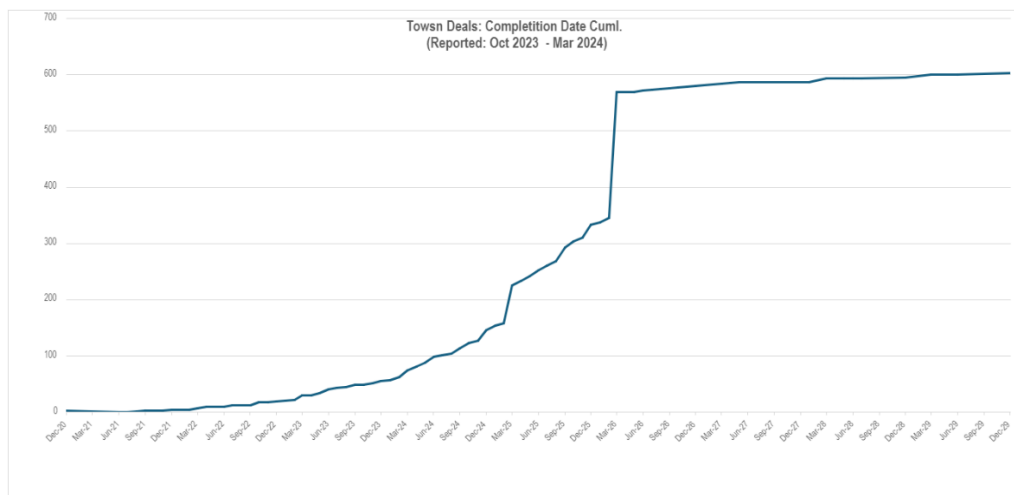
2. Headlines: Progress to date (as of 31 August 2024)



3. Town Deal Progress

3.1 As of 31 August 2024, £1.44bn in Town Deal grants has been paid out to the remaining 90 places on the programme, representing 69% of the £2.1bn total allocation.

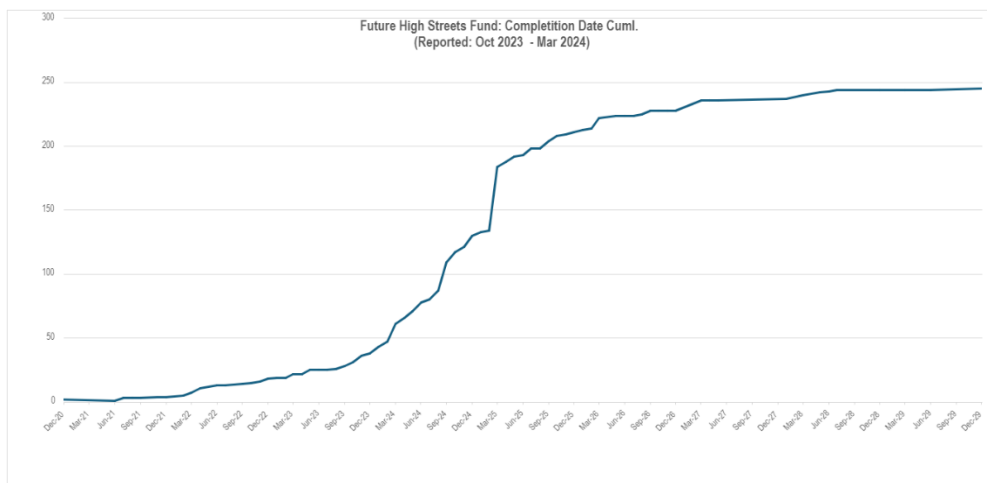
3.2 The most recent monitoring data, received in June 2024, reported that a total of 59 projects have completed. The anticipated project completion dates indicate that a further 138 projects will be delivered by the end of FY 2024/25. There has been a shift in project completion dates with 60% of projects forecasted in June 2023 to complete in FY23/24 now due to complete in later years of the fund. As expected, project completions increase significantly towards the end of the fund (March 2026), with a small number continuing to complete after this date as other funding is used to complete projects.



We rely on local authorities to provide accurate data in their monitoring returns, and in some instances original completions dates have been optimistic. The data submitted in June 2024 reported 55 of the anticipated project completions for FY 2023/24 are now forecasted to complete on average 13 months later than the forecasted completion dates submitted in June 2023. We continue to engage with local authorities to ensure that data is accurate, as well as to support them with any delivery issues (see section five below).

4. Future High Streets Fund Progress

- 4.1 The 60 (non-pathfinder) places that were successful in the Future High Streets Fund competition are now reaching the end of the programme. As of 31 August 2024, £643m of the FHSF has been released to the 60 places in the programme, representing 93% of the £689.6m.
- 4.2 The most recent monitoring data, received in June 2024, reported a total of 37 FHSF projects had completed. This is fewer project completions than anticipated for this stage in the programme. However, it should be noted that the FHSF programme deadline required places to commit funding by March, meaning the programme allows for projects to continue delivery past this date.
- 4.3 Through the six-monthly performance reports, local authorities have raised comments about common delays to delivery, including obtaining planning permission, cost inflation and delivery partner negotiations. The anticipated project completion dates indicate that a further 118 projects will be delivered by the end of FY 2024/25. There is a significant increase in project completions at the end of this financial year. As with Town Deals, some projects will continue delivery and complete using other funding after the FHSF end date. Monitoring of these projects will continue beyond the programme closure date to ensure projects continue to deliver.



4.4 The extension of the FHSF spend deadline was to compensate places for time lost at the beginning of the programme and provide realistic deadlines to minimise the risk of unfinished projects. We are continuing to monitor the progress of FHSF projects and deploy delivery support where needed to maximise benefits from the programme.

5. Support for Places

Delivery Support

5.1 Local authorities with Town Deals and Future High Streets can access a wide framework of support to ensure projects are delivered on time and local people see the benefit. As set out below, all places are expected to complete regular monitoring returns and engage in regular conversations with our area teams. We utilise these channels of communication to identify those places in need of targeted assistance, supporting local authorities to build capacity and capability locally.

5.2 The Delivery Associates Network (DAN) was launched in January 2024 as a cross-fund support offer to local authorities. Procured by MHCLG, the DAN is a consortium led by Arup, bringing together experienced delivery professionals and subject matter experts. The DAN:

- Acts as a critical friend and offers support to places in receipt of local growth funding, by providing short, focused assistance through experts in their fields on delivery-based issues.
- Hosts a Knowledge Hub which includes support material and live workshops and seminars on common delivery issues and challenges.
- Seeks to build capability and knowledge, so that when the programme is completed local authorities have enhanced their skills in major project delivery.
- Works with MHCLG to identify the types of local issues places face and the possible solutions (including financial and technical support) to inform wider decision making and future policy design.



- 5.3 The Central Grants Hub, part of MHCLG's commercial directorate, leads the Discovery Programme, which aims to improve the development and management of grant of programmes by providing advice across all stages of the grant lifecycle. The programme offers places with one-to-one support to understand challenges and help address delivery barriers. The team has worked with approximately 35 councils receiving funding from the Future High Street Fund, Town Deals programme or Levelling Up Fund. The Discovery Programme has made a demonstrable difference in Future High Streets Fund and Town Deal places such as Medway, Dover, Mansfield and Cumberland.
- 5.4 The ten local authorities invited to participate in the Simplification Pathfinder Pilot are testing the streamlined delivery of capital funding. Pathfinder local authorities submit a single, combined report on outputs, outcomes and spend data on a quarterly basis across their funding portfolio. The department has reflected on lessons learned through the pilot and stakeholder feedback regarding the burden on local authorities. The department is building on this approach and is developing a simplified monitoring regime to align approaches across funds. We are also exploring whether the Simplification Pathfinder Pilot flexibilities would yield similar benefits more widely.

Project Adjustment Requests

- 5.5 The department recognises that over the course of project development, circumstances may change which impact on the original proposal. In recognition of the challenges of delivering large capital projects, and in particular the period of high inflation, the department allows places to make changes to projects through Project Adjustment Requests, which enables towns to rescope projects and / or move funding between projects, subject to certain conditions.
- 5.6 To support places in making changes quickly, the department has implemented a delegated approach in recognition that places are experiencing delivery challenges, like cost inflation and supply chain issues. This gives places greater flexibility to agree adjustments to projects locally at Town Deal Board and local authority level without coming to the department for approval. Places can make changes of up to 30% to agreed project outcomes and outputs, and changes in spend of up to 30% between financial years, without recourse to the department. This includes a change in location where intended sites are no longer viable. Places are still required to inform MHCLG of changes made through their delegated powers to enable monitoring of progress against the target outputs and outcomes.
- 5.7 The department continues to review the way funding is delivered, with the aim of simplifying, minimising bureaucracy, and freeing up local authorities to deliver projects in our communities. To support local authorities in making necessary changes quickly, in July 2023 a 20-working day turnaround was implemented for Project Adjustment Requests requiring a decision from the department.



6. Monitoring and Evaluation

Performance reporting process

- 6.1 Through the six-monthly reporting process, the department aims to ensure financial and output targets and milestones are achieved, ensuring funding meets agreed terms, and understanding how project delivery is working. We continue to review our support offer in response to the key challenges being flagged to us through the performance reporting process.
- 6.2 The financial information collected by the department helps to establish whether sufficient progress has been made to release the next annual payment at the start of the next financial year. To reduce the risk of places accumulating high underspends, a threshold mechanism has been introduced to the payment process. Projects in scope for payment in Q1 that have spent less than 75% of funding released to date receive a 50% payment (i.e. 50% of profiled payment minus any underspend from previous payments). These projects are then in scope for a further payment in Q3 of the financial year, once the next six-monthly reporting data has been reviewed to determine if further grant payments are required in year.
- 6.3 We engage with places where we have concerns, to understand the delivery issues, establish remedial actions and provide support before further payments can be released.
- 6.4 To date, five rounds of reporting have been conducted. The most recent monitoring data, received in June 2024, reported 96 projects across Town Deals and Future High Streets Fund have completed. Almost half (47%) of the projects not yet completed are on track, which is positive given the challenging delivery environment. However, a similar number of projects have experienced delays to their original project completion date set out at the beginning of the programme. This is largely due to the additional time required to address rising project costs, obtaining planning permission, manage stakeholder relationships (for example, working with impacted tenants, owners, government bodies, and community interest groups) and delays in procuring services.
- 6.5 The next performance window will cover the period from 1 April to 30 September 2024 and will be submitted to the department in mid-November 2024.
- 6.6 The department has developed two new digital tools to ease the performance monitoring process for local authorities and expedite the departments analysis of the data. First, an online portal that allows local authorities to submit their monitoring data. This system performs validation checks and provides local authorities with any errors in their return before making a final submission. Second, an internal repository tool that automates the aggregation of all performance returns. Both the submission portal and repository tool have been used during the last two performance reporting periods (November 2023 and May 2024) and have helped to streamline the process for local authorities and the delivery team. Since launching the tools, local authority feedback on the portal



has been incredibly positive. The ease of use, auto validation and method of submitting the Excel template online have all been welcome additions.

External M&E partner

6.7 The department appointed Frontier Economics and BMG Research in April 2023 to undertake a comprehensive evaluation of the Towns Fund programme. The evaluation comprises an initial feasibility phase, followed by process, impact, and value for money evaluations.

6.8 The feasibility phase determined what approaches and methodologies were appropriate for the impact evaluation given the data that is available. An [Evaluation Feasibility Report](#) was published in January 2024.

6.9 An Interim Impact Evaluation report has been drafted and is expected to be published in Autumn 2024. The impact evaluation will comprise of both a programme-level evaluation and case studies that investigate the impact of different types of interventions in different places.

6.10 In total, 29 projects have been selected as case studies for the impact and process evaluations. Work on the evaluation is progressing well with initial conversations, workshops, site visits and baseline surveys all underway.

Baselining

6.11 For evaluation activities to be effective, the department has requested that places submit “baseline” information, i.e. details about a place before a project begins. This includes quantitative data on a range of indicators (e.g. jobs, skills, footfall) that will enable accurate measurement of the impact of the Towns Fund.

6.12 Baselining activities were delayed to give further consideration to how collecting baseline information could align with future evaluation activity and the departmental simplification objectives. These activities are now underway with local authority testing of the data capture process having resumed in July 2024. Following positive results, a commission is due to be issued to the remaining local authorities in September 2024.

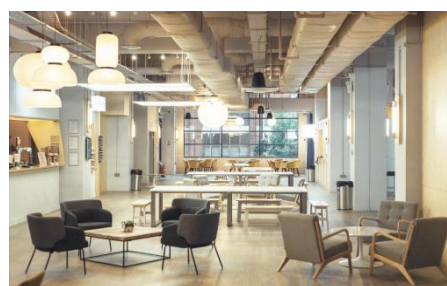
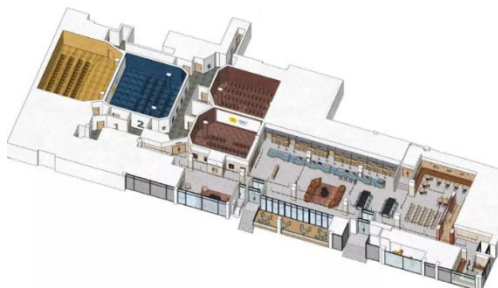
Annex A: Case Studies

As of March 2024, 96 projects have completed across both Town Deals and the Future High Streets Fund competition. The examples below demonstrate a range of projects completed. Further case studies can be provided on request.

Sutton's Throwley Yard (part of Sutton's £11.3m FHSF)

A portion of Sutton's £11.3m Future High Streets Fund bid has been invested into the 'Throwley Yard Cinema and Community Arts Venue', as part of the London Borough of Sutton's plans to transform their high street. The brand-new 1,200sqm culture hub opened its doors the 21 June 2024 and hosts a four-screen independent cinema, food hall, DJ school and space for activities and study, reinvigorating the empty space after a decade of vacancy. What was formerly the site of Chicago's Nightclub is now a multipurpose carbon neutral venue, helping to make Sutton an attractive place to live and work. An official grand opening is due to take place later this September.

This new venue on the high street has quickly seen successes, hosting two London Festival of Architecture events – with Sutton becoming a host borough for the first time. The project has created several valuable opportunities for Sutton including approximately 40 new jobs, opportunities for small business and aiding the borough in achieving net zero carbon emissions.



Middlesbrough's Captain Cook Square (part of Middlesbrough's £14.1m FHSF)

As announced in March 2021, Middlesbrough is using a portion of its £14.1m Future High Streets Fund award to transform the centre's Captain Cook Square into a regional leisure hub. In 2020, Middlesbrough council purchased the previously known Captain Cook Shopping Centre in order to repurpose it into a leisure hub (using £9.1m of the FHSF). The FHSF investment has helped redevelop 37,100sqm of retail space into a destination to serve the local and wider community. The centre hosts an array of brand-new facilities including bowling, e-sports, a cinema, as well as the existing shops ranging from fashion, beauty, music, books and restaurants.

In 2023, Captain Cook Square welcomed Level X – an indoor entertainment complex set across two floors featuring bowling, adventure golf, VR and a multi-level racing car track. The FHSF is unlocking further investment in Middlesbrough's high street. Captain Cook Square also opened its doors to a £2.5m inflatable theme park in July 2024, creating up to 80 jobs thanks to further investment from Fun Shack Group.

Whilst the transformation of Captain Cook Square is still underway, funding will help regenerate the town centre, turning it into a regional leisure destination. The vast range of facilities on offer from the indoor play centre to a future boutique cinema (coming 2024), caters for all. Having previously been over-reliant on retail, the FHSF is already helping rebalance the economic mix to create a more diverse and attractive town centre.



Warrington's £22.1m Town Deal

In Warrington, a number of Town Deal projects have now completed and are already making an impact in the town. A £3m Town Deal was awarded to Warrington's Living Well Hub project, as part of the borough-wide Living Well programme to enable residents to take greater control of their own health, wellbeing and resilience. Based in the town centre, the Hub is home to 25 organisations and more than 350 staff, providing a wide range of NHS and non-clinical services under one roof. The ground floor of the Hub also provides community-led space and café to support health and wellbeing drop-in sessions.

Warrington have also invested £812k of Town Deal funding into their 'ZEBRA Bus Fleet Depot' to deliver a new purpose-built bus depot equipped with electric vehicle charging infrastructure, ready to house a brand-new fleet of 105 zero emission buses. Investment in the depot is supporting Warrington's new bus fleet, which is set to be the largest electric bus fleet introduced by any town or city in the UK.

£1m of Town Deal funding has been invested in Warrington's Health and Social Care Academy. This project has delivered a cutting-edge facility for education and skills training, that supports professional progression into and across the health and social care sectors. Over 750 learners have already benefited from the courses available, with that number set to rise year on year.

