

To: Accounting Officer
From: 
Finance Business Partner
Cleared by: David Thomas
Date: 5 September 2019

Draft Accounting Officer Advice: Town Deals – Town Selection

Purpose

1. To update you on the planned announcement on the selection of 100 towns to work with and develop town deals, and AO issues relating to the announcement.

Timing

2. Urgent. The Secretary of State would like to announce on Friday the 100 towns that we will be working with on Towns Deal.

Recommendation

3. To note the AO risks and associated legal advice set out below. The main area of concern is around propriety and if you are content with approach taken to selecting towns, particularly the last 60 which have been chosen from a list of 541 and with a degree of qualitative judgement.
4. We recommend that this meets the tests set out in Managing Public Money as set out below.

Background

5. On 27 July 2019 the PM announced a £3.6bn Towns Fund that would support an initial 100 town deals across England. This builds on a previous announcement (4 March 2019) of a £1.6bn Stronger Towns Fund to be 'targeted at places that have not shared in the proceeds of growth in the same way as more prosperous parts of the country'. The new figure of £3.6bn comprises:
 - a Towns Fund: totalling £2.6bn (£1.6bn as previously announced, plus an additional £1bn). This is the element of the fund relating to the 100 towns to be announced tomorrow.
 - Future High Streets Fund: totalling £1bn
6. In addition, there is £40m RDEL capacity funding spread equally over 19/20 and 20/21.
7. It should be noted that these towns will not automatically qualify for a share of the £2.6bn fund and the announcement will not go beyond naming the towns which we are committing to work with on a future town deal or make any new financial commitments. The amount of investment funding received by towns from the £2.6bn pot will depend on the quality of the propositions that they bring forwards for their town deal.

8. Officials have developed a methodology for selecting eligible towns across England - initially to allocate some of the £40m of capacity funding to give to places to help develop new economic visions for their local areas and apply for substantive funding. We have announced that £0.6bn of the fund will be available through a bidding process and hence there is currently up to £2bn to allocate to these 100 towns and £0.6bn which other towns can compete for in the future. The methodology builds on feedback from the Secretary of State and the Minister of State for the Northern Powerhouse and Local Growth. It is designed to provide a framework for decision-making: providing information on towns on an objectively-determined long-list, but whilst recognising that there will inevitably be some qualitative judgement in which mix of towns to select, as there is insufficient funding to cover all on the long list. This aims to ensure a sufficiently robust process to ensure it meets propriety concerns and resists any legal challenge by disappointed towns.

Selecting 100 towns

Methodology and Secretary of State decision

Summary of process and key numbers

1	Total eligible towns	1,081		
2	Top 50% of eligible towns based on ONS measure of deprivation	541		
3	Ranking based on eligibility factors and weighted based on officer judgement		Recommendation	Selection
	High priority towns	40	40	40
	Other towns	320	up to 60	49
	Low priority towns	181	only a few	12
	Total	541	100	101

Excluding less deprived half of all towns

9. The foundation of the methodology is a list of all 1,082 towns in England, created by the ONS. Using the ONS measure of deprivation at town level, the less needy half of all towns were excluded from being eligible. This element is objective. We have gathered information on the 541 eligible towns, including factors such as strategic alignment with government priorities, the presence of investment opportunities and different indicators of need. Judgements have been made by CLoG experts to build these factors, apply weightings and produce a ranking.
10. The Secretary of State, in alignment with our proposed methodology, has only chosen towns from the more deprived half of the list of 1,082 towns.

40 high priority towns

11. We have then put the towns in each region into three categories – high priority, medium priority and low priority based on all the factors assessed. The High Priority list contains 40 towns, spread across regions, where we recommended opening negotiations for a town deal. These are the towns which score highly across all available criteria. This approach ensures the fund

reaches the most deserving places,

12. The SoS selected the top 40 towns as recommended.

Remaining 60 towns

13. Beyond the top 40 towns, we recommended that the Secretary of State selected the remaining 60 towns based on the information provided and his judgement. The information provided made suggestions on how towns could be prioritised. We recommended this flexibility because, for the majority of towns, there are a variety of arguments both for and against their inclusion and hence an element of qualitative judgement is needed and because political accountability for decision-making is important. Our prioritisation suggestions proposed that SoS selected towns taking into consideration their geographical spread and did not pick a large number of towns from the 181 lower scoring towns that we have classified as being 'low priority'.

14. The Secretary of State has picked 49 towns (48 town deals with one cluster of two towns). from the highest scoring 320 after the top 40 have been removed and 12 from the lower scoring 'low priority' towns. The cluster is Keighley (in the top 40) and Shipley (in the next 320). Officials had recommended that as a potential cluster and the justification is that they are nearby and that you are combining a mix of more prosperous and less prosperous towns to have a mix of need and opportunity in one deal. Rationale for picking these towns has been provided on a regional basis and at an individual town level for the 12 'low priority' towns (**Annex B**). This explains the rationale that has been applied to the selection process given the qualitative judgement involved in selecting 60 towns from a list of 501 towns with differing need and opportunity levels based on different criteria.

15. For one town selected (Kidsgrove), Secretary of State wants the letter to district and county to recommend collaboration with nearby towns in the Stoke City conurbation. This would be determining expectations for local town partnerships more tightly than we are in other places. This will present specific delivery questions (like how the local authorities work together) that are policy choices yet to come. This could be challenging but we anticipate could also be true in other places when we launch the prospectus and begin to work with places. We will set out in our Q&A that this is to be set out in more detail in the prospectus and determined through the development of deal proposals.

Regional spread

16. We recommended a regional spread of town deals, drawing on the regional allocation formula we have developed. The aim of this suggestion was to try and ensure funding was more focused on the most needy parts of the country. This built on the original announcement back in March which set out the regional split of the first £1bn of funding. This formula was based on an assessment of town population, skills, deprivation, income, productivity, and level of urbanisation.

17. Ministers have not chosen to follow our suggested regional allocation, however our analysis suggests this is acceptable. The selection leads to the northern regions getting 8 fewer deals than the 51 suggested; the midlands getting 2 more than the 32 suggested; and southern regions

getting 7 more than the 17 we suggested. While this is different to our suggested approach it does not put at risk achievement of our announced regional split of funding, as we now have twice as much funding to allocate and no region has 50% fewer towns than our suggestion. Given that this policy is about providing support at a town and not at regional level, we have looked at whether picking 7 more places in the South and two in the Midlands might have led to significantly lower scoring towns being selected than if a further 9 had been selected in the north. After removing the top 40 priority towns, the average score of towns selected in the South and Midlands is 4.5 compared to an average score of unselected towns in the northern regions of 4.5. This demonstrates that the selection of more towns in the south and midlands regions is unlikely to have lowered the average score of towns selected overall.

Region	Recommended	Selected	Difference
Northern regions	51	43	-8
Midlands	32	34	2
Southern regions	17	24	7
Total	100	101	1

18. The complete list of selected towns is on **Annex A**.

AO tests

Propriety

19. The choice of recipients has to be rational and based on clear criteria relevant to the policy objective. Applying the criterion of restricting the selection to towns that are above the median on income deprivation has left us with a list of 541 potential towns, which is more than could sensibly be funded from the pot and therefore we had to limit the number of eligible places, selecting a variety of towns from the list, each with a clear rationale for being selected. A number of towns are in similar situations, and a degree of qualitative judgement between picking towns with similar characteristics is inevitable. You can consider it appropriate for Ministers to exercise qualitative judgement, subject always to there being a rationale for the decision in each case.

20. The Secretary of State’s selection has resulted in some towns being selected that are not the highest scoring based on the measure we developed using judgements taken by officers to develop a ranking to assess eligibility for the fund. As set out above, with the exception of the top 40 towns which ranked strongly across all measures, our measure was designed as a guide and is not the only way to assess eligibility. The Secretary of State has set out the rationale he has used at a regional level for the last 60 towns and individual level for the 12 towns that our assessment scored as being low priority towns. The Secretary of State has chosen not to follow our suggested regional spread, but our testing suggests this is unlikely to have resulted in lower scoring towns being selected.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Value for Money

- 25. The 100 towns will automatically qualify for some capacity funding but will not automatically receive a share of the Towns Fund investment budget. Value for money of the capacity funding will come from ensuring it leads to high quality investment planning and a successful deals process. Value for money of the broader investment pot will come through the selection and approval of funding for specific interventions proposed by individual towns as deals are developed. For this reason we believe that the chosen selection of towns will not negatively affect value for money and the only way to have selected towns with the aim of increasing vfm would have been to have taken a different approach and assessed applications of interest from all towns. This approach was not feasible both in terms of timing and the level of resources required to make this possible.
- 26. The main value for money decisions are yet to come: first in determining the criteria for the fund, and then in assessing bids.
- 27. To protect value for money, the Investment Sub-Committee approved the plans on the condition that towns cannot be given an allocation of capacity funding until the prospectus is ready to be published. This will minimise the risk that the capacity funding is spent developing plans in the absence of guidance from government on what the criteria for the fund.

Affordability and feasibility

- 28. We estimate that around 20 additional FTE staff will be needed to deliver this programme across 100 towns. These staff will be funded from the programme budget and hence it is affordable, though it will require a corresponding increase to their FTE threshold which will need to be offset elsewhere in the department. Our view is that this is appropriate in the circumstances.

Regularity

29. We do not believe there are any concerns regarding regularity with this announcement as we have the powers to provide grant funding to deliver this objective to local authorities through Section 31 grants.

Town Deals in Devolved Administrations

30. The list of 100 towns to be announced tomorrow does not include any towns in Devolved Administrations.

HMT approval

31. No announcement can be made before HMT approval, as the amount is outside of the Department's delegated limits. HMT specifically requested they would want to see the methodology for selecting towns eligible for the capacity funding. We will submit the methodology to HMT as soon as possible after the town selection is cleared internally. HMT also asked to see our AO advice which we will provide.
32. As the business case for the £2.6bn programme funding is yet to be developed, any announcement would need to avoid any commitments regarding this funding.

Annex A - Selected Towns

Town	Region	Town 2	Region 2
Bishop Auckland BUASD	North East		
Darlington BUA	North East		
Thornaby-on-Tees BUASD	North East		
Blyth (Northumberland) BUA	North East		
Hartlepool BUASD	North East		
Middlesbrough BUASD	North East		
Redcar BUASD	North East		
Birkenhead BUASD	North West		
Blackpool BUASD	North West		
Bolton BUASD	North West		
Oldham BUASD	North West		
Preston BUASD	North West		
Rochdale BUASD	North West		
Runcorn BUASD	North West		
St Helens BUASD	North West		
Barrow-in-Furness BUA	North West		
Crewe BUASD	North West		
Carlisle BUASD	North West		
Cleator Moor BUA	North West		
Darwen BUASD	North West		
Millom BUA	North West		
Nelson (Pendle) BUASD	North West		
Warrington BUA	North West		
Workington BUASD	North West		
Cheadle BUASD	North West		
Leyland BUASD	North West		
Southport BUA	North West		
Castleford BUASD	Yorkshire and The Humber		
Dewsbury BUASD	Yorkshire and The Humber		
Doncaster BUASD	Yorkshire and The Humber		
Goldthorpe BUASD	Yorkshire and The Humber		
Rotherham BUASD	Yorkshire and The Humber		
Scarborough BUA	Yorkshire and The Humber		
Stainforth BUASD	Yorkshire and The Humber		
Shipley BUASD	Yorkshire and The Humber	Keighley BUASD	Yorkshire and The Humber

Wakefield BUASD	Yorkshire and The Humber		
Whitby BUA	Yorkshire and The Humber		
Goole BUASD	Yorkshire and The Humber		
Morley BUASD	Yorkshire and The Humber		
Todmorden BUA	Yorkshire and The Humber		
Stocksbridge BUA	Yorkshire and The Humber		
Brighouse BUASD	Yorkshire and The Humber		
Stapleford BUASD	East Midlands		
Long Eaton BUASD	East Midlands		
Loughborough BUA	East Midlands		
Clay Cross BUASD	East Midlands		
Bedford BUASD	East Midlands		
Kirkby-in-Ashfield BUASD	East Midlands		
Sutton in Ashfield BUASD	East Midlands		
Milton Keynes BUASD	East Midlands		
Newark-on-Trent BUASD	East Midlands		
Corby BUASD	East Midlands		
Lincoln BUASD	East Midlands		
Northampton BUASD	East Midlands		
Mansfield BUASD	East Midlands		
Staveley BUASD	East Midlands		
Boston BUA	East Midlands		
Mablethorpe BUA	East Midlands		
Skegness BUA	East Midlands		
Scunthorpe BUA	East Midlands		
Grimsby BUASD	East Midlands		
Redditch BUASD	West Midlands		
Bloxwich BUASD	West Midlands		
Newcastle-under-Lyme BUASD	West Midlands		
Nuneaton BUASD	West Midlands		
Rowley Regis BUASD	West Midlands		
Wolverhampton BUASD	West Midlands		
Worcester BUASD	West Midlands		
Walsall BUASD	West Midlands		
West Bromwich BUASD	West Midlands		
Burton upon Trent BUASD	West Midlands		
Dudley (Dudley) BUASD	West Midlands		
Hereford BUA	West Midlands		

Smethwick BUASD	West Midlands		
Telford BUASD	West Midlands		
Kidsgrove BUASD	West Midlands		
Norwich BUASD	East of England		
Ipswich BUASD	East of England		
Stevenage BUASD	East of England		
Peterborough BUASD	East of England		
Lowestoft BUA	East of England		
King's Lynn BUA	East of England		
Great Yarmouth BUASD	East of England		
Newhaven BUA	South East		
Colchester BUASD	South East		
Crawley BUASD	South East		
Hastings BUASD	South East		
Grays BUASD	South East		
Harlow BUASD	South East		
Margate BUASD	South East		
Tilbury BUASD	South East		
St Ives (Cornwall) BUA	South West		
Glastonbury BUA	South West		
Bournemouth BUASD	South West		
Swindon BUASD	South West		
Truro BUASD	South West		
Camborne BUASD	South West		
Penzance BUASD	South West		
Bridgwater BUA	South West		
Torquay BUASD	South West		

Annex B - Selection rationale

Regional

North West:

The selection is across the LEP Areas of Greater Manchester, Liverpool City Region, Cheshire and Warrington, Lancashire and Cumbria.

We have chosen both towns in rural (e.g. Workington) and strategic centres within wider urban areas (e.g. Oldham). The towns selected cover a range of sizes, the smallest (Millom) has a population of 6,000 and the largest (Bolton) has a population of 195,000. We have selected a number of post-industrial towns (e.g. Leyland, Crewe) and coastal towns (e.g. Workington, Barrow-in-Furness), reflecting the heritage and economic assets of the region. This will also allow us to support our port towns and towns critical for key sectors e.g. nuclear. We have included a number of towns in the region with significant deprivation and skills constraints, including Oldham, Rochdale, Blackpool and Runcorn. Some towns have recently experienced shocks, e.g. Shop Direct in Rochdale.

West Midlands:

The selection covers a broad geographic scope including towns in the Black Country, the Marches, Stoke-on-Trent and Staffordshire, Coventry and Warwickshire, Worcestershire, and Birmingham and Solihull LEP areas.

Towns range in size from a population of approximately 19,000 (West Bromwich) to 210,000 (Wolverhampton).

The West Midlands towns selected also reflect a range of typologies. Newcastle under Lyme is an ex-industrial town, Telford has strong economic opportunities, Hereford is a market town and others such as Walsall and Worcester fall into the West Midlands City Region and have strong potential. Dudley, Walsall, Wolverhampton, Rowley Regis, Blockwich and Smethwick all fall into the top towns in terms of IMD income deprivation.

East Midlands:

These are spread across the region and include towns in the LEP Areas of South East Midlands, Greater Lincolnshire, Derby, Derbyshire, Nottingham and Nottinghamshire and Leicester and Leicestershire.

Towns that have been selected to include coastal towns such as Skegness, rural towns such as Newark-on-Trent and post-industrial towns such as Long Eaton. The towns also range in size the smallest Mablethorpe (12,500) and the largest is Lincoln (100,000).

More specifically, both Skegness and Boston also score very highly on ONS deprivation metrics and have faced significant demographic change in recent years. Kirkby-in-Ashfield, Sutton-in-Ashfield and Mansfield are all ex-mining towns and steel towns. Corby is undergoing significant change due to the declining steel industry. Clay Cross is in the 10% most deprived towns in England according to the ONS.

South West:

Towns have been selected from Cornwall and the Isles of Scilly, Heart of the South West, Dorset and Swindon and Wiltshire LEAs. Towns in the South West are a mixture of sub-regional centres with populations of 180,000+ (e.g. Bournemouth, Swindon) as well as small or medium-sized (8,500-49,000) rural/coastal or in some way peripheral towns which (e.g. Bridgwater, Penzance), reflecting growth opportunities and economic challenges in the region. Swindon is experiencing highly publicised shocks relating to the Honda plant. Some areas have high levels of income deprivation and there are significant productivity issues across many towns selected for the region, reflecting significant issues e.g. in Cornwall.

Yorkshire & Humber:

Towns have been selected in Yorkshire & Humber across Leeds City Region, Sheffield City Region and York, North Yorkshire and East Riding LEP areas. Towns range in size from Goldthorpe and Stainforth which both have a population of approximately 6,000 to Rotherham which has a population of 110,000. Yorkshire & Humber has suffered significantly from industrial decline and as a result the region includes towns which score very highly in terms of IMD income deprivation including Rotherham. Coastal towns have also been selected, including Scarborough and Whitby.

North East:

The North East selection includes a mix of towns from the Tees Valley LEP and the North East LEP. The towns chosen include Middlesbrough and Hartlepool, the two most deprived towns in the Tees Valley. Many of the towns are post-industrial towns that lie along the North East coast; these vary in size, from smaller towns, such as Blyth, to larger towns, such as Middlesbrough. As well as the post-industrial coastal towns, the North East selection also includes inland towns that are facing similar challenges, such as the rural town of Bishop Auckland that displays high levels of income deprivation. Towns selected range in size, from 25,000 (Thornaby-on-Tees) to 175,000 (Middlesbrough).

South East:

Towns have been selected in the South East and Coast to Capital LEPs. This includes coastal towns such as Hastings, Margate and Grays, some of which have significant issues with deprivation. We have also included larger towns with significance for their sub-region and growth opportunities (e.g. Crawley, Harlow, Colchester). Many towns have significant issues with skills. The towns selected in the South East range in size, the smallest has a population of 12,500 (Tilbury) and the largest has a population of 120,000 (Colchester).

East of England:

Towns have been selected from the New Anglia, Hertfordshire and Greater Cambridge and Greater Peterborough LEPs. These include urban centres with populations of over 140,000 (Norwich, Peterborough and Ipswich), which are economic hubs serving a wider area with a strong track record of local partnerships and working with government on local growth investment. We have also included medium-sized coastal and often rural towns (Great Yarmouth, Lowestoft, King's Lynn), some of which have significant deprivation issues (e.g. Great Yarmouth is in the 90th percentile of towns by IMD measure of deprivation). In addition, area lead intelligence has highlighted significant growth opportunities in these towns, including in the energy sector (Great Yarmouth and Lowestoft). Many areas have complementary investment programmes (e.g. Enterprise Zone in Lowestoft).

Town level

Brighouse BUASD

The area has recently suffered an economic shock when manufacturer British Ceramic Tile went into administration. The company had a longstanding heritage in the local community and 313 local jobs were lost as a result of the company folding. The towns' score in to bottom 28^h percentile for productivity. The town and surrounding area have struggled to unlock its potential, with Clifton Business Park suffering from land ownership issues.

Cheadle

Cheadle is strategically located between Stockport and Manchester Airport, with strong motorway links to relevant job opportunities and a new link dual carriageway. The area is part of Stockport Borough Council which is looking to set up a Mayoral Development Corporation. Transport

improvements in nearby Cheadle Hume have primed the area for investment. The town ranks in the top half of our 541 towns for IMD deprivation.

Glastonbury

The town scores relatively poorly in: productivity, EU exit exposure, and IMD income deprivation metrics. The nearest transport links for the town are Castle Cary railway which has no direct bus links to the town.

Leyland BUASD

Preston is the next nearest urban area. The local bus company which serviced the area ceased trading in 2015, however Stagecoach Merseyside & South Lancashire have taken over a single route (route 111). The area scores relatively poorly in productivity and a relatively high 'exposure to EU Exit' value.

Morley BUASD

Morley is looking to invest in its transport hubs and is seen as an area with investment opportunities. The wider area around the town also suffers from low productivity (Batley) and is at risk of potential economic 'shocks' (Dewsbury).

Newhaven BUA

Newhaven has suffered from longstanding deprivation and is in the 25% highest towns in terms of income deprivation. It is an urban area but has significant rural pockets, and is coastal. Successful development of Newhaven would help relieve pressure on Brighton's housing and employment. It has an enterprise zone and received investment from the High Streets Fund and therefore demonstrates strong potential.

Redditch BUASD

In recent years the town centre has experienced decline and would benefit from regeneration. The town was previously an industrial centre, with strong historical links to manufacturing. Redditch's economy is facing a higher than average risk from EU exit, as a result of the sectors that make up the broader NUTS3 economy it lies in. The town also faces a productivity challenge, with lower than average GVA per hour worked compared to the 541 towns that were chosen from.

Southport BUA

The area scores highly in IMD, and has been identified as an area with opportunity for investment and closely aligned to the priorities of the fund. This area has been particularly struck by timetabling changes to Northern Trains. As part of the area's Local Industrial Strategy for improvements to the areas digital infrastructure network.

St Ives (Cornwall) BUA

Cornwall as a county faces low productivity, in particular for coastal areas. Cornwall's economy is also expected to have fairly significant exposure to EU Exit. There are growth opportunities for the sub-region in St Ives, e.g. arising from investment related to the Tate.

Stapleford BUASD

The area has a relatively high level of EU Exit shock exposure. It is part of South Nottinghamshire, which has no other towns in the list, and helps a geographical spread across the Derbyshire and Nottinghamshire area.

Stocksbridge BUA

Its economy is dominated by the steel sector which has experienced various periods of growth and decline over past decades; however, the current challenges facing the steel industry stand

Stocksbridge out as a potentially vulnerable economy. Added to this, the town displays low household incomes and high levels of deprivation. The town has been identified by Sheffield City Region and City Council as a “priority” and the City Council has submitted a Future High Streets Fund bid in the past.

Todmorden BUA

Todmorden has severe pockets of deprivation. It has been economically reliant on heavy industry, heavily reliant on the cotton spinning and weaving industry, yet it’s industrial base is now much reduced and primarily operates as a commuter town for people working in surrounding cities including Manchester, Leeds and Bradford. There are regeneration opportunities for Todmorden which may help it build an economic base of its own. Affordable housing is a significant issue with limited land available for building.