



Ministry of Housing,
Communities &
Local Government

**Ministry of Housing, Communities & Local
Government**
2 Marsham Street
SW1P 4DF

Date: **27 August 2019**

Future High Streets Fund – Successful Progression to the Business Case Development Phase

We are delighted to inform you that your application for the Future High Streets Fund (FHSF) has been selected to go forward into the next phase of assessment.

Last month, our Prime Minister set out this Government's plan to unite and level up across our country, turbo-charging our cities, our towns, our coastal communities and rural areas. He committed to a £3.6 billion Towns Fund demonstrating our commitment to prosperity in towns across the country. Therefore, I am delighted to be able to confirm that we will extend the Future High Streets funding programme.

Our high streets have, for some time, struggled to adapt to changes in retail and I am sure you will welcome the injection of funding. The Future High Streets Fund will renew and reshape town centres and high streets in a way that drives economic growth and sustainably improves living standards. The Future High Streets Fund will renew and reshape town centres and high streets in a way that drives economic growth and sustainability and improves living standards.

In progressing to this next phase of assessment you will need to develop a full business case for capital investment by the FHSF in your proposal. To assist you in the development of your business case the FHSF will make a capacity (resource) grant available to you, details of which will follow shortly. This letter sets out in broad terms the immediate next steps to be followed, directs you to resources that may assist you, and provides a timeline for development of your business case.

Please note that progression to the business case development phase of the FHSF does not guarantee capital funding for your scheme. The FHSF remains a competitive process with more authorities participating than can ultimately receive capital funding.

Business Case Development Grant

A business case development grant of up to £150,000 will be paid to your authority under powers contained in section 31 of the Local Government Act 2003 to support the development of the ideas contained in your Expression of Interest into a full capital investment business case. We expect the development grant to be spent in accordance with the terms of the grant award letter which will follow shortly.

Guidance and Next Steps

1. Developing a Business Case

You may use your development grant to engage consultants to assist you with the preparation of your business case. Equally, you may wish to use the grant to fund internal resource if you have capacity to develop your business case in-house.

For those places successful in securing FHSF capital, we expect capital spend to be profiled between the financial years 2020-21 and 2023-24, with exact financial profiling to be agreed as part of the business case development process. Third party funding can be profiled to be spent after the FHSF funding window has expired.

We will use your confirmed spend profile to issue annual grant awards to your authority under section 31 to cover the forecast spend in the year ahead. All grants paid under section 31 powers will be subject to standard local authority grant conditions. In certain cases, capital funding may be paid in instalments across financial years and the FHSF reserves the option to cancel further instalments if schemes fail consistently to meet project milestones or otherwise fail to progress in accordance with the timescales and objectives set out in their business case. Authorities will be advised of any such conditions at capital grant approval stage.

2. Overview of business case requirements

Business cases will be required to follow the published HM Treasury business case guidance and will take the form of a five-case business case, including information relating to:

- a. **Strategic case:** setting out the rationale for activity and the objectives of the proposal. It will be used to assess the extent to which proposals could successfully meet the overall objectives of the fund
- b. **Economic case:** including an appraisal of a number of options and a robust assessment of the predicted costs/ benefits of the project. This is used to assess the overall value for money of projects
- c. **Commercial case:** setting out the delivery model including procurement and commercial arrangements that are needed to implement the project. This is used to assess whether the proposal can be effectively delivered and is commercially feasible.
- d. **Financial case:** Including details on the costs of the project demonstrating that the preferred option can be delivered successfully. It will be assessed to determine the overall impact of the project on the public sector budget.
- e. **Management case:** setting out the planning and practical arrangements for implementing the project, including any risks and monitoring and evaluation. It is used to assess if the proposal is practically deliverable.

Further information on the five case business case model, as well as an overview of how the business case will be assessed by the Department, can be found in the Business Case Guidance document that accompanies this letter.

We shall issue further detailed business case guidance, together with a business case template, in early September. Before tasking your project delivery teams or consultants to begin preparing your business case you should refer to detailed guidance from the Department regarding the development of a compliant business case.

3. Support from MHCLG

You have been allocated a Delivery Manager by MHCLG who will be your point of contact throughout the next phase of the programme. Your Delivery Manager will contact you shortly to arrange an initial telephone conference with the officers who will be preparing your business case. Your Delivery Manager will be able to explain more about the process of developing and assessing your business case, highlight key dates and milestones, and signpost resources that are available to you to help in the process.

The role of the Delivery Manager is to guide you through the business case development phase, answer queries related specifically to the management of the FHSF, and to point you towards sources of information, data, advice and other resources that may assist you with specific aspects of your bid. Please note that your Delivery Manager will be assisting many bidders and as such their time will be constrained. Specifically, they will not be able to assist you with any aspect of the structuring, content or drafting of your business case as this would be unfair to other bidding authorities.

Delivery Managers will be responsible for monitoring the progress of your business case and will require sight of certain project documents including *inter alia* your business case delivery programme and any variations to it, minutes of project boards or other forums where project decisions are made, and monthly spend profiles for the development grant. In certain cases, they may wish to attend some project board meetings either in person or via a dial-in facility. You are asked to make this facility available to them and to provide a schedule of project board meetings as soon as it is available.

4. Inception Meeting

If you do intend to engage consultants to assist you with the development of your business case, you will wish to begin procurement as quickly as possible. Please be aware that other authorities that have been selected for the next phase of the FHSF will be seeking similar services, potentially from the same consultants giving rise to potential conflicts of interest. It is your responsibility to ensure that your consultants have taken adequate steps to ensure that any conflict of interest is appropriately managed within their organisation.

Your officers working on your business case development should arrange an inception meeting with your appointed consultants and your Delivery Manager as soon as possible after you have appointed any advisory services. This will enable your officers and consultants to ask any questions that they might have and to discuss their proposals in greater detail with the Delivery Manager. If you do not intend to appoint external consultants, you should arrange the inception meeting with your Delivery Manager as soon as your project team is assembled and ready to progress your business case.

5. Capital Requirements

In order to assist the Department with the profiling of the capital spend (CDEL) element of the FHSF it will assist us if you are able to provide an early Rough Order of Magnitude (ROM) capital cost estimate for your project by 8 November 2019. This should include allowances for risk, inflation, contingencies and other costs that can reasonably be estimated at that time. Please also provide an indicative profile of capital expenditure with your ROM estimate.

The FHSF cannot guarantee that your scheme will be awarded the full amount of capital funding that you request, and any award will be subject to a condition that third party funding referred to in your business case is fully legally committed and, when taken together with any FHSF award, will be sufficient to complete your scheme.

As your cost estimating and spend profile matures you should keep the Delivery Manager from MHCLG informed as revised estimates are developed. You should also seek to develop a spending profile as soon as reasonably practicable and provide it, and subsequent updates, to your Delivery Manager as soon as they are available.

6. “Shovel Ready” Schemes

If you consider that your project is “shovel ready” please notify us immediately. A shovel ready scheme should have at least the following in place now or a reasonable explanation of why they are not necessary in the context of your proposal all to the reasonable satisfaction of the Department:

- Detailed planning permission;
- All necessary land, rights of way, easements, wayleaves etc. fully assembled;
- Where required, land reclamation complete and warranted or in progress with a completion date not more than six months from today;
- Third party financial contributions legally committed;
- All necessary authority vires clearances and approvals obtained;
- Where appropriate design and construction tender documents prepared and ready to issue, tender process initiated, or design and construction team appointed;
- Where appropriate operator agreements, agreements for lease or other use and occupation documents entered into.

We must emphasise that, at the present time there is no guarantee that any shovel-ready elements of your wider scheme will receive early funding decisions. However, we will consider shovel-ready elements of your wider scheme if you can identify those elements to us now, and will be able to provide a full business case in the form required by the Fund, and for which guidance has been issued, by 30 November 2019. To be considered, shovel-ready elements of your wider scheme should meet the following additional criteria:

- Shovel-ready elements of wider schemes must be able to present a stand-alone business case meeting the criteria set out in the business case guidance issued with this letter. Receipt of capital funding, should it become available, does not guarantee, or even imply, that you will receive capital funding for your wider scheme. The allocation of capital for the wider scheme remains a competitive process.

- Shovel-ready elements of wider schemes should have a maximum capital cost of £5million. We would discourage schemes with a value of less than £500,000 from being presented.
- There is no additional revenue funding available for the preparation of a shovel-ready business case.
- The assessment criteria for shovel-ready elements of wider schemes will be the same as that for the wider schemes. Decision timescales will depend upon the availability of capital funding.

7. Early Draft Outline Business Case

We recognise that your business case will go through a number of iterations before it is completed. Your Delivery Manager will require a copy of the draft business case as it has been developed not later than 17.00 on 15 January 2020. While recognising that the document will probably still be in development at that stage, this will enable your Delivery Manager to assess progress and offer guidance at a critical stage.

You may wish to submit a draft at an earlier stage, and this can be agreed with your Delivery Manager so long as each of the five cases is developed to a reasonable standard. This you should agree with your Delivery Manager as their capacity will be quite limited working with the original shortlisted 50 places for the Future High Streets Fund and so they cannot guarantee early input.

High Streets Task Force

As part of our plan for the high street, we have also announced the creation of the 'High Street Task Force' to support local places. The Task Force has been set up over the summer and will serve four main aims:

- Boost local authority capacity with provision of experts
- Build placemaking skills
- Increase coordination between groups involved in high street placemaking
- Information, best practice and data sharing:

This should include some light-touch support to some places in business case development and we will be in touch with further detail in due course.

Key dates and early submission

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| • Capacity and resource grant to be paid | September 2019 |
| • Business case guidance to be circulated | September 2019 |
| • Inception meetings | October 2019 |
| • Early draft business case submission | 15 January 2020 |
| • Final business case submission date | 30 April 2020 |
| • Successful bids announced | Summer/autumn 2020 |

Owing to Delivery Managers' other commitments it will only be possible for authorities to make one early submission of their draft business case.

Communications Agreement

We expect all capacity and resource grant holders to comply with our grant acknowledgement requirements and coordinate all media work with the Department's press office, including flagging any announcements and milestones in advance, and offering opportunities for Ministerial quotes in media releases. Further details of the Communications Agreement that authorities will be required to enter into with the Department are contained in the grant award letter which will follow shortly.

Congratulations on progressing to the next stage of the FHSF process. We wish you every success with your project and look forward to hearing from you shortly.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rachel Fisher', with a long horizontal flourish extending to the right.

Rachel Fisher

Deputy Director Infrastructure and Regeneration