Ministry of Housing, Communities & Local Government

Future High Streets Fund – Frequently Asked Questions

This document is designed to support local authorities and their advisers as they develop their full business cases for submission to the Fund. It provides answers to regularly asked questions.

Contents

This a live document and will continue to be updated at different stages in the process. Questions which are not answered below, should be raised with delivery managers.

1. Fund objectives and local authority schemes

a. Does the Fund have a preference for interventions?

The Fund is designed to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability. At a local level, we expect design solutions to be shaped by visionary local leaders who understand what their local communities will need in the years to come; interventions are therefore, uniquely tailored to individual towns based on local challenges.

The assessment of strategic fit for the Fund will be based on whether they meet the strategic objectives of the Fund and any proposed projects fall within the following themes:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology

b. How do local authorities package a series of discrete interventions?

Given the complex challenges facing town centres and high streets, we understand that transformative bids will often take the form of a package of interventions. It is important that bids with a series of interventions make a strong strategic case demonstrating how the separate interventions link together to deliver a coherent vision. You should also consider how your vision aligns with the Government's wider strategic priorities such as Local Industrial Strategies, Northern Powerhouse, Towns Deals, Transforming Cities Fund and similar.

However, it is important to reiterate what was originally set out in the Prospectus for the Fund; namely that places may bid for up to a maximum of £25m, with most places expected to receive between £5-10m. Although we expect the BCR to cover all interventions, it is helpful to understand the cost for each intervention in the Financial Case. If the Fund is over-subscribed we may provide steers on these discrete elements.

c. The guidance specifies a 5% limit on "beautification schemes". What does this mean?

The Fund aims to deliver structural transformation through capital investment in land, buildings and infrastructure. As such there is a 5% cap on the amount of any grant that can be spent on "beautification" schemes, such as street furniture or paving. Public realm does however, fit within the scope of the Fund when it is clear how structural problems such as fragmentation, severance, inaccessibility or legibility, are being addressed through the proposed intervention.

Local authorities with softer interventions that could be deemed as surface-level, or "beautification" should consider to what extent the proposed intervention addresses challenges, which were outlined in their Expression of Interest. If it is unclear how the interventions and challenges align, then there is a risk it will be difficult to justify these interventions.

There is no restriction on the amount of co-funding that can be spent on "beautification" interventions.

d. Can local authorities provide grants to landlords?

You can provide grants to landowners and occupiers to support the regeneration of high streets and town centres through repurposing or bringing sub-standard property back into productive use. It is essential that business cases demonstrate the commitment of landowners and occupiers to participate in the process. However the Fund is intended to provide immediate capital investment in high streets and town centres, and not to act as a facility to be drawn upon in an *ad hoc* manner.

You should not provide grants to support beautification, such as the renovation of shopfronts, unless it forms part of a wider scheme to repurpose buildings, or to bring them back into productive use.

e. You have announced two shortlists of places (one shortlist of 51 high streets on July 5, and a further shortlist of 50 places on Aug 26). What does this mean for me?

The Prime Minister, in a speech in Manchester on 27 July, announced a £3.6 billion Towns Fund to support towns and town centres, allowing them to attract greater footfall, jobs and investment.

£1 billion of this funding will be made available as part of the Future High Streets Fund (£675 million from Budget 2018 and an additional £325 million from this July). £55 million is allocated to DCMS to support the regeneration of heritage high streets (£40 million for Historic England and £15 million for the Architectural Heritage Fund).

Given the additional funding, and recognising the high quality of the Expressions of Interest we received, we now have two cohorts of bidders in Round 1 of the Fund. Bidders are defined by the date it was announced that they will progress to the business case development stage.

Based on the time difference between the announcements, we have made this distinction to ensure that timescales are fair, and cohort two will follow a timetable of approximately two months behind that of the first cohort as a result. See the table below for clarification on which cohort you are in.

Cohort one – announcement date 5 July	**Cohort two – announcement date 26 August**
Refer to this list for clarification	Refer to this list for clarification

This does not affect what was originally set out in the Prospectus for the Fund; namely that places may bid for up to a maximum of £25m, with most places expected to receive between £5-10m. A second round of funding will be announced in due course.

2. Business case development

a. To what extent can schemes evolve between the expression of interest and full business case submission?

Your scheme will of course evolve from your expression of interest submission to your full business case. The business case development stage is an invaluable tool in focusing the broad vision of the expression of interest into a deliverable and investable scheme in the full business case. We expect schemes to remain grounded in the original vision and do not expect you to change the geographical definition of the high street or town centre identified in your expression of interest without discussing first with your delivery manager.

b. Are there any Value for Money, deliverability or strategic fit thresholds?

The weighting for the assessment criteria for the business case assessment is illustrated in the table below. The assessment team will review these rankings and make recommendations about which business cases will receive funding in the first round of the Future High Streets Fund.

Assessment criteria	**Weighting %**
Value for Money (in accordance with HMT guidance, and departmental guidance where applicable)	**50%**
Strategic fit of the proposal	**20%**
Deliverability (made up of the commercial, financial and management cases)	**30%**

There are no strategic fit or deliverability thresholds, however, all schemes need to demonstrate that they deliver good overall Value for Money. This will be assessed via a VfM assessment where business cases are required to monetise economic impacts and scheme costs. This is to ensure that we are not funding projects that we judge to be poor Value for Money.

Please provide a cost-benefit analysis and appraisal for, where appropriate, for both

1. the sum of Future High Streets Funding requested for this project;
2. the overall programme of transformational change for your town centre (including the co-funding).

For your cost-benefit analysis of (1) above, please outline your assumptions of which benefits are attributed to this element of the Fund.

c. What level of detail is needed for the rough order of magnitude?

Rough Order of Magnitude (ROM) is an industry standard benchmark and we expect it to be set it out as such. You should seek to profile spend annually, including any co-funding and broken down by intervention.

The level of detail will vary between local authorities and we welcome local authorities with more detailed cost plans to provide those.

Where it has been provided, please follow the template issued by MHCLG.

d. What is the deadline and requirements for the early draft business case submission?

The early draft business case submission is an opportunity for you to have the Fund sense-check an early iteration of your full business case. The deadline for submission for the first cohort of places (5 July announcement) is 15 January 2020, and for the second cohort (26 August announcement) is 15 March 2020.

We can provide a light touch review of draft full business cases where they are sufficiently developed before these deadlines. The more detail that you can provide at this early stage will enable us to provide you with more substantive feedback. We will only be able to offer this early review once per authority, and cannot accept drafts less than one month before the relevant submission dates.

We will endeavour to return your business case with comments within six to eight weeks of the relevant deadline to give you enough time to implement any changes or suggested advice.

As a reminder, we are not able to write or re-write your business case. We can only provide a high-level review with suggested areas to focus on and improve in subsequent iterations.

e. When is the deadline for the full business case submission?

The deadline for the full business case for round 1a is 30 April 2020 and for round 1b, 30 June 2020. In response to feedback from local authorities, we have moved the deadlines back to give you more time to prepare your full business cases and to assimilate the feedback provided to your early draft.

f. How will bids be assessed?

The early draft business case submission and full business case submission will be assessed based on assessment criteria.

- Value for Money – 50%
- Deliverability – 30%
- Strategic fit – 20%

3. Economic Case and Value for Money

Please note that while these FAQs primarily relate to questions regarding the economic case, they will also apply to the overall business case. In particular, guidance on costings is treated consistently in the financial case.

a. How do we ensure schemes in places with lower land values can make a case for value for money?

We acknowledge that land values will vary across the country, and some places will find it hard to demonstrate significant land value uplift deriving directly from their schemes. Demonstrating good value for money remains at the heart of the assessment of full business cases however, and we believe it should be possible to achieve this through a combination of land value uplift and the identification and quantification of non-monetisable benefits. Consultants should be in a position to advise you on the best approach, and you should ensure that your full business case brings out the broadest range of impacts deriving from your scheme, including non-monetisable benefits. Green Book and MHCLG guidance should assist you in this. Examples of non-monetisable benefits to consider include:

- Perceptions of your high street
- Wellbeing
- Community cohesion

b. What level of contingencies such as cost overruns or optimism bias do we expect to see?

We expect you to factor in appropriate and proportionate contingency planning, in-line with the guidance on optimism bias, which can be found on page 6 of the Green Book.

Contingency sums will be retained by the Fund and only paid out to you if the risk you have identified as a contingency is realised. This is in line with similar Government funding arrangements.

c. How should monetised benefits and non-monetised benefits be treated in the Economic Case? What constitutes the central BCR?

BCR is defined as the ratio of the present value of benefits to the present value of costs. The estimated BCR from the programme must incorporate risk, through optimism bias.

The Central BCR compromises the monetisable costs and benefits, which are supported by high quality evidence (in line with best practice guidance from the Green Book, MHCLG Appraisal Guide, and other sources, utilised as practically as possible).

"High quality" evidence is defined as applicable (i.e. based on similar projects) and robust (i.e. the methodology used to value the benefits is robust, based on available data).

Non-monetised benefits will be considered alongside the Central BCR to assess the overall VfM of the project. Again, these need to be well evidenced e.g. based on literature reviews and examples from similar projects.

d. Is the BCR that is presented the BCR for the total project (i.e. including co-funding contributions), or for the amount of the FHSF bid (i.e. MHCLG funding)?

As detailed in the business case template, where applicable, we expect you to put forward both a BCR for the total project, as well as for the FHSF bid. This should include a cost-benefit analysis and appraisal for, where appropriate, for both

1. the sum of Future High Streets Funding requested for this project
2. the overall programme of transformational change for your town centre (including the co-funding)

For your cost-benefit analysis of the sum of Future High Streets Funding requested for this project, please outline clearly which benefits you are assuming are attributed to this element of the Fund and their magnitude

The MHCLG Appraisal Guide (page 16) provides instructions on how to attribute benefits to a project where co-funding is included.

Other methods of attribution may also be used provided the choice of method is robust and applicable (i.e. well evidenced) in view of the nature of the project.

e. Do we need to account for displacement in the calculation of a BCR? Can we value jobs and GVA created by our interventions?

Yes, you need to account for displacement in the local area (unless it is clearly set out in the strategic case that your project is likely to have regional or national significance) in order to arrive at the net impacts i.e. the additionality of the FHSF investment (based on the local level i.e. the high street and neighbouring area, unless in unique cases there are regional or national impacts – for more information please refer to the additionality guide).

HMT Green Book Guidance states that additional job creation can be included in appraisal where the intervention impacts on the supply of labour. Thus, an investment that targets new entrants into the labour market could be said, if successful, to generate new jobs.

Outside of impacts on the supply of labour, investments are not assumed to create new jobs. i.e. those taking up the job, it is assumed, would have found alternative employment. Investments that impact on productivity can be included in the appraisal, but a clear logic of impact should be set out. These will be skills investment(s) that encourage the take-up of new process or more efficient machinery. GVA (productivity improvement) can also be captured through land value uplift.

The price of land or rents increases as consequence of increased returns due to higher productivity.

f. Do you have guidance on how to score "amenity benefits" in the business case?

The MHCLG Appraisal Guide (page 91) refers to estimates by consultants Eftec on Entec on external amenity benefits associated with different land types.

These original estimates are available here. Table ES.2 (see page 12) provides annual per hectare (Ha) estimates, in 2001 prices, based on a literature review.

For the purpose of your business case, the monetised non-market external values in this table need to be updated to reflect 2019 prices (using GDP deflators from HMT's Spring Statement). For instance, the amenity value of greenspace in Urban Core/Town is £115,918 per Ha in 2019 prices. This value can be multiplied by the area of green space of your project (in Ha) to give the annual amenity value.

The latter can then be discounted over an appropriate period (e.g. over 25 years, using the standard 3.5% discount rate according to HMT Green Book Guidance) to arrive at the Present Value of the amenity benefit.

g. What is the BCR threshold? Why?

Authorities will need to demonstrate a central benefit cost ratio (BCR) of at least 2.0:1 to be considered for a full assessment.

MHCLG will consider business cases with lower central BCRs where:

a) The business case has a particularly strong strategic case

b) The business case details significant non-monetised benefits associated with the project

c) The local authority has a strong justification for why their central BCR is below 2.0:1

If MHCLG believe that an authority has been able to demonstrate any of these exceptional circumstances sufficiently the department will consider business cases with central BCRs of between 1.5:1 and 2.0:1. The decision to consider business cases with central BCRs of below 2.0:1 is at the discretion of MHCLG.

Given that there is no existing in-depth evaluation of high street regeneration projects, we have built on as wider evidence base, considering a number of factors to inform, which specific evidence is used to produce VfM scenarios.

Based on cautious valuation assumptions, and on readily available evidence assembled to illustrate how the methodology can be used, the overall BCR associated with regeneration expenditure is estimated to be 2.3.

h. What geographic boundary is applied to the benefits for town centre schemes – how wide can the catchment be?

While there is no specific guidance on geographic boundary, it is important to consider proportionality of local impacts (i.e. who is likely to be impacted and whether this impact is significant). This is discussed in page 27 of the MHCLG Appraisal Guide.

An important consideration is the potential for “impact interaction.” For instance, if you have two major developments adjacent to one another during overlapping time periods there are likely to be “interactions" between the impacts. You will need to consider the cumulative impacts of your project and other developments near the site, in order to robustly arrive at the net impact (and avoid potential double-counting of benefits).

i. All other questions which relate to the economic case

All economic cases should be compliant with MHCLG appraisal guidance, HMT Green Book, and (where relevant) DfT WebTAG. Please refer to these documents for guidance on your business case. However where you feel your question is not answered, please rais this with your delivery manager.

j. How should we fund monitoring and evaluation?

As the Fund does not provide revenue expenditure for the delivery phase, you will need to capitalise any monitoring and evaluation cost you want to include within your FHSF bid. However funding doesn’t have to come from the FHSF, it can come from co- funding and/or any other source available.

k. Will there be further guidance on monitoring and evaluation?

Yes, Step by Step guidance will be issued shortly, giving detail on the metrics we require you to collect and the methods available to collect them as well as guidance on how you should develop monitoring and evaluation for your own specific investments.

l. How should we collect baseline data for monitoring and evaluation?

Baseline data should be collected in exactly the same way all future monitoring data is collected, it simply provides a ‘before’ picture to better understand the difference an intervention has made. We intend to provide a three week window where data (including baseline data) is to be collected year on year, this will ensure accurate comparability over the lifetime of the fund.

m. In your business case template you mention a “logic model” for monitoring and evaluation, will further guidance be available?

Yes, the Step by Step guidance mentioned above (FAQ 3.k) will cover logic models. Some guidance on Logic Models can also be found on pages 21-23 of the Magenta Book.

4. Funding and timescales

a. What are the co-funding requirements?

The ambition for the Fund funding is to leverage private sector investment. Other public sector funding that is linked directly with your scheme will be considered. This includes CIL and Section 106 contributions, funding from other government departments, Local Growth Funding (LGF) and local authority investment. Funding from the heritage element of the Fund is the only contribution, which is not permissible as it constitutes part of the Fund capital funding allocation.

Whilst there are no specific thresholds for co-funding, it will form part of the deliverability assessment (commercial, management and financial cases) of your full business case. It is crucial that capital funding requests and co-funding contributions total the cost of your scheme including suitable continencies for cost overruns and unexpected events. Co-funding must be legally committed before any grant from the Fund is made.

You may count historic expenditure on assets where they are directly relevant to your scheme as co-funding, such as acquisition costs for a building that will be included in your scheme, or the cost of land reclamation or demolition. Regardless of when they were shortlisted, all local authorities should not include costs incurred before 25 November 2015.

b. Should we submit a “shovel ready” scheme?

The deadline for submissions from the first cohort of places has now passed. We are reviewing applications and will be in touch to discuss clarifications, or funding decisions in due course.

The second cohort should submit shovel-ready business cases no later than 29 November 2019. A shovel ready scheme may relate to the whole of your proposed scheme, or to discrete elements of a wider scheme. Discrete elements of your wider scheme should have a maximum capital cost of £5million and minimum of £500,000. To qualify as shovel ready your scheme, or the discrete elements of it, should have most of the criteria below in place, or you should be able to explain why it is not relevant or necessary:

- 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;

- Must be ready to commence construction not later than 31 May 2020.

There is no guarantee that any shovel-ready schemes will receive early funding. The shovel ready element of the Fund is a competitive process in common with the wider Fund and will be assessed on the same basis as full business cases for wider schemes.

c. Are there restrictions on what LAs can spend their revenue funding on?

Revenue funding is capped at £150,000 and can be spent on any services that you require to develop a full business case which is compliant with MHCLG, Green Book and where relevant WebTAG appraisals.

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.

There are no expectation outside of the business case submission, such as masterplans, or RIBA stages (planning, design and building process) and this will not form part of the assessment. However, you are empowered to invest your revenue funding as most appropriate to provide assurances for your full business case.

There are no formal reporting requirements for revenue spending and this will not form part of the monitoring and evaluation of the Fund. You will be required to confirm that your revenue allocation has been spent in your full business case.

d. When will we receive revenue funding and how will we know when it's arrived?

Cohort one received their revenue payment on 17 September.

Cohort two received their revenue payment on 17 October.

e. Can revenue funding allocations increase?

All local authorities will receive the revenue funding they requested in their Expressions of Interest up to a maximum of £150,000.

For local authorities that requested revenue funding of less than £150,000, there is an opportunity to request additional funding (now closed for the first cohort). There will be a high benchmark for additional funding requests and local authorities must put forward a robust case. For the second cohort the deadline for submission is 4 December.

f. Is there further guidance on procurement and the role of consultants?

Revenue grant funding has been provided to enable you to procure consultant teams, or fund the cost of internal expertise to provide technical advice and support for the delivery of a Green Book, MHCLG guidance and, where relevant, webTAG compliant, full business case.

There are no specific Fund requirements beyond section 31 of the Local Government Act 2003, and delivery managers will not provide guidance on procurement. You are best placed to understand your own requirements and the availability of relevant expertise within your local marketplace.

g. Are there restrictions on what LAs can spend their capital funding on?

If successful, you must invest your grant from the Fund in the capital projects that were described in your full business case. You should determine whether to capitalise revenue costs associated with the future maintenance and renewal of your scheme, or demonstrate that you can meet these costs out of your ordinary revenue.

h. What is the Fund spend profile?

Funding will be paid annually in advance and must be spent (not just committed) by 31 March 2024. However, this does not mean that all work must be delivered by this date. Co-funding can be utilised for projects with a delivery schedule that extends beyond 31 March 2024. You should demonstrate the legal commitment of co-funding required to complete your scheme, if it will be required to continue work after 31 March 2024.

5. Further guidance and support

a. Are local authorities required to report formally to delivery managers?

You are not required to report formally to delivery managers, but we ask that you provide your delivery manager with project board minutes and business case development programs as they are updated from time to time. Delivery managers will monitor these at a distance to ensure programs are on schedule and remain within the scope of the Fund.

Whilst you are encouraged to stay in touch with your delivery manager to raise questions, flag risks or seek guidance, you should be aware that delivery managers are looking after a number of authorities and will have limited capacity to deal with specific requests.

b. What further business case guidance will be published?

The business case template has been circulated and provides additional guidance for the preparation of your full business case. It includes headline monitoring and evaluation guidance, which may be expanded upon after we have received the early draft full business cases.

c. Is there further guidance on state aid?

State aid is currently subject to EU legislation and local authorities are responsible for ensuring their projects comply with State Aid rules. Since the accounting conventions followed by local authorities can differ, we cannot advise you specifically in relation to state aid regulations. However if the current legislation changes following the EU Exit deadline, we will provide further guidance.