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Our Ref: 10953461

28 June 2021

Thank you for your email dated 8 April, to Rt Hon Robert Jenrick MP, regarding Lancaster City Council's unsuccessful application to the Future High Streets Fund (FHSF). I appreciate how disappointing this news is to you and I am grateful to you for taking the time to contact this department along with it.

I know from your Chief Executive's letter in February how disappointing the outcome of our competition was. I appreciate you are looking to learn from the experience and have outlined below how the competition was run and feedback on your business case.

All 101 places that passed our expression of interest stage, including Morecambe, were supported to develop strong business cases through a combination of up to £150 thousand of revenue funding, workshops and guidance. Business cases were assessed against the gateway criteria and minimum central benefit cost ratio (BCR) threshold.<sup>1</sup> Proposals that passed these requirements were then assessed for value for money, deliverability and strategic fit with the objectives of the Fund.<sup>2</sup> The clarifications exercise provided all places an opportunity to address a small number of common mistakes around the gateway criteria and minimum BCR threshold, where places had not followed guidance correctly.

Morecambe's business case passed the gateway criteria, but it failed to meet the minimum threshold for the central BCR. The BCR increased from a negative 0.48 at the business case stage to a positive 0.27 at the clarification stage. However, this remained significantly below the expected threshold of 2.0. The council was aware of this and stated in the business case that this low BCR was due to persistent market failure and low land value. The Fund has awarded up to £149m to 13 local authorities in the North West, all experiencing a challenging context. You may wish to contact them and learn about how they addressed similar issues.<sup>3</sup>

Whilst we were not able to consider Morecombe's business case further due to the low BCR, I am happy to offer some wider feedback. The strategic case was good, with a clear articulation of how Morecombe's plans met the Future High Street Funds objectives and wider local objectives. It also clearly demonstrated how it addressed local challenges and market failure. We also looked for strong local stakeholder and public support in applications, and whilst there was some

<sup>1</sup> A central BCR of 2.0 was required for a business case to be eligible for the fund. In exceptional circumstances a central BCR of between 1.5 and 2.0 would have been acceptable, if a business case demonstrated strong non-monetised benefits and strategic vision.


<sup>2</sup> This assessment has been done in accordance with HM Treasury Green Book appraisal guidance and criteria.

<sup>3</sup> Details of the 72 places in receipt of FHSF awards: <https://www.gov.uk/government/news/830-million-funding-boost-for-high-streets>

evidence of stakeholder engagement, public consultation had not taken place, so could not evidence the public backing we were looking to see demonstrated.

The picture on deliverability was more mixed. There was a reasonable delivery plan and budget costings were generally clear. However, contingencies were on the low side given the early nature of the projects and no allowance for optimism bias. Risks existed on co-funding as council co-funding had not been explicitly approved and the private sector funding was not secured. In some cases, it was not clear what the rationale was for calculating the level of FHSF grant required e.g. market hall. Finally, with respect to contractual arrangements, it appeared that a great deal of work still needed to be undertaken on a number of complex projects including negotiations with market traders. Consequently, there was a risk that not all funding would be deployed by 31 March 2024 when the FHSF grant would end.

Once again, I appreciate how disappointing this news will be to you and I hope that this feedback will prove useful to you for any future funding bids.

A handwritten signature in black ink, appearing to be 'LUKE HALL', with a long, wavy horizontal line extending to the right.

**LUKE HALL MP**