

## Heritage Grants

# Managing your grant Development phase



This document will help you to manage your grant and request grant payments.

It also explains in detail what you must do to comply with the terms of your grant.

# Managing your grant

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# 1 Introduction

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## 1.1 Background

The Heritage Lottery Fund (HLF) is administered by the Trustees of the National Heritage Memorial Fund (NHMF) and distributes money from the National Lottery to heritage projects throughout the UK. Once a grant has been awarded to a project, we have to monitor that project to make sure that lottery money is being used for the purposes for which the grant was given (the approved purposes). We must also make sure that projects provide the benefits we have agreed with you.

The 'Managing your grant' document and associated forms are referred to in the standard terms of grant which are set out on our website. They tell you what information we need from you to meet our monitoring requirements. They also deal with other requirements such as insurance, publicity, and changes to the grant.

You must follow 'Managing your grant' and associated forms, and provide the documents and information set out in them. The requirements are part of the contract and a breach of them will constitute a breach of the terms of your grant.

Exceptionally, we may choose not to follow all of the procedures set out in this document.

## 1.2. Standards

You are responsible for the quality of your project. All work you carry out must comply with the relevant British or European standards and current best practice for conservation, if relevant.

We may add other standards during the project to deal with specific areas of risk. When we monitor your grant, the information we ask for will be the information you are likely to need to ensure the smooth running of your project.

In carrying out the project, you must follow all legislation or regulations that apply, such as the Data Protection Act 1998.

You must ensure that all timber and timber products used during the course of your project are from legal sustainable sources. Please read our guidance *Planning Greener Heritage Projects* for more information about this and other green standards. (All our guidance is available from our website.)

You are responsible for your project. Any permissions we give do not mean that we accept or approve of the suitability or correctness of the detailed matters they apply to.

## 1.3 Fraud

Exceptionally we may ask you to provide proof that you have taken action to reduce the risk of fraud. We may also ask you to let us examine your accounting processes and procedures to check the effectiveness of anti-fraud measures.

## 1.4 Public procurement

You must follow good practice in buying goods, work or services (see 4.2 below, Filling in your grant payment request form, section 3).

In addition to our requirements set out there, you will need to follow the Public Procurement Regulations if your goods, works or services are above certain financial thresholds and if:

- you are subject to the Public Procurement Regulations in your own right; or
- lottery funds contribute more than 50% of your project costs.

This means that you will usually have to put your contracts out to public tender, by putting an advertisement in the Official Journal of the European Union. Please refer to the Public

Procurement Regulations sheet on our website or the latest figures from the Office of Government Commerce website <http://www.ogc.gov.uk/index.asp?id=397>

## 1.5 Monitoring

We may decide to use outside consultants or heritage agencies to monitor your project for us. We will let you know as soon as possible if we are going to do this. If we are going to use more than one project monitor, we will choose one of them to be the lead monitor. This person will be your first point of contact. They will call high-level progress meetings with you, your project manager and the main members of your project team and may make site inspections. Our project monitors cannot approve changes to the approved purposes of your grant.

We will monitor your project against the standards set out in:

- the application pack;
- your first-round application as approved by us;
- our grant notification letter, including the schedule of agreed work and costs which qualify for grant support;
- our standard terms of grant, together with any additional grant conditions set out in the grant notification letter, and this 'Managing your grant' document;
- the documents which you must provide when you request our permission to start;
- the agreed development activities and documents; and
- any other agreements we make with you, or correspondence with you.

We will monitor the progress of your project and will carry out checks at and after the end of the project to confirm that it is delivering the benefits expected.

If we do not appoint an external monitor to carry out the activities above, HLF staff will act as project monitors.

## 1.6 Mentoring

If we think you could benefit from the support of a mentor, we may also offer you this support after a first-round pass. If we do, we will agree with you in advance the amount of time your mentor can offer you and the range of issues the mentor will help you with. A mentor will help you to keep your plans on track, but you will still be responsible for managing your project and for the overall quality of your second-round application.

## 1.7 Reviewing design drawings and documents

We will review your project at suitable stages to see how it is progressing and compare it with the development activities and documents, the requirements of our standard terms of grant, and any additional conditions set out in the grant notification letter. We will decide when to make these reviews based on the nature and/or type of your project.

For building projects, we will carry out reviews at:

- design concept (stage C of the RIBA plan of work);
- at other suitable stages.

To help us with these reviews you need to provide all design drawings and documents that we ask for.

The reviews will consider:

- cost and timetable increases;
- the effect they have on the development activities and documents or approved purposes; and
- whether the final project still represents value for money

If we consider that the final project will no longer be value for money, we may decide to stop the development of the project, and withdraw our grant.

## 1.8 Property ownership

If we ask, you must provide proof of who owns any property that forms a part of your project and any restrictions or other claims on it.

If you are taking a lease, we will not accept one with a break clause or a forfeiture on insolvency clause. (This gives the landlord the right to end the lease if the tenant becomes insolvent.) You must also be able to sell on, sub-let and charge your lease but you must first have our written permission to do any of these.

## **1.9 Repayment of grant**

### **1.9.1 *Parting with property***

If, during the life of the terms of grant, you part with assets or goods which you have bought, restored, conserved or improved with our funding during the grant contract, you must give us a suitable share of the proceeds of sale after you have paid any debts, costs, expenses and tax. You must do this within a month of parting with the land, assets or other goods.

We may claim from you:

- an amount in the same proportion to the sale price as the grant is to the original cost of the approved purposes; or
  - the portion of our grant spent on assets or goods which were bought, restored, conserved or improved;
- whichever is greater.

You must pay whatever we decide is appropriate in the circumstances.

### **1.9.2 *Other breaches of the terms of grant***

Our terms of grant entitle us to require you to repay to us the grant you have received in various circumstances, including, in particular, breach by you of any of our terms and conditions of grant. The terms of grant also say that we might not require you to repay all the money you have been paid, if there are reasons to justify taking this view.

Given the enormous range of projects we fund, it is impossible to generalise on what sort of reasons for repayment of the grant might be relevant to any particular case. We do, therefore, have absolute discretion to decide in any given circumstances whether or not to seek the return of all of our grant. By way of guidance, we will always expect repayment of the whole amount in cases involving:

- you failing to use the grant for the purposes we agreed to fund or to do what the project was intended to achieve (unless due to factors beyond your control);
- you ceasing to operate, becoming bankrupt, or being placed into receivership or liquidation;
- fraud, negligence or you providing us with incorrect or misleading information;
- you or us being directed by a competent authority to repay/recover the whole grant.

## **1.10 Insuring the works**

You must take out insurance for the works (if any) and for any unfixed materials and goods delivered to the property. All of these must be covered for their full value against loss or damage.

Insurance should be held in the joint names of the organisation receiving the grant and the contractor carrying out the works.

## **1.11 Insuring the property**

You must insure the property for its full reinstatement value including inflation and professional fees. If the property is lost or damaged, for example by fire, lightning, storm or flood, you may find that you cannot meet the approved purposes of your grant. In this instance we may have to consider claiming back our grant payments.

If we have agreed in writing that you can self-insure, you do not need to take out any other insurance.

### 1.12 Filling in standard forms

You will need to fill in a range of standard forms (online at <http://www.hlf.org.uk>) as part of our monitoring process, and your requests for grant payment. If we ask you to send copies of documents there is a facility to attach files (of less than 5Mb in total) at the end of the form.

Please print off, sign and send us a hard copy of all forms that need your signature (in most cases this will only be at 'Permission to start'). Send the form to your project monitor if you have one, or to your case officer if you do not.

If you make any misleading or false statements on these forms, you will have to repay all of the grant you have received. You will not receive any further payments.

You will receive four of the six standard forms described below depending on the size of the grant we award you and our monitoring requirements. If your grant is £200,000 and above, you will normally receive forms a, c, d and e. If your grant is below £200,000, you will normally receive forms b, c, d and f.

Before work starts on the development phase (see section 2):

- a) 'Permission to start the development phase' form for grants of £200,000 and above; OR
- b) 'Permission to start the development phase and grant payment request 1' form for grants of below £200,000.

For both forms, once we have approved your request we will sign the form and return it to you. You should not start any work on the development phase until you have received our approval. If you do so, this will be at your own risk. We will not make any grant payments to you until this form has been approved.

Where grant payment request 1 is combined with the permission to start form (form b) and we have approved your request, we will also give you up to 50% of your grant in advance. You will then receive the next 40% of the grant once you have spent half of the grant, and then the final 10% on completion of the development phase of the project.

To update us on your progress (see section 3)

- c) 'Progress report' form

This should be sent at intervals agreed with your case officer during your start-up discussions.

Each time you request a part of your grant (see section 4):

- d) 'Grant payment request' form (and volunteer time sheet if volunteer labour has been approved as part of your partnership funding).

This should be sent at intervals agreed with your case officer during your start-up discussions. You must always send your latest progress report with it.

When the development phase is finished and you apply for the final part of your grant (see section 5):

- e) 'Completion report' form for grants of £200,000 and above; OR
- f) 'Completion report and grant payment request 3' form for grants of below £200,000.

Fill in these forms when your development phase is finished. You must send us your final grant payment request with form e.

Where form f applies, and we approve your request, we will also pay up to the final 10% of your grant.

## 2 Before work starts

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You should not start any work on your development phase until you have our written permission to do so. If you do so it is at your own risk. To apply for our permission you should fill in the relevant 'Permission to start' form online and send in a signed hard copy to your case officer.

### Section 1 of the 'Permission to start' form

#### Form a) Permission to start the development phase for grants of £200,000 and above

You should attach the documents listed below. If you have already sent us these documents you will need to bring the information up to date and provide any other details we ask for.

##### Proof of partnership funding

Provide proof that all your partnership funding for the development phase is in place and that it is from the sources set out in your application.

If all your partnership funding is not in place then we may exceptionally consider accepting a realistic fund-raising plan instead. We will only do so if the work can be divided into separate phases and you can show that the fund-raising plan is achievable. You must raise your partnership funding in line with the agreed phases and get our permission each time you want to start a new phase.

##### Timetable or Programme

Provide a detailed timetable or work programme to complete the whole development phase before the grant expiry date shown in the grant notification letter. It should show a realistic timescale for achieving the development activities and documents, including any additional conditions set out in the grant notification letter. It should clearly show all the main activities, resources, milestones and targets necessary to complete the development phase on time.

##### Cost breakdown and cash flow

Provide an up-to-date breakdown of costs, which shows the cost of each of the main elements of your development work and project delivery. In your breakdown you must identify separately any amounts allowed for VAT and contingency.

Provide a cash flow, which shows the planned timing of your income (including partnership funding) and expenses over the life of the development phase of your project. You must show clearly the expected timing of grant payments. Remember that we cannot pay more than 90% of the total grant before your project is finished.

##### Project management structure and method of selecting consultants, contractors and suppliers

Provide a description of how you will organise and manage the development phase. This should include:

- the names of the people who can sign documents for your organisation, including grant payment requests;
- a copy of the organisation chart for managing your development phase which clearly names the project manager or project co-ordinator and other people or organisations who will be working on the development phase; and
- a statement of how you will choose and manage your goods, works and services contracts.

#### Form b) Permission to start the development phase and grant payment request 1 for grants of below £200,000

We provide a list of the documents that you will need to submit with your second round application. You must add any other development activities that we have agreed during your start-up discussions.

We also list the breakdown of costs agreed with your grant award.

**Section 2 Bank account, VAT and signatory details (for both forms a and b)**

Make sure we have your bank, VAT and signature details to avoid any delay in grant payments. Please check that the details are correct and update them if necessary.

We will not make payments into personal bank accounts and the grant can only be paid to the organisation named in the grant notification letter. We suggest that you set up a separate bank account for your project so that you and we can monitor the project's finances easily.

For us to pay your grant requests by bank transfer (BACS), we need to see a copy of a recent bank statement (within the last three months), or a cheque or a paying-in slip for the relevant account, showing the bank's name and address.

The signatories can be up to three people from your organisation who can sign grant payment requests on your behalf. We use this information to make sure that the grant payment has been sent in by the right person in your organisation and that we pay the grant to the right bank account.

**Section 3 Permission to start the development phase (for grants of £200,000 and above)**

Once we have approved all of the documents you sent with this form, we will sign your 'Permission to start' form and return it to you. You can then start work on your development phase. We will use these documents to help us monitor your project's progress and performance. No payment will be made.

You must get our approval in writing if you need to make changes to these documents.

**Form b) Permission to start the development phase and Grant payment request 1 (for grants of below £200,000)**

This section also includes the payment request for up to 50% of the grant in advance, followed by section 4 for the declaration and signature.

We will sign your 'Permission to start' form and return it to you. You can then start work on your development phase. We will use these documents to help us monitor your project's progress and performance. We will also make your advance payment.

### 3. Updating us on your progress

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You must monitor the progress of your development phase and fill in a progress report online at the intervals agreed during your start-up discussions.

Your progress report must be produced no later than three weeks after the period it covers.

#### **Section 1 Progress report form - progress towards achieving your development work**

This should be a summary of your progress against each of your agreed development activities, and documents that you need to prepare.

You cannot change the development activities and documents set out in your grant notification letter or start-up discussions without our written permission. We may give permission only if you agree to keep to extra terms and conditions.

If you want to change the development activities and documents in any way, you must send us written details of your reasons for the change and show us how it will affect:

- the cost of your project's delivery phase;
- the quality of your project's delivery phase; and
- the time you need to finish your project's delivery.

Tell us about any changes or events which may prevent your development work from achieving its aims or affect its viability. We may then re-assess the development work, or take any other action we consider necessary.

#### **Section 2 Identifying, charting and managing risk in the development phase**

Tell us about any difficulties you have and how you will overcome them. List the main risks your project is facing now. These may be:

- technical – for example, discovering unexpected and wide-ranging damp;
- financial – for example, a reduced contribution from another funding source;
- organisational – for example, a shortage of people with the skills you need or staff needed to work on other projects;
- economic – for example, an unexpected rise in the cost of materials;
- social – for example, negative responses to consultation or a lack of interest from your target audience;
- management – for example, a significant change in the project team;
- legal – for example, changes in law that make the project impractical; or
- environmental – for example, difficulties in finding sources of timber from well-managed forests.

#### **Section 3 Changes to your development phase timetable and programme**

Explain any delays to your development phase and your project's delivery. You will also need to tell us how you plan to make up the time so that the development phase finishes by the grant expiry date.

#### **Section 4 Following development, what changes will there be to your project's delivery?**

Give details of how your development work has changed your project's delivery including any changes to the scope or cost of your project.

#### **Section 5 Identifying, charting and managing risk in the future delivery phase**

This section asks you to forecast possible risks for the delivery phase. It does not need to be as detailed as section 2 where the risks are for the immediate development phase.

## 4 Each time you request part of your grant

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Each time you request a grant payment you must fill in online the 'Grant payment request' form (or send in a hard copy if you do not have an online account).

You should request your grant payment as soon as possible after you have received an invoice, at intervals agreed during your start-up discussions.

We will not make any payment until we are satisfied with your grant payment request and latest progress report.

### 4.1 Definitions

**Approved purposes** – the purposes for which you have been offered a grant and how you plan to carry out those purposes as set out in your application and confirmed in our letter awarding you the grant.

**Eligible costs** - The costs we have agreed to contribute towards as set out in your grant award notification.

**Grant percentage** – Your grant award divided by your eligible costs.

For example, if the grant percentage is 65% of the eligible costs, we will pay up to 65% of the value of the invoices for those costs which you provide at any one time. The grant percentage is fixed throughout the project.

**90% limit** - We will not pay more than 90% of your grant until we are satisfied that:

- the project is finished;
- you have met all our standard terms of grant and any additional grant conditions;
- we have received an acceptable final grant payment request and completion and evaluation report;
- appropriate funding acknowledgement is in place.

**Back-filled post** - The back-filled post is the post that is vacated when a secondee from within your organisation takes on a post in your project.

**Volunteer** - Any person who gives their unpaid time for the benefit of the project.

**VAT**- Our grant percentage will include your VAT payments if these were included in the eligible costs for your project.

You must do all that you can to:

- make your project VAT-efficient;
- make sure that VAT is applied only to relevant parts of your project; and
- claim back any VAT which you can.

If your VAT payment decreases during the project, we will reduce our contribution to those costs and you will have to pay back any amounts of VAT you have managed to claim back. If your VAT payments increase we will not increase our grant payment. You must not transfer any VAT savings that you have made to any other budget heading.

**Contingency allowances for unexpected expenses** - Only use this allowance where unforeseen circumstances have affected the costs of individual elements of the development activities. You must get our permission for major spending of the contingency against any individual elements. We will reduce your grant by the proportion of the contingency that you did not need to spend.

**Increases or decreases in the eligible cost** - If the final cost of your development work is lower than the eligible cost, we will reduce your grant in line with the agreed overall grant percentage. If the final cost is higher than the eligible cost, we do not have to increase your grant. (We will only consider increasing your grant in exceptional circumstances. In this case you will have to provide further information.)

## 4.2 Filling in the grant payment request form

### Section 1 Spending and eligible costs

- a) Give details of your spending to date, and your forecast of the final cost of your development work. You must tell us about any major changes to the costs of your development work. If your costs have increased you must tell how you will meet these additional costs and how it will affect your project.
- b) Identify and explain any contingency amounts spent on unexpected expenses.

You must not include VAT and voluntary time contributions as part of any other costs without our written permission.

- c) You must not transfer any costs between budget headings (or between separately identified elements of your project) without our written permission.

### Section 2 Funding acknowledgement and public relations

You must acknowledge our support publicly, featuring our logo clearly and visibly.

Do this in line with the 'How to acknowledge your grant' guidance. You must fulfil the minimum requirements as set out in this guidance for the kind of project you are running. We will look for appropriate visual recognition of our grant when assessing the progress of your project.

Any marketing work that you undertake for your project should also acknowledge our support in line with the 'How to acknowledge your grant' guidance.

You need to get our agreement before you give an interview, make a public statement or issue a press release relating to a project or work that we have funded when you initially announce the grant and at completion of the project. At other times, please notify us of any press and media contacts so that we are aware of any potential clashes, broader issues or possible links with similar activities that we are planning ourselves.

Let us know when any celebration or marking of a project achievement, such as an opening event, is taking place at which a representative from HLF can attend.

If you need any help or have any questions about how to acknowledge your grant please contact your grants officer.

For any acknowledgement you display, it is your responsibility to get in good time all the statutory approvals or permissions that you need.

### Section 3 Selecting consultants, contractors and suppliers

#### Competition

If you have received a grant from us and you are looking for goods, work or services worth more than £10,000, you must get at least three competitive tenders or quotes and show that you have selected the one which provides best value for money.

You must provide proof of competitive tendering procedures for all goods, works and services worth more than £50,000. Your proof should be a report on the tenders you have received, together with your decision on which to accept. You must give full reasons if you do not select the lowest tender.

If we ask, you must provide a report of similar competitive procedures for other goods, work or services worth between £10,000 and £50,000.

If you have not followed a competitive tender process you must agree this with us in writing before you award the contract.

If we disagree with your reasons for not selecting the lowest tender, we may reduce your grant by the grant percentage of the difference between the tender you have accepted and the lowest tender.

See also part 1.4 of this document on Public Procurement.

### **Contracts for goods, services or work**

If we ask, you must provide proof that there is a contract for any goods, services or work worth more than £50,000 before the work starts. You must also prove the contract terms are in line with the requirements of our terms of grant; and the contract price is within the budget for that part of the work.

### **Section 4 - Staff and volunteers**

If your development activities and documents include creating new jobs, you must advertise the vacancies and back-filled posts openly in suitable places.

Send a copy of the job description to us and gain our approval before you make any appointments.

If we ask, you must provide us with copies of all CVs and contracts of employment for new staff.

### **Section 5 Your grant payment request**

This is where you enter the amount that you are asking for, based on the summary of invoices sheet and volunteer timesheet (if volunteers were used).

You can send copies of invoices, contract administrator's interim payment certificates or table of costs, using the facility to attach files (of less than 5Mb in total) at the end of the form. All proof of costs must be dated after the grant award date and before the grant expiry date shown in the grant notification letter.

If any of your invoices include costs which are not part of your eligible costs, you must provide a breakdown of the invoices showing clearly which costs we have agreed to support.

For amounts of less than £100 you should submit a table of costs which specifies the date, amount and description of each item of expenditure, instead of the individual invoices. This table of costs must be signed by one of the people listed on the 'Permission to start' form. The total of your table should be shown as a single line on your schedule of invoices. Please keep all of your invoices so that if we ask you to, you can send them to us.

### **The percentage of invoices we will pay**

We will not pay more than the grant percentage of your eligible costs but we will pay up to 90% of your total grant. After that we will not make any further payment until your project is finished.

### **Advance payments**

For grants of £200,000 and above, we may make payments in advance, but you must prove to us that no other source of funding is available.

If you want to apply for a payment in advance, give us a schedule of your expected costs. Once we have made the payment, show us how much you have actually paid of those costs. We will not make any further payments until we have received this proof.

If you would like us to pay in advance the salary costs of posts relating to your project, we will need details of salaries and copies of your contracts of employment or letters of appointment.

**Accounting records**

You must keep proper up-to-date accounts and records. We may ask you to provide a copy of your accounts and bank statements within an agreed period of the end of the financial year in which we have made any grant payments.

**Proof of eligible costs**

We will pay your grant by bank transfer only when we have received proof of your eligible costs.

**Volunteer contributions**

If volunteer work is part of your partnership funding, keep a record of the number of hours that each volunteer has worked.

Please tell us how they have contributed to your project costs by completing the 'Volunteer timesheet'.

You should calculate voluntary contributions as follows:

- unskilled volunteer – Up to £50 a day;
- skilled volunteer – Up to £150 a day;
- professional services volunteer – Up to £350 a day

We calculate one volunteer Full Time Equivalent (FTE) day to be 7 hours.

## 5 When the development phase ends and you request your final grant payment

Request your final grant payment as soon as possible after:

- you have completed your first-round development activities, and the documents that you need to prepare for your second-round submission are ready; and
- you have acknowledged the grant in accordance with the 'How to acknowledge your grant' guidance.

Once you have made your final grant request, we will not accept any further requests for payments from you. You should therefore try to agree your final accounts with your contractors and suppliers before you apply for the final grant payment.

### 5.1. Final grant payment request and completion and evaluation report

You must fill in the final grant payment request and completion and evaluation report online at <http://www.hlf.org.uk> when you apply for the final part of your grant.

If we ask you to send copies of documents there is a facility to attach files (of less than 5Mb in total) at the end of the form.

We will not pay the final part of your grant until we are satisfied with your completion and evaluation report and your final grant payment request.

### 5.2. Form details

Form e): 'Completion and evaluation report' form for grants of £200,000 and above. You must also send us your final grant payment request with form e.

Form f): 'Completion and evaluation report and grant payment request 3' form for grants of below £200,000.

Here, payment request 3 is included with the report.

Both forms ask you to:

- describe how you achieved the key milestones; issues or changes, and the impact on the timetable or costs of your delivery phase;
- describe how you will meet the long term requirements;
- send in some project records, for example, photographs.

Form e also asks about how you met any additional grant conditions.

Form f includes the eligible costs and declaration needed as part of the payment request.