

Townscape Heritage Initiative

Grants of between £500,000 and £2 million

Guidance Notes





THI Guidance Notes

This document provides additional guidance for developing your first-round application, second-round submission and for delivering and evaluating your scheme.

You must also read *Managing your THI grant* which provides guidance on how to make grant payment requests and monitor your scheme so that you can keep us informed of its progress.

For ideas on how other successful schemes have met our aims, or have dealt with specific problems, see examples of schemes we have funded on our website www.hlf.org.uk There is also a range of worked examples for some of the things we ask for as part of your application and submission, such as a risk table.

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Guidance Notes

1. Conservation area appraisal and conservation area management plan

Both documents are compulsory and must be submitted with your second-round submission.

Guidance on commissioning and drafting conservation area appraisals and managing conservation areas is available from English Heritage and Historic Scotland. If you are based in Northern Ireland or Wales, also consult with the Department of the Environment Planning Service or Cadw. A good starting point is the Historic Environment Local Management (HELM), website www.helm.org.uk

1.1 Conservation area appraisal:

As a first step when developing your scheme in detail, carry out a systematic character appraisal of the conservation area so that you can develop suitable and detailed proposals for your THI scheme. You might have already done this as part of the preparation for a conservation area appraisal. In this case, make sure that your appraisal is still up-to-date.

A conservation area appraisal is the foundation for developing your scheme in detail, and there should be a clear relationship between the appraisal and the eligible projects and works/activities of your scheme. The appraisal provides a basis for making decisions about the future of the area and offers an opportunity to re-assess the designated area and to evaluate and record its special interest.

The conservation area appraisal should cover the whole historic area, even if your scheme is limited to a smaller part of it.

However, in the case of very large conservation areas, or those which cover the whole of a town or city centre but readily subdivide into distinct character areas, a conservation area appraisal just for a smaller area may be appropriate. You should discuss this with us at the start of the development phase.

The character appraisal should set out how the area has evolved, describe the key elements of the townscape quality and character, define what is positive and negative about them, and identify opportunities for enhancement. Preparing a conservation area appraisal must involve consultation, background research (such as analysing old maps and photographs) and a detailed survey of the area as it is now, including the setting of the conservation area.

You must involve the community in preparing your conservation area appraisal, and consider the community's views on and aspirations for the area.

Your conservation area appraisal must be kept up-to-date and should be regularly reviewed.

The conservation area appraisal will help you to:

- identify all buildings, structures and features which make, or could make, a positive contribution to the overall character of the area;
- identify the works which could be carried out to preserve and enhance the character of buildings, structures, features and the overall area;
- assess the planning policies and statutory powers that need to be put in place in order to protect the area's

- character and sustain the benefits of your scheme in the long term; and
- provide information which will help you design activities which you will run as part of your scheme in order to raise awareness and understanding of the area's heritage.

If applicable, the conservation area appraisal must be formally adopted and published by the local planning authority by the time we give you permission to start your scheme. This will usually be in the form of an adoption statement, a resolution and/or minutes of meetings of relevant committees. The appraisal should be used to support relevant supplementary planning documents and inform planning policy and planning decisions affecting the conservation area. The local planning authority may decide to adopt the conservation area appraisal, together with the conservation area management plan, as a supplementary planning document on its own.

Where necessary, impose an Article 4 direction to control change in the conservation area. We might make it a condition of grant that you finish this process before we give you permission to start your scheme.

1.2 Conservation area management plan

The conservation benefits your scheme achieves will quickly disappear if the area does not benefit from management that respects its conservation value in the long term. Therefore, you must develop a succinct management plan for the conservation area, which sets out the measures you have or will put into practice to make sure that the benefits of your scheme are maintained. The conservation area management plan builds on the conservation area appraisal and the assessment of the area's heritage need.

In summary, your conservation area management plan must consist of a

description of the conservation value of the area and the potential threats to it; planning policies; proposed planning measures; a framework for design and maintenance standards; community consultation and engagement; and a short statement on how you will put the management plan into practice.

Your conservation area management plan must also consider whether any training and learning activities are necessary to sustain a conservation-led approach to managing the area over the long term and build upon the training initiatives developed as part of your scheme.

While you might already have supplementary planning documents covering design guidance, the design framework in the conservation area management plan should specifically focus on the conservation area.

The design framework should identify standards that property owners will be expected to achieve in works to their buildings. This might cover, for example, guidance on shop-front design, window patterns or traditional building materials and techniques. The design framework should contain a section on maintaining historic buildings and set out clearly what is expected from property owners; for example, it could explain the difference between building repair and routine maintenance. The framework must also identify standards for work to the public realm with reference to the conservation area appraisal.

The conservation area management plan sets out the long-term vision for the conservation area – the legacy of your scheme. You must prepare the conservation area management plan while developing your scheme, and the relevant partner organisations – for example your partnership and the local

planning authority – must, if applicable, formally adopt the management plan by the time we give you permission to start your scheme. This will usually be in the form of an adoption statement, a resolution and/or minutes of meetings of relevant committees.

The conservation area management plan should be used to support relevant supplementary planning documents, and it should inform planning policy and planning decisions affecting the conservation area. The local planning authority may decide to adopt the conservation area management plan, together with the conservation area appraisal, as a supplementary planning document on its own.

The conservation area management plan can be part of the same document as the conservation area appraisal.

You must show that you have consulted widely on the management plan while you have been developing it, and you must explain how the community will be involved in managing the area in the long term.

Putting the management plan into practice for at least 10 years after your scheme has ended is a condition of our grant. If you fail to uphold its measures, we could decide to ask for repayment of our grant. You must regularly review your conservation area management plan.

2. Scheme development: activities and costs

In developing your scheme, you should also consult staff, committee members, volunteers and the public.

You can buy in specialist services to plan and develop your scheme.

2.1 Eligible and ineligible activities and costs

Eligible activities and costs:

- drafting a conservation area appraisal;
- drafting a conservation area management plan;
- undertaking further research and consultation;
- identifying the condition of buildings within the area as a baseline assessment against which the THI scheme's success will be measured;
- establishing the difference between the cost of tackling the buildings' problems and their market value, defined as the 'conservation deficit';
- undertaking a heritage impact assessment to identify ways to minimise harmful impacts;
- appointing relevant specialists such as an architect with heritage expertise, quantity surveyor, a structural or services engineer and a planning specialist;
- getting property valuation advice to inform third-party grant rates;
- developing skills-training proposals and other training activities – for example in partnership with formal training providers – that will form part of the scheme;
- developing activities for your local community, for example consultation events, consultations, school visits, town trails, leaflets, and open days, with specialist professional help where necessary;
- preparing publicity to launch your scheme;
- preparing promotional material, for example brochures;
- publication of your conservation area appraisal and conservation area management plan;
- developing parts of the scheme's management structure; and
- appointing a THI project officer to develop your partnership and scheme.

Drafting a conservation area appraisal is compulsory, unless an up-to-date conservation area appraisal already exists. The conservation management plan is also compulsory.

Valuations must be done by an independent, appropriately qualified professional, or you can use the District Valuer without going through a competitive tendering process for the services.

Ineligible activities and costs:

- paying for the costs of the partnership's existing staff;
- paying for the time that your organisation's existing staff will spend managing the development work (although you can use your grant for the costs of specific services – such as legal advice – charged by one local authority department to another, known as 're-charging');
- preparing Article 4 directions;
- serving Urgent Repairs Notices and Repairs Notices; and
- applying for Compulsory Purchase Orders.

3. Eligible and ineligible projects, works, activities, costs and fees

3.1 General principles

All works must respect the special character and integrity of the building, structure or feature, and of the conservation area in which it lies. This must be done in line with the relevant national conservation policies, and following guidance and advice issued or endorsed by the relevant national heritage organisation.

All eligible projects within a THI scheme have to consider their environmental impact, and should make a contribution

towards addressing issues such as energy conservation, recycling and the use of local resources, traditional materials and skills.

At the core of the THI programme is the notion of 'preserving and enhancing' conservation areas. When considering the environmental impact of projects, special consideration must be given to the needs of historic buildings and conservation areas to ensure that their character is not harmed, or their performance put at risk as a consequence of inappropriate works.

We have set out the sorts of resource-use issues that we think you should consider, depending on the size and type of your projects, in *Planning greener heritage projects*. Further best practice guidance is available from national heritage organisations and the Historic Environment Local Management website, www.helm.org.uk.

We will not give grant for works that, in our reasonable opinion, do not meet generally accepted standards of quality and accuracy in materials or workmanship appropriate to the circumstances, whether in conservation works or new construction.

Tenders should only be invited from contractors known to be able to achieve the standards of quality required.

3.2 Eligible projects

Eligible projects are those which can demonstrate heritage merit and heritage need and which would benefit from preservation and enhancement as part of your scheme.

Eligible projects can be grouped into the following categories:

- i) **Critical projects:** essential to the delivery of a scheme; without tackling them, the scheme will be perceived to have failed.

Not every scheme will have critical projects.

- ii) **Priority projects:** clearly contributing to the enhancement of the conservation area.
- iii) **Reserve projects:** worthwhile pursuing should funding become available or if some of the priority projects fail to come forward for a grant.

We will 'ring-fence' grant from the common fund for critical projects, which means you cannot use it for other projects in the scheme unless the critical projects have been delivered, with or without grant. As a result, it is especially important that you develop strategies to make sure that critical projects are delivered within the life of the scheme, which will often involve using the measures you identified in your conservation area management plan. Classifying projects as 'critical' can sometimes provide leverage in persuading owners to undertake the necessary repairs.

We recognise that, no matter what effort is made to bring forward the critical projects, you may ultimately be dependent on the co-operation of the owners and so be unable to make critical projects happen. However, critical projects are by definition essential to the approved purposes of the grant that we expect to award to your scheme. As a result, we will review your partnership's record in making critical projects happen. If we are not satisfied that you have tried every possible measure to help bring forward critical projects, we will consider whether to withdraw our grant to the scheme as a whole on the grounds that the approved purposes cannot be met.

Projects in public ownership may be eligible for grant in certain limited circumstances. If a building is used for providing public services to meet statutory obligations, the good repair of that building should be a central part of the

relevant organisation's spending. You should not use grant as a substitute for this spending. As a result, we will examine carefully any proposal to use grant to repair town halls, schools, libraries, hospitals and other buildings in similar public uses.

Grant can support eligible works to buildings which, due to their use, could make them more appropriate for other HLF funding. These buildings could include museums, theatres or community facilities which are housed in historic buildings. It might be appropriate to use grant to support eligible works to these buildings. However, if works to the property would use a significant proportion of the common fund, or if works that are ineligible for grant are needed for the project to succeed, you should consider making a separate application to us under one of our other funding programmes, such as Heritage Grants or Your Heritage.

Parks and active places of worship are ineligible under the THI programme and should apply under our Parks for People programme and the Repair Grants for Places of Worship programme respectively.

3.3 Eligible and ineligible works, activities, costs and fees

3.3.1 Repair works to buildings in use

This category includes the structural and external repair of historic buildings and structures, such as bandstands, bridges, or harbour walls, which are in use.

The objective of the building repair category is to put into good repair the structure and external fabric (envelope) of buildings and structures that make a positive contribution to the character or appearance of the conservation area. Repairs should be comprehensive in scope, using appropriate techniques

or methods of construction and appropriate natural or traditional materials normally on a like-for-like basis. Consider the environmental impact of the repairs. Substitute or artificial materials are ineligible, and their use is generally unacceptable on grant-aided projects.

Eligible repairs may include:

- Consolidation or reinforcement of the existing structure, using the most conservative approach that is practicable, although limited reconstruction in line with the existing structure is eligible if unavoidable and supported by clear documentary evidence. The survival of vernacular (locally distinctive) building techniques such as clay wall, wattle and daub, often found in town buildings behind later finishes, is very important, and repairs should be in compatible materials.
- Appropriate repairs to timber frames, roof structures, beams, floor joists and other structural timbers, based on a careful and comprehensive survey of the existing structure. We cannot accept in-situ reinforced resin repairs to structural timbers unless justified on the grounds of avoiding major disturbance of historic fabric.
- Dry rot eradication and appropriate conservation-based timber preservative treatments. These must be based on an analysis and specification by an independent consultant with conservation expertise and use non-destructive techniques and non-toxic applications. The consultant's fees are also eligible for grant.
- Damp-proofing by traditional methods, but only where damp is causing structural damage to the building. Damp-eradication measures, such as improved drainage, the introduction of French drains or the lowering of ground levels, are preferable where practicable.
- Re-roofing in natural materials traditional to the area, normally to match the historic covering. This should be done by using new materials and/or re-using sound existing materials where possible. Re-roofing with available but substandard, artificial or alternative materials – such as concrete tiles, asbestos cement slates, reconstituted slates or artificial stone slates – is not eligible for grant. The use of roofing felt for flat roofs or lining gutters is also unacceptable. Repairs to the roof structure and high-level external elements should be undertaken at the same time as re-roofing.
- Repairs to chimneys, including lining or rebuilding if structurally essential, provided that the chimney is reinstated accurately to the historic height and profile. The replacement of the historic style of chimney pots/cans is also eligible for grant. The retention and repair of existing stacks or stalks may be a condition of grant offered to other works.
- Repair or renewal of existing leadwork, the provision of weatherings and the re-forming of gutters to adequate falls, normally in line with the details and codes recommended by the Lead Sheet Association in 'The Lead Sheet Manual'.
- The repair or replacement of rainwater goods or a rainwater disposal system in a building to match the historic material and sections. Generally, this will be in cast iron, but occasionally in lead, timber or stone, where appropriate. Aluminium, plastic, PVC or GRP rainwater goods are not eligible. The addition of rodding access for easy maintenance should receive particular attention.
- The repair of external stonework and brickwork, including decorative elements, to an appropriate specification. Plastic

or in-situ resin-based mortar repairs to brickwork and stonework are not normally acceptable or eligible.

- Selective rebuilding of existing stonework and brickwork, if structurally necessary and to an agreed specification. Generally, this will involve using salvaged existing materials and/or new matching materials, and should be preceded by a record survey of the existing stonework/brickwork. Only re-pointing which is structurally necessary, kept to the absolute minimum required and carried out to an appropriate specification, is eligible, using lime-mortar where appropriate. Comprehensive re-pointing for cosmetic reasons is normally not eligible.
- The repair or, if necessary, reinstatement of the historic pattern and detail, in the historic material, of windows, external doors and other external joinery which contributes to the character of the building and/or the conservation area. Where the existing windows and their setting into the external walls allows sufficient space for internal secondary glazing to sit within the window reveal without compromising panelling or shutters, well-designed secondary glazing may be considered. This could improve energy performance with little impact on the appearance of the building.
- Repairs to external render, stucco or harling and limited areas of renewal (there should be a presumption against total or substantial renewal), to an approved specification. If such a coating has been removed in recent years to the detriment of the performance and appearance of the building, its reinstatement may be the most appropriate form of repair.
- The external cleaning of stonework and brickwork is eligible where there is such

a build-up of dirt, paint or resin coatings on the surface that this must be removed in order to assess the extent of necessary repair, or where the surface build-up is damaging the fabric of the building due to a chemical reaction. Cleaning for aesthetic reasons is only eligible if it significantly improves the building and conservation area and does not cause damage to the stone- and brickwork. Any cleaning which is confirmed as eligible must be done to an approved specification, based on trials and carried out by specialist conservation contractors.

- The repair or reinstatement of retaining walls, boundary walls and/or railings that contribute to the stability of the building, enhance its setting, or contribute to the character of the conservation area.

Ineligible works:

- Routine maintenance
- Redecoration
- Internal repairs.

We can fund redecoration if it is needed as a direct result of eligible repair and the public has access to the building by virtue of its use, such as a restaurant or shop. We can fund internal repair works if these are necessary for structural stability.

3.3.2 Restoration of architectural features

The restoration of architectural features is only eligible where the building is otherwise in good repair, or will be repaired as part of the project and clear documentary evidence is available. The restoration of architectural features can, if necessary, include the reinstatement of missing details.

Eligible works:

- The repair to the historic pattern and detail of distinctive architectural features, for example architectural sculpture, tiling and other historic finishes,

and decorative ironwork such as roof finials, balconies, canopies and railings.

- The repair of applied details and features such as cornices, string courses, window architraves, columns, pilasters and rusticated rendering. These should be repaired carefully and accurately to the historic form or profile, and as closely as possible to the historic composition. Joinery to historic patterns.
- Other whole elements or parts of elements of the exterior fabric which are essential to the design and character of the building.

Ineligible works:

- GRP or similar replacement mouldings are not eligible for grant, nor are proprietary in-situ resin-based repair techniques.
- ‘Conjectural restoration’ works – works for which there is no firm historic evidence surviving on the building or recorded in photographs or drawings.
- Works involving the reversal of alterations that are themselves of quality and interest.

3.3.3 Bringing vacant historic floor space back into use

Works can be done to vacant floor space in historic buildings or vacant floor space within partly used historic buildings, for example, unused upper floors over shops. Proposals for such works must respect the character and special interest of the building internally as well as externally. You must only offer grants to bring vacant historic floor space into use if the building is in good repair, or will be put into good repair as part of the project.

To be eligible for grant, vacant historic floor space should be vacant because of poor condition or because the historic floor space fails to meet the needs of modern users.

For a vacant building to be brought back into use, it will normally be necessary to have a future user in place – this will help to secure partnership funding and the owner’s investment. If there is a clear justification for speculative conversion, you must make sure that there is a demand for the relevant type of property in the local area or help to create demand through economic regeneration initiatives.

Eligible works:

- All aspects of the physical works of conversion are eligible, including necessary internal and external alterations, basic provision of heat, light and power, and basic decoration.
- Some proposals to bring vacant historic floor space back into use may involve an element of new-build. You can include the costs of these works in the development costs against which you work out the THI grant needed (conservation deficit calculation).

Ineligible works:

- Furnishings and fittings, such as kitchen units and appliances, bathroom units and plumbing, shop fittings, restaurant fittings, and so on.
- Services beyond the basic provision of heat, light and power.

3.3.4 Public realm works

Enhancements to the public realm must be based on a detailed appraisal of those elements that make an area special and distinctive. Your proposals for enhancements should be based on your conservation area appraisal and your research to determine historic materials. Historic surfaces and features should be retained where possible.

Our priorities are the repair of surviving historic surfaces, such as pavements, and historic details, such as railings, in traditional ways, and the reinstatement

of missing elements of those surfaces and details without conjecture.

The works to the public realm should ideally cluster with other grant-aided repair projects, to add to the impact your scheme will have on the conservation area.

Repair works should involve the use of natural materials and local resources – such as Caithness stone or York stone – and traditional techniques in order to match the original historic material and technique as closely as possible.

For public realm works, we need to see formal assurances from the responsible authorities about the future routine maintenance of the enhanced public realm.

Eligible works:

- Historic surfaces such as pavements.
- Other conservation area features, such as historic walls and railings that define the public realm.
- External works which are associated with a grant-aided repair project and which enhance the setting of a building.
- The removal of unsightly clutter on buildings and other eyesores, for example inappropriate signage, which are detrimental to the appearance of the conservation area.

Ineligible works:

- Routine maintenance
- Burying cables that are currently overhead
- Street furniture and street lighting
- ‘Conjectural restoration’ works for which there is no firm historic evidence surviving in the conservation area or recorded in photographs or drawings
- Works involving the reversal of alterations that are themselves of quality and interest

- Tree-planting or any other form of soft landscaping.

3.3.5 Developing gap sites

We understand a gap site to be an empty plot which was previously built on, or a plot where a temporary development has become ‘permanent’, for example a single-storey structure built in a row of three- or four-storey terrace houses.

Some open spaces or gardens may look like gap sites but are actually part of the historic character of the place. These should not be defined as gap sites because it would not be beneficial for the character of the area to develop these sites.

To be eligible for grant, the development of a gap site must be critical to enhancing the character or appearance of the conservation area. Before developing the site, it is important to examine the context of the proposed new building and to understand how it will relate to its surroundings. The conservation area appraisal can help you do this.

Good design doesn’t have to be expensive; it can actually reduce the whole life cost of a building. Good design has to be considered from the start and not as an afterthought. Our objective is to achieve appropriately high standards of design for new buildings, whether they fit in with or contrast existing styles.

Eligible works:

- All aspects of the physical works relating to the external appearance.

Ineligible works:

- Projects involving the demolition and replacement of existing buildings, other than temporary structures, as these can be adequately controlled through the planning system.

- All internal works and internal furnishings and fittings, such as kitchen units and appliances, bathroom units and plumbing, shop fittings, or restaurant fittings.

3.3.6 Staff costs and overheads

We strongly recommend that, if you succeed in the first round, you use your development grant to recruit a THI project officer to help you develop your scheme. Provided the employment contract has a break clause, you should consider recruiting a project officer for the duration of your scheme, for both the development phase and scheme delivery. We recommend at least a five-year contract for the project officer post.

Eligible staff costs:

- Recruiting and employing a project officer. When creating new posts, you must advertise the vacancies and posts for back-filling openly in suitable places.
- Recruiting and employing an administrative support officer for the scheme.
- Employing consultants, such as quantity surveyors, to produce valuations or surveys for elements within the scheme.
- Training for your project officer and members of your partnership. The training need must be directly linked to your scheme.
- Part of an organisation's core costs, such as staffing and overheads. The inclusion of this as a legitimate cost can be accepted by us. This is also known as full cost recovery and usually applies only to voluntary-sector organisations.

Eligible additional overheads:

- Providing the project officer with administrative equipment such as a PC.
- Printing information about your scheme, from conservation area management plans and promotional leaflets to specific guidance on maintenance or design.

- Renting premises within the area, in which to base the project officer.
- Accountancy and legal fees, as these may be recharged to the scheme.

Ineligible overheads:

- General training that is not specific to your scheme or training that should form part of an organisation's continuing professional development costs.

If you are a public organisation, we will carefully examine whether you genuinely need grant to cover minor overheads.

3.3.7 Complementary initiatives

Eligible initiatives (this list is not exhaustive):

- Evaluating the scheme
- Community consultation events
- Creating materials to interpret your heritage, for example leaflets, trails and activity packs for children
- Working with groups in your community to help them learn about heritage, for example schools, young people or older people
- Providing skills training to contractors and property owners
- Organising community events, for example open days or skills fairs.
- While we do not fund routine maintenance, we can fund the setting up of maintenance schemes.

3.3.8 Professional fees

Eligible fees:

- Expenditure on fees for qualified professional advisers. This is eligible for grant, provided the advisers belong to a recognised institution. For example, architects will be members of the RIBA or RIAS, and chartered surveyors will be members of the RICS with an appropriate level of specialist experience. If our grant contribution to a project is more than £25,000, the

third-party grantee must be required to use a qualified professional with relevant conservation expertise to plan and oversee the works.

- Full professional fees for architectural services. These are only eligible if the professional adviser inspects work in progress and is responsible for its certification on completion, ie the service involves the inspection and certification of works on site up to completion and not just design. Full professional fees as defined by the RIBA is 'the provision of design services from RIBA Stage C (outline design) to L (after practical completion)'.

3.3.9 Planning fees

These fees must clearly relate to the eligible project and eligible conservation works the grant is being used for.

Eligible fees:

- Fees associated with planning permission
- Fees associated with building regulations
- Fees associated with consents.

3.3.10 Preliminaries

Some building projects involve preparatory work, or 'preliminaries'. Preliminaries are a fundamental part of the cost of the work and are therefore eligible in principle.

Eligible preliminaries include:

- Contractors setting up the site before building work starts
- Ensuring site security, for example putting a fence around the site
- Ensuring health and safety requirements are met
- Putting up scaffolding
- Installing Portaloos
- Erecting temporary buildings.

3.3.11 Archaeological works

You should follow policy guidance in the relevant UK country on conserving

archaeological resources. Many projects will be in the core areas of historic towns and are likely to need archaeological evaluation at an early stage to inform decisions about development. Projects should try to preserve deposits in situ where possible, and, where disturbance is unavoidable, mitigate this by organising a full archaeological investigation.

Eligible works:

- Recording and analysing historic buildings of early origin or complex evolution as a basis for devising repair or conversion works, and monitoring during those works.
- Archaeological assessment, evaluation, excavation and monitoring, in connection with alteration, extension or new-build projects.
- Analysis and publication of the results, and appropriate archiving, if necessitated by works which are themselves eligible within the scheme.

Ineligible works:

- Archaeological works not associated with THI projects are not eligible for support.

3.3.12 Value Added Tax (VAT)

Eligible VAT:

- VAT may be payable on eligible repair costs and fees, and, where it cannot be recovered, it is eligible for grant.

Guidance on VAT and listed buildings is contained in VAT Notice 708 Buildings and Construction (HMRC Reference: Notice 701/39, August 2004) available from the local VAT office.

3.3.13 Building surveys, feasibility studies, options appraisals and business plans

Eligible surveys, studies, appraisals and plans:

- If you are satisfied that a study, development brief for a gap site,

appraisal or plan is a vital piece of work needed to develop a project or determine a new use, you may consider including the costs that the owner had to pay to carry out the study in the costs against which you work out the grant needed.

Ineligible surveys, studies, appraisals and plans:

- In all other instances you cannot use grant to support the costs of stand-alone condition and structural surveys, technical feasibility studies, business plans and other plans and studies. This is because there is no guarantee that awarding a grant towards these studies would result in actual work being carried out to a property, so the grant would achieve little real benefit. Instead, owners must be persuaded that it is in their own interest to carry out these studies, to allow them to understand the condition of their property and the action needed to tackle it.

4. Assessing the financial need for grant

Your aim should be to achieve the minimum possible grant to make a project viable.

Estimating the costs

When estimating the costs of the eligible works, include reasonable allowances for associated professional fees, all statutory permissions (such as planning fees and consents), non-recoverable VAT, preliminaries*, inflation and unexpected expenditure (known as 'contingencies'). It is better to be cautious than to discover that costs have been underestimated. This would mean that the common fund cannot achieve all of its expected outputs and you are not able to carry out the approved purposes of the grant and deliver your action plan.

* It is important to show that preliminaries relate closely to the eligible work being

done. Preliminaries can either be grant-aided in the same way as professional fees, for example grant-aiding them as an eligible cost at the agreed payment percentage of our grant; or grant-aiding a pro-rata proportion and then applying the agreed payment percentage of our grant. If a preliminary item, for example scaffolding, is provided purely for an eligible works item, for example roof repair, then it can be considered as a fully eligible cost.

Calculating grant rates

Grants must be justified in financial terms on the basis that the works needed cannot be achieved without public funding, and there must be little or no financial gain on the part of the owner. Heritage need alone is not enough, no matter how poor the condition of a building may be. In practice, this means identifying the impact of the works on the property's value. If the costs of the works are lower than or equal to the increase in the project's value, grant should not be needed and so we would examine carefully any proposal to award a grant.

Your aim should be to achieve the minimum grant to make a project viable. A variety of methods exist to determine the grant rate, namely fixed-percentage grants and conservation deficit funding grants. We recommend applying fixed-percentage grants for repairing buildings in use and restoring architectural features, and deficit funding grants to bring vacant historic floor space back into use.

Valuations are essential for setting grant rates and they also form part of the process of establishing a baseline for potential future repayments.

Fixed-percentage grants for repairs of buildings in use and restoration of architectural features can be set on

the basis of a detailed assessment of a sample. You can change the fixed-percentage grant levels while your scheme is in progress, if there is a significant shift in the relationship between local property values and repair costs.

Vacant properties need to be assessed individually. Grants to support the repair and return to use of vacant historic floor space are generally based on the conservation deficit.

Different levels of common fund grant might be appropriate. For example, repair work may need a lower level of grant than restoring architectural features, as the former likely to have a greater effect on the building's value.

4.1 Grant for repair works to buildings in use

If there are a number of projects facing similar problems, you may not need to carry out valuations and establish repair costs for each of them before and after the works (if the works in each project are unlikely to cost over £50,000). Instead, it may be appropriate to carry out valuations/costings for a representative sample of projects to identify a common THI grant rate (fixed-percentage grant) that should be used for all eligible repair works on these buildings.

You must award the grant as a proportion of eligible costs. You can work out the grant rate by comparing the project's current value and its estimated value once the repair works have been completed. You must then subtract the increase in value from the costs of the works to estimate the grant needed.

Here is an example of how you can work out the grant rate for a building repair project:

Building repair project

Existing value of the property	£80,000
Eligible costs of roof repairs (including fees, inflation and VAT)	£25,000
Value of the property when works are completed	£95,000
Increase in value	£15,000
Grant needed (costs minus increase in value)	£10,000
Grant rate (grant as a percentage of eligible costs)	40%

If you carry out the calculation above to establish a fixed-percentage grant rate for repair works to properties facing similar problems, you would offer a fixed grant rate of 40% towards these projects.

In certain circumstances, for example where a building is partially occupied, you may need to calculate the appropriate grant level based on individual valuations/costings or use the conservation deficit calculation to work out the appropriate grant rate.

4.2 Grant for restoring architectural features

If there are a number of projects facing similar problems, you may not need to carry out valuations/costings for each of them before and after the works (if the works to each project are unlikely to cost over £50,000). Instead, it may be appropriate to carry out valuations/costings for a representative sample of properties to identify a common grant rate (a fixed-percentage grant) that should be used for all eligible restoration works to these buildings.

You must award the grant as a proportion of eligible costs. You can work out the grant rate by comparing the property's

current value and its estimated value once the restoration works have been completed. You must then subtract the increase in value from the costs of the works to estimate the grant needed. We expect the restoration of architectural detail to add relatively little value to the property, grant rates can therefore be higher.

The calculation to establish the fixed-percentage grant rate for architectural features is the same as for building repairs.

4.3 Grant for bringing vacant historic floor space back into use

Grants to support the repair and return to use of vacant historic floor space are generally based on the 'conservation deficit' – this is the difference between the cost of repair and conversion and the estimated market value of the project when the works have been completed.

You should include all eligible works needed when redeveloping vacant historic floor space – external and internal repairs to the building, restoring architectural features/details and conversion – in a single package of costs against which you work out the conservation deficit.

Unlike grants for buildings in use and restoring architectural features, where it may be appropriate to use a representative sample of valuations, you must assess the grant needed for the repair and return to use of vacant historic floor space on a case-by-case basis, preparing 'before' and 'after' valuations for all projects.

When working out the conservation deficit, private owners and developers may include in the total eligible project costs an allowance for a reasonable 'developer profit' on their own investment. We will allow for no more than 15%

'developer profit'. Building Preservation Trusts and other charitable developers may include a similar management fee.

Development appraisals form the financial basis for assessing grants towards the conservation deficit of a project. Development appraisals set out the estimated costs of undertaking the works – including the costs of letting or selling the completed development – and the development's estimated value on completion. It is important that the basis for arriving at each figure is carefully assessed and scrutinised at the outset. This is because these figures form the financial justification for grant, and also because the appraisal will need to be recalculated on the same basis – but using actual costs – at the end of the project, to determine whether any repayment is due to the partnership and HLF.

It can be difficult to assess the value of vacant historic floor space, and as a result you must work out the conservation deficit on the basis of a 'residual valuation'. This is a particular method of working out property values and is defined in the Royal Institute of Chartered Surveyor's publication 'Appraisal and Valuation Standards', often referred to as the 'Red Book'. Valuations should be carried out by an independent, appropriately qualified professional.

Costs which can be used to work out the conservation deficit are:

- eligible development costs, for example construction costs;
- architect's fees;
- letting/sales fees;
- loan-financing fees; and
- management fees (for the charitable sector) or developer's profit (for the private sector).

When carrying out a valuation, particular attention should be paid to:

- the potential of the property to generate income in its current condition;
- the importance of the property to the conservation area, and any further statutory designations that protect the property against inappropriate development and demolition; and
- the costs of works needed to bring the property back into useable condition, and the value of the property once these works have been completed.

Keep in mind that a valuation is only an estimate and that valuations can vary.

Ideally, the development appraisal should reach the conclusion that vacant historic floor space in poor condition, and in need of public funding to bring it back into use, will have 'nil value'. However, the concept of nil value is often unrealistic and is usually applicable only to the most derelict buildings. In most, cases, properties will have a nominal value.

We will carefully examine any proposal to allow any nominal value or acquisition costs for a property to be included in the eligible costs against which a conservation deficit is worked out. It is important that grant is not seen to reward owners who have unjustifiable expectations of the value of a property in poor condition, or those who have paid a high price to buy property in poor condition.

In cases where we will allow for a nominal value/acquisition costs to be included in the deficit calculations, we expect the partnership to obtain a second independent valuation. You need to select the lower value for the conservation deficit calculation.

Below is a simple example of how to work out the conservation deficit for a project, in this case assuming the vacant historic

floor space has 'nil value'. If it has a nominal value, replace £0 with the value/acquisition costs.

Conservation deficit

Current value	£0
Eligible costs of repair and conversion works (including fees, inflation and VAT)	£120,000
Developer profit at 15%	£15,000
Total eligible costs	£135,000
Estimated end value of property	£100,000
Conservation deficit	£35,000
Grant (100% of conservation deficit)	£35,000

4.4 Grant for public realm works

There are different ways of working out grants for public realm works.

a) The good repair and routine maintenance of pavement and road surfaces is a statutory responsibility of the local highways authority. As a result, the eligible costs of improvement to this type of public realm, and the grant towards them, must reflect the extra costs that arise from carrying out the works to high conservation standards. To work out the eligible costs, you will need to subtract the costs of repair to a basic, non-conservation area standard from the costs of repair to more costly conservation standards. Grant will cover 100% of the eligible costs.

b) Grant for types of public realm improvement where statutory responsibilities do not apply – for example restoring railings – can cover all of the costs of the works as long as the property is in public ownership. In this case, you won't need to compare the costs of repair

to a basic standard with the costs of repair to more costly conservation standards. Grant will cover 100% of the eligible costs.

c) If you are proposing improvements to public realm in private ownership, you should set the grant at the minimum needed to do the work. You may work out the grant using the same method as you will use for grants to buildings in use, see section 4.1 [Grant for repair works to buildings in use](#).

4.5 Grant for developing gap sites

Grant can be used for developing gap sites, but it must be clear that the development of a gap site can only be achieved by combining public funding with the use of statutory powers.

Grant towards developing a gap site has to be limited to bridging the gap left by market failure to develop the site to an appropriate standard.

Keep in mind that good design alone doesn't have to cost more.

Grants should be based on the conservation deficit and set at the minimum needed to make the development happen.

Development briefs for gap sites may also be eligible for grant, see section 3.3.13 [Building surveys, feasibility studies, options appraisals and business plans](#).

4.6 Grant for staff costs and overheads and complementary initiatives

Grant can cover all of the extra costs associated with managing the scheme.

Staff costs and overheads can include office space and administrative support. Complementary initiatives can include scheme evaluation and activities that raise awareness and improve understanding of the historic environment.

Staff costs and overheads should normally account for no more than 15% of the common fund, and complementary initiatives, such as training and learning activities, for no more than 5%.

Up to 100% of costs from the 'staff costs and overheads' and 'complementary initiatives' categories may be covered by the common fund.

The inclusion of part of an organisation's core costs, such as staffing and overheads, as a legitimate cost can be accepted by us. This is also known as full cost recovery and usually applies only to voluntary-sector organisations.

5. Accounting and auditing principles

Your partnership will need to satisfy us that it is able to manage public funds in line with principles of good financial management, and that the necessary structures and skills are, or will be, available to support your THI project team.

We retain the right to ask for an external audit at any time during the delivery of your scheme to make sure you have paid grants properly and in line with valid applications, and you have properly recorded and paid for the costs of managing the scheme. The costs for the external audit must be covered by the partnership.

5.1 Accounting principles

Adequate accounting procedures and records must be in place to allow you or us to carry out a full audit of the approved purposes ('the scheme') and how you have put them into practice.

You must follow generally accepted accounting principles (GAAP) and set these out in a manual of procedures or accounting manual that is adopted for

your scheme. The manual does not need to be specially developed for your scheme – local authorities and public-sector organisations will normally have a manual in place.

You must make sure that staff operating the accounting parts of the scheme have the necessary accounting qualifications or experience.

You must use a computerised accounting system. You must keep all transactions of the scheme, including records of administrative costs, separate from any other accounting records. You must use separate ledgers.

You must set and keep to annual budgets for the costs of managing the scheme.

You must make sure that all claims made for grant payments by owners of third party property are checked by one or more members of the project team to make sure that:

- a** an offer of funding exists; and
- b** there is enough money in the common fund to cover the amount that is being claimed.

You must have a separate bank account for the scheme. If you are a local authority, you might not need to have a separate bank account; a separate account code for the scheme might suffice.

Members of the team must sign a declaration that they will not gain a financial advantage from any grant that is offered. You must set up and enforce a written 'conflict of interest' policy.

You must make members of the team aware of the possibility of fraud so that they can look out for it. The scheme should have a written fraud policy.

You must maintain all accounting records of the scheme for at least 10 years from the date they are created.

5.2 Audit requirements

In case we ask for your scheme to be audited, the auditors will review your accounting practices and check that:

- a** Accounting procedures exist – there is an up-to-date manual of procedures covering all significant areas of operation, and staff working on the project are aware of its existence and have access to it.
- b** Accounting records are adequate – the auditors are able to carry out their work without having to guess at what happened.
- c** You have paid grants in line with valid applications. The auditors should assess a sample of grant payments and check that:
 - the property was eligible for a grant offer;
 - a properly authorised offer was made to the owner of the property;
 - a contract with the property owner exists and is written in line with the model contract for third-party grants and other requirements of the 'Managing your THI grant' and 'THI Guidance Notes' guidance;
 - the value of the payments is less than or equal to the value of the offer;
 - there is enough proof of spending on the part of the property owner;
 - the works (as far as the auditors are qualified to judge) have been carried out in line with our requirements;
 - the scheme has put in place controls to make sure that our requirements are met; and
 - the transactions were made in line with the procedures manual.

- d** You regularly check the scheme's bank account (or accounts) to make sure the amounts match your records.
- e** You have properly recorded and paid for the costs of managing the scheme. The auditors should assess a sample of administrative payments to make sure that:
 - the payments made are only for the scheme;
 - the payments made are supported by valid invoices;
 - purchase orders exist and have been properly authorised;
 - any costs that are incurred only in part because of the scheme (for example, rent and rates for the property from which the scheme is managed) are funded by the scheme on a logical, consistent and valid basis;
 - any costs charged by members of the partnership for services in managing the scheme ('re-charges') are necessary and worked out in a logical way;
 - the scheme has controls in place to make sure that these requirements are met; and
 - transactions took place in line with the procedures manual.
- g** You regularly compare administration costs to budgets and ask for and record explanations for significant differences (more than 10%).
- h** There are proper audit trails through the accounting system, from offering a grant through to paying it or paying a supplier.
- i** Audits will be carried out in line with generally accepted auditing principles (GAAP).

6. Management and monitoring of your projects and third-party grants

6.1 Principles of project management

It is important that eligible projects supported within schemes follow best practice in project management.

- The scope of the project has to be defined in detail at the outset.
- All procedures have to follow best practice.
- Quality standards have to be defined at the outset and monitored.
- All relevant statutory obligations should be met (such as all necessary statutory permissions).
- Procurement has to be competitive.
- There should be an agreed cost plan and timetable/work programme for the entire project set at the outset of the project, against which progress can be monitored.
- There should be an established procedure for managing risks and controlling changes to the scope of the project.
- There should be an identifiable 'project officer' responsible for the completion of the project to budget, quality and time.

Best practice should be applied in a manner appropriate to the size and complexity of each project.

6.2 Third-party grant applications

You should develop a form on which property owners will make applications for third-party grants to your partnership, and another form to record your assessment of each application. We may ask to see your assessments from time to time, and will ask to see your assessments for any applications you have to refer to us for approval.

Grant applications must be made in writing, using an application form issued

by you. The form must ask for the following information:

- address of the property;
- full name and address of the applicant, including postcode;
- brief title or short description of the project;
- type of applicant, for example local authority, householder, company, charity, sole trader, developer, etc;
- the owner's interest in the property;
- type of building, including any statutory designation, for example listed building designation;
- existing and proposed use of the property;
- details of the proposed works, attaching specifications, drawings, photographs, programme, as appropriate;
- all statutory permissions;
- total project costs and eligible project costs;
- grant applied for;
- detailed cost plan;
- whether the application is for the whole project or just a part of it;
- estimated project completion date;
- for all projects concerned with bringing vacant historic floor space back into use, a development appraisal itemising all development costs and the anticipated value of the property on completion;
- whether or not the applicant has previously applied, is currently applying or intends to apply for Lottery funding from another distributing body, or is applying for funds from any other source, and the name of that source of funding; and
- a declaration that all the information given is truthful, accurate, and that information has not been deliberately withheld. It must state that the applicant has the power to accept the grant subject to conditions, and the power to

repay the grant in the event of grant conditions not being met.

You should make it clear to applicants that any misleading statements, whether deliberate or accidental, given at any stage during the application process, or any material information knowingly withheld, could render their application invalid and may require repayment of any grant.

You must also collect and keep the following information on each application:

- a unique reference number;
- date the application was received;
- date the applicant was notified of final decision (date of award announcement or date application is rejected); and
- award status (accepted or rejected).

6.3 Third-party grants

You will be responsible for making payments of grant to owners and checking the standard of the works and evidence of spending. You will then send us evidence of your grant payments to owners and claim our grant against this.

Your grant offers to third parties must be made at or below the fixed-percentage rates for the appropriate category, or based on conservation deficit calculations. Grant offers must be in accordance with your approved action plan. You are solely responsible for inviting these applications, approving them (except when you are required to seek our permission for approval – see paragraph below), inspecting the works, making grant payments and monitoring compliance with the conditions of third-party contracts.

For some applications, we may ask you to refer the decisions to us for approval, including any applications made by members of your partnership, applications

involving third-party grant above a certain limit, and projects we have selected for approval during our assessment of your scheme. If your application to HLF is successful, we will tell you which third-party applications to the common fund you must refer to us for approval when we inform you of our decision in the second-round grant-notification letter.

You must also set out the conditions or tests you will use when making decisions on applications for grant. The conditions or tests may include:

- checking that the works or costs for which grant has been sought are eligible;
- checking that the project meets high technical standards and respects the building's historic value and the character of the conservation area;
- checking that the costs of the project are reasonable;
- checking that suitably qualified people will be working on the project;
- assessing the project's benefits against the priorities for your scheme; and
- assessing whether the project offers value for money.

This list is not exhaustive and should be used only as guidance.

6.4 Grant conditions

When you offer a grant to a third party, you must state clearly any conditions of the award, including any modifications you require to the specification of the works if the offer is accepted. These conditions must also include any conditions set by us.

You must not offer a grant if the eligible works started before the application was submitted. You must not pay grant if the eligible works started before your written approval.

If the HLF grant contribution to a project is £25,000 or more, the third-party grantee must use a qualified professional with relevant conservation expertise to plan and oversee the works.

Grant offers must require owners to:

- accept the offer within three months of receiving it, start the works within six months of accepting the offer, and complete the project within a defined period, unless you have agreed otherwise in writing.
- enter into a contract with you before the works start.

6.5 Mandatory provisions for contracts with third-party grantees

Contracts with third-party grantees must follow the third-party model contract. Contracts may include other terms and conditions you think are necessary, provided they do not prejudice the effects of the conditions of the model contract.

Contracts must not offer the HLF element of the common fund on less stringent terms than funding from other sources. This is particularly applicable to provisions for repayment or recovery of grant in the event that you or the third party part with property.

6.6 Property ownership and possession

If we ask, you must provide proof of who owns the property and any restrictions or other claims on it with respect to your or any third-party property.

You or the third-party grantee must own the freehold of the property or hold a lease of it with an unexpired term of at least 10 years without a break clause. If the property is held on a lease for less than ten years or if it contains a break clause which may terminate the lease within ten years, the landlord must join in the grant application and agree to be bound by the grant conditions if a grant is awarded.

6.7 Buying goods, works and services

Third-party grantees must get at least three competitive tenders or quotes for all goods, works and services worth £10,000 or more and funded through a THI grant. They must submit a summary of the tenders received and the reasons for not accepting the lowest tender, should this happen.

For all goods, works and services worth £50,000 or more, third-party grantees must advertise appropriately in order to secure the tenders. Further information on this requirement can be found in our guidance documents on *Managing your THI grant*.

Beyond certain published limits, and when public-sector funds (including our grant) make up more than 50% of the cost of the project, the third-party grantee must follow all European Union (EU) and World Trade Organisation (WTO) procurement regulations (regulations for buying goods, works and services).

You can find useful information and guidance at:

www.ogc.gov.uk/documents/ProcurementPolicyPublicContractsRegulations.pdf
www.ogc.gov.uk/documents/Intro_to_EU.pdf

6.8 Grant payments

Grant payments must only be made in response to an application by the third party, as reimbursement for works carried out. The application must be supported by either invoices for such works, certified by a qualified person, or it must be supported by a contract administrator's certificate indicating the costs of the works. You may make grant payments to third parties on completion, against agreed stages in the works, or against monthly certificates.

Each grant payment must be at the same grant rate so that, if the final costs of the eligible works are less than the estimate, no overpayment is made.

Before you make a grant payment you must satisfy yourself that the invoices or certificate are for eligible works and that the works concerned have been carried out in full to the required standard.

You should withhold at least 10% of the grant until you are satisfied that all the eligible works to the project have been completed to the required standard and you have received a copy of the practical completion certificate.

6.9 Enforcement

You must take all reasonable steps to enforce the terms and conditions of your contracts with third-party grantees, including repayment of the grant, where appropriate.

You should consider the risks of the property owner being unable to repay the grant in the event of a breach or pay any share of the proceeds that should be paid on disposal. If there is a material risk, you should put measures in place (in whatever form is appropriate) which will help you secure payment.

Paragraph 12 of the model contract (see section 7) enables you to give the third party an opportunity to rectify the breach within a period prescribed by you. This period will depend on the nature of the breach, but you should not prescribe a period of more than two months. If you do wish to waive repayment on a breach, you must seek our approval before you do this.

The owner of a property may be required to repay the grant in full or in part if any of the grant conditions are breached and not rectified.

6.10 Repayment

Following the principle that there should be little or zero private gain, the owner of a property may have to repay part of or

the entire grant if he sells or leases the property within a specified period.

The third-party model contract sets out that conservation deficit grants are subject to repayment. On completion of the disposal of the property owner's entire interest in the property, or two years from completion of the project (whichever is the earlier), you must recalculate the conservation deficit using the actual building and other development costs, and submit that recalculation to us. You must repay to us the amount which we agree bears the same proportion to any reduction in the conservation deficit as the grant bore to the estimated cost of the project.

Fixed-percentage grants from the HLF of or above £15,001 to projects are also subject to repayment. This may result in paying back a share of the sale proceeds if the property is sold within a specified period (10 years). Repayment, if any, is calculated as a share of any increase in value, beyond that which may have been anticipated in calculating the grant originally.

For fixed-percentage grants including a contribution from HLF up to and including £15,000 we will not require payment if the property owner sells or leases the property.

Owners may be put off from taking up grants which have repayment conditions attached. As a result, it is important that you help owners understand that:

- there is no liability to repay anything on sale if the property does not increase in value, or falls in value (unless grant conditions are breached).
- if there is an increase in value, it is shared between us, other funders and the owner in proportion to their investment.

For large or complex projects concerned with bringing vacant historic floor space

back into use, it may be necessary to negotiate specific repayment conditions tailored to the circumstances of the case, but still within our general principles. You should seek the most advantageous terms compatible with the project. This will also apply where other project funders are imposing conditions on repayment.

If you do not think that it would be reasonable to fully apply the repayment conditions in a particular case, you must obtain written permission from us before agreeing not to do so.

Any grant repayment after deduction of your reasonable expenses incurred in recovery must be repaid to HLF or, if the scheme is still active, entered as a credit in the accounts of the scheme.

7. Third-party model contract

Model Contract for third-party grants

The following basic provisions should be included in all third-party contracts. You are free to add others, particularly with regard to the practical administration of the scheme, provided any additions or alterations do not prejudice the nature and effect of the provisions set out below.

The "partnership" referred to below should be the body or bodies that contracted with NHMF.

THIS AGREEMENT dated _____ is made between (the Partnership) of (_____) ('we', 'us', 'our') and (_____) ('you').

We administer the (_____) Townscape Heritage Initiative Scheme ('the Scheme'), which is supported by the Trustees of the National Heritage Memorial Fund ('NHMF'), and we agree to pay and you accept a grant of up to (_____) Pounds (£(_____))

("the Grant") towards the cost of the repair and/or restoration works at (Address) ("the Property") described in your application numbered (_____) ("the Project") subject to the following conditions:

1. You will use the Grant only to carry out the eligible works ("the Works") to the Property identified in our grant offer letter to you. The Grant is not transferable.
2. You will carry out the Works in accordance with current best practice in the conservation of historic buildings and to a quality appropriate for a project of importance to the national heritage. Until the completion date specified below, you must not carry out work to the Property (other than the Project) that detracts in our opinion from the Property's value or integrity as a heritage asset, unless we agree otherwise in writing.
3. You must commence the Works by (Date) and complete them by (Date), unless we agree otherwise in writing.
4. Unless we agree otherwise in writing, you must obtain at least three tenders for the Works if the total cost will exceed (not less than £10,000) and submit to us a summary of the tenders received and your reasons, if any, for not accepting the lowest tender. If we disagree with your reasons for not accepting the lowest tender, we will reduce the Grant by an amount which bears the same proportion to the difference between the tender you accept and the lowest tender as the Grant bore to the estimated cost of the relevant Works. (Refer to EU Procurement Regulations if they are relevant).
5. The contracts you enter into in undertaking the Works must be on terms which do not differ materially from those that would be entered into by a reasonably experienced building employer engaging contractors to provide similar work or services for projects of the size, value, complexity and prominence of the Works. The costs of Works and any additional Project costs should if possible, be itemised in the contract.
6. If the Works are completed for less than the cost estimate on which our grant offer was based, you must return to us any unspent Grant you have received. Grant for these purposes will be deemed to have been spent pro rata with funds provided to carry out the Works from other sources. The Grant will not be increased if there is any overspend.
7. You must keep all your Project records for the period of this Agreement, and provide us with any financial and other information, and such access to the Property, as we require to monitor the conduct, progress and completion of the Project. You will give due consideration to any recommendations regarding the Project we make or those made by anyone acting on our behalf.
8. While the Project is being carried out, you must publicly acknowledge the Grant by displaying any signs we provide for this purpose.
9. Claims for payment of the Grant must:
 - 9.1 be made in arrears (specify at what stages, and in what form; the procedures should be similar in principle to those required of the THI Partnership by NHMF, including retaining a retention of 10% at least until you have received a copy of the practical completion certificate); and
 - 9.2 if you receive any refund of Value Added Tax you must offset these savings against your next grant

payment application. In the event that you receive any Value Added Tax refunds following completion of the Project, you must pay us the Grant percentage of the amounts of the Value Added Tax refunds you receive.

10. While the Project is in progress, you must maintain adequate insurance cover on the Property, the Works and any materials and goods delivered to it, against loss or damage arising as a consequence of the Project being undertaken. Such insurance should be held in the joint names of you and your contractor unless we agree otherwise in writing. The proceeds of any claims must be applied towards the cost of the reinstatement of the Works and the Property and the replacement of any goods or materials damaged, as necessary. If in our opinion such reinstatement or replacement is not reasonably practical due to the extent of the damage, then you must apply the proceeds of all claims under the insurance firstly to the repayment of any sums you have received from us.

11. Following completion of the Works you must:

11.1 insure the Property against such risks as is reasonable and appropriate in all the relevant circumstances; and

11.2 maintain the Property in good repair and condition, and in a manner consistent with the character and appearance of the conservation area.

12. The Grant will become repayable, and any future payments stopped, if:

12.1 you breach any of these conditions;

12.2 you cease to operate, are declared bankrupt or placed in receivership or liquidation;

12.3 you are shown to have completed your application for the Grant fraudulently, incorrectly or misleadingly;

12.4 you act fraudulently or negligently in carrying out the Project; or

12.5 any competent authority directs the repayment of the Grant.

Repayment may not be required if any breach is capable of being remedied and is remedied within whatever period we prescribe, or in relation to any element of the Works which has been completed the heritage benefit of which we agree is not jeopardised by failure to complete the remainder.

Either:

(Recovery clause: For grants made on the conservation deficit basis. The following set out NHMF's normal minimum requirements, but since all elements of a grant from the common fund should normally be subject to the same conditions, it may be necessary to agree with NHMF the details on a scheme by scheme basis, in the light of conditions attached to the partnership funding.)

13(A) On completion of the disposal of your entire interest in the Property, or two years from completion of the Project (whichever is the earlier), you must recalculate the conservation deficit (on the same basis as you were required to calculate the estimated conservation deficit in the development appraisal included in your application) using the actual building and other development costs and (at our option) either:

13.1 the value realised in an open market sale of your interest in the Property; or

13.2 a valuation on that basis as defined by the Royal Institution of Chartered

Surveyors prepared by (the District Valuer/a qualified independent valuer approved by us) and submit that recalculation to us. You must forthwith repay to us the amount which we agree bears the same proportion to any reduction in the conservation deficit as the Grant bore to the estimated cost of the Project.

13(B) For the purposes of Clause 13.2 above, your interest in the Property shall be deemed to be the interest you were assumed to have for the purpose of calculating the estimated conservation deficit or your current interest, whichever is the more valuable.

Or:

(Recovery clause: For fixed-percentage grants including a contribution from NHMF up to and including £15,000 we will not require repayment. For grants including a contribution from NHMF of £15,001 and above we will require repayment in accordance with clause 13 below)

13. If you intend to sell or let the Property or a part of it ('a disposal') during the 10 year period referred to in clause 16 you must tell us and on completion of the sale or lease pay to us the Grant or a proportion of it calculated in accordance with the following formula:

$$\frac{G}{C} \times \frac{(CV - OV)}{10} \times (10 - Y) = R$$

where

G = the Grant,

C = the eligible cost of the Project excluding Value Added Tax (if any) you have recovered,

OV = the open market value of your interest in the Property agreed with us

at the start of the project being £(),

CV = the open market value of your interest in the Property on completion of the disposal,

Y = the number of complete years from the date of this Agreement; and

R = the amount we require to be repaid to us out of the proceeds of the disposal.

14. We may at any time assign or transfer the benefit or burden of this agreement to NHMF and allow it to conduct any proceedings against you for breach of it.

15. We reserve the right to suspend or stop payment of the Grant if NHMF is unable to continue funding the Scheme if the National Lottery ceases to operate or insufficient funds are made available to NHMF from it.

16. These terms and conditions will last for (5 years for grants including a contribution from NHMF up to and including £15,000 and 10 years for grants including a contribution from NHMF of £15,001 and above) years from the date of this Agreement.

8. Scheme evaluation

We will expect evaluation feedback from every scheme that we fund. You should fill out the completion and evaluation report which should provide quantitative and qualitative evidence and tell the story of the scheme. Involve as many people as possible in your evaluation of the scheme.

You must start to collect baseline data during the development phase. Having a baseline, and collecting the same data at the end of your scheme, will allow you to tell the story of your scheme. The collection of the baseline information will be part of the process that helps you

decide on the details of the final scheme. We will withhold the final 10% of your grant until you have sent us your completion and evaluation report.

We think evaluation can be simple, manageable and carried out with limited resources, though we recognise that evaluation is inevitably more complex on larger schemes.

You can get more guidance on scheme evaluation in *Evaluating your HLF project*. You can find the completion and evaluation report in the *Managing your THI grant pack*.

8.1 Recommendations for planning your evaluation

- Involve as many people as possible in your evaluation. Planning and carrying out the evaluation can involve the people that volunteered or actively participated in the scheme as well as the project officer. Making evaluation part of the scheme, and involving people in it, is a good way of encouraging ownership of the scheme.
- Start early. Evaluation should start at the scheme-planning stage. This is where you begin to develop the story of how the things you plan to do through your scheme – both conservation works and activities – will lead to the changes you want to see happen. Evaluators would describe this as a ‘theory of change’ or even a ‘hypothesis’. But the common components are always the same: why you want to do the scheme, what you will do (conservation works and activities), what difference this will make.

8.2 The Evaluation report

You determine the final format of the evaluation part of the completion and evaluation report. However, if you are looking for a starting point, here is a suggested template of contents.

• Executive summary

• What you wanted to happen

The key aims and expected outcomes of the scheme. This section reviews why you wanted to do the scheme, what you planned to do, and what difference you expected it to make. What was the ‘story of change’ behind the scheme?

• What actually happened

How did things turn out? Sections to cover here could include:

- a) Project management. The report should include management issues such as planning, cash flow, staffing or delivering the action plan.
- b) The difference made by your scheme.
 - The difference made to the conservation area.
 - The difference made for people. Include data on activities, visitors, volunteers, trainees – but also the results of any survey work you do and qualitative feedback that you collect.
 - Environmental impacts, eg resource-use issues, energy efficiency.
 - Your partnership – has it been successful?

• Review

- What do you think worked well and why?
- What didn’t work and why?
- How much of the ‘difference’ would have happened anyway, even if you hadn’t done the scheme? (In evaluation jargon this is known as ‘deadweight’)

• Summary of lessons learnt

What might you do differently next time?