



BRADFORD CITY CENTRE TOWNSCAPE HERITAGE SCHEME

Advice Note 4

Financial Guidance

1. Preconditions

Before the grant is approved and the grant contract is signed, all initial costs are at the applicant's risk.

These pre-contract costs such as planning consents, surveys and consultant's fees must initially be paid for by the applicant. If they are eligible for grant funding and the work proceeds, a grant will be paid after the grant contract has been signed. If the work does not proceed, a grant will not be given for any of these costs. Any fees associated with the on-going works will be paid in stages during the contract period.

Some work is not eligible for a repair or reinstatement grant, including most internal works. This is identified in Advice Note 3 - 'Eligible Works'. Ineligible work can still be carried out under the same building contract, but will not be grant funded.

2. Types of Grant

This advice note explains the criteria applicable to the three different types of grant:

- external repairs/structural works
- reinstatement of architectural features
- bringing vacant floor space back into use.

Repair and reinstatement grants are fixed rate grants and can be combined. For example, the roof and historic windows can be repaired with a grant, and a historic shop front can be reinstated with a grant on the same application.

Vacant use grants cannot be combined with repairs or reinstatement grants.

3. Repair/reinstatement grants

Repair/structural works for buildings in use is for external repairs to buildings in use.

Grant rate: 60% of the eligible cost.

Reinstatement of architectural features grant is for external restoration to buildings in use.

Grant rate: 60% of the eligible cost.

Additional eligible costs relating to repair/structural and reinstatement grants

Alongside the repair and reinstatement works, other costs are eligible for a grant. Each additional cost is eligible at a rate proportionate to the amount of repair and reinstatement works.

These costs include:

- Professional fees (architect, structural engineer, surveyor, etc.)
- Planning, Listed Building, Advertisement and Building Regulation Consent fees
- Building surveys relating to the grant work
- Preliminaries on the building work – these include contractors setting up the site before work starts, site security such as fencing, health and safety, scaffolding, Portaloos
- Contingency (maximum 10%) – a sum is included to cover unexpected expenditure during the building work
- VAT is eligible unless it can be recovered.

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Some work is not eligible for a repair or reinstatement grant, including most internal works. This is identified in 'Advice Note 3: Eligible Works'. Ineligible work can still be carried out under the same building contract but will not be grant funded.

Clawback on repair/structural and reinstatement grants

For repair and reinstatement grants some grant may need to be repaid if the building is sold or otherwise disposed of within 10 years of the grant contract. The repayment is in proportion to any increase in the value of the property, and is on a sliding scale over 10 years. Repayments are not required for grants of less than £20,000.

Where clawback is applied, the grant applicant needs to supply a current value for the property prior to the grant agreement. The value will be agreed with the Townscape Heritage Scheme Project Officer, or a valuation produced by a qualified independent Valuation Surveyor will be required, if the value cannot be agreed upon.

Clawback is capped in relation to how many years have elapsed since the grant contract was completed.

Year of contract	Amount of grant to be reclaimed
0 – 6	Up to 100%
6 – 7	Up to 80%
7 – 8	Up to 60%
8 – 9	Up to 40%
9 – 10	Up to 20%

Clawback is calculated using 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

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

Y = the number of years from the date of the grant award contract

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

If the building is not sold or otherwise disposed of, no grant will need to be repaid.

An example of this calculation is shown on the following table (for illustrative purposes only), using a project cost of £72,000 including VAT, a grant of £50,400, and an increase in the value of the property from £150,000 to £170,000.

Example clawback calculation for fixed rate grants											
Grant (at 60%) inc VAT	G	£43,200	£43,200	£43,200	£43,200	£43,200	£43,200	£43,200	£43,200	£43,200	£43,200
Project cost inc VAT	C	£72,000	£72,000	£72,000	£72,000	£72,000	£72,000	£72,000	£72,000	£72,000	£72,000
Open market value before	OV	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000
Open market value after	CV	£170,000	£170,000	£170,000	£170,000	£170,000	£170,000	£170,000	£170,000	£170,000	£170,000
No of years from contract	Y	1	2	3	4	5	6	7	8	9	10
Repayment to HLF	R	£10,800	£9,600	£8,400	£7,200	£6,000	£4,800	£3,600	£2,400	£1,200	£0

Breakdown of the calculation

G / C	a	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
CV-OV		£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000
/10	b	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000
a*b	c	£1,200	£1,200	£1,200	£1,200	£1,200	£1,200	£1,200	£1,200	£1,200	£1,200
10-Y	d	9	8	7	6	5	4	3	2	1	0
c*d	R	£10,800	£9,600	£8,400	£7,200	£6,000	£4,800	£3,600	£2,400	£1,200	£0

A legal charge will be put on the property where the grant is £20,000 or above, to ensure that any grant is repaid. This security will be released after 10 years provided you have complied with the terms of the contract.

The grant applicant is strongly advised to take independent legal advice about legal charges.

Any grant repayment is in proportion to the increase in the value of the property; if the property value does not increase following the works, no repayment will be required.

4. Vacant use grants

Vacant floor space grants do not have a fixed rate; instead they are calculated for each building. Eligible works include internal and external repairs, restoration and refurbishment.

Grant Rate:

The grant is the difference between the cost of repair and conversion, and the increase in the value of the building when the work is complete. This difference is called the 'Conservation Deficit'. Grants cannot contribute to the cost of fitting out space for a specific use (such as shop fitting), but they do include the refurbishment of the interior and exterior of the building.

To work out the conservation deficit, an independent qualified Valuation Surveyor approved by the Townscape Heritage Scheme Project Officer needs to work out both the existing value of the building and the projected value on completion of the works.

Eligible costs relating to vacant use grants:

Eligible costs on projects to bring vacant property back into use include the following:

- Eligible development costs, including construction costs, preliminaries and contingencies
- Planning fees – Planning, Listed Building, Advertisement and Building Regulations Consents
- Professional fees – for Architects, Surveyors and Structural Engineers
- VAT unless it is recoverable

- Letting or sales fees
- Loan financing fees (initial fee, not interest on the loan)
- Developer's profit (for the private sector) or management fees (for the charitable sector). This is based on a percentage of the value of the building on completion of the work. Private owners and developers may include an allowance for a reasonable 'developer profit' on their own investment. Charitable developers may include a similar 'management fee'.

An example calculation is shown below (for illustrative purposes only):

	COST	VAT	TOTAL
Construction costs and preliminaries	£120,000	£24,000	£144,000
Consultant's fees	£14,400	£2,880	£17,280
Planning Consent	£462	n/a	£462
Advertisement Consent	£132	n/a	£132
Building Regulations Fees	£1,138	£228	£1,365
Letting fees	£500	£100	£600
Loan financing fees	£500	£100	£600
Developer's profit (% of final value)	£13,713	n/a	£13,713
TOTAL	£150,845	£27,308	£178,152

The conservation deficit calculation is then worked out from these costs, for example:

Current value of the building:	£100,000	
Cost of the works (including fees, etc.):	£178,152	
SUB TOTAL	£278,152	<i>Actual cost of the project</i>
Less the estimated final value of the building:	£150,000	
	£128,152	<i>Potential Grant Sum</i>

Clawback on vacant floor space grants

If the building is sold or otherwise disposed of within 10 years of the grant contract, clawback will be calculated in the same way as for a repair/structural and reinstatement grants.

Additionally, if the building is retained, the grant applicant needs to recalculate the conservation deficit two years after completion, applying the updated open market value.

This must be based on a valuation calculated by a qualified independent Valuation Surveyor approved by the Townscape Heritage Scheme Project Officer.

If the building has increased in value, some grant may need to be re-paid.

Using the previous example:

Current value of the building:	£100,000	
Cost of the works (including fees, etc.):	£178,152	
SUB TOTAL	£278,152	<i>Actual cost of the project</i>
Less the actual value of the building:	£160,000	
	£118,152	<i>Revised Grant Sum</i>
Compare with the original grant offer:	£128,152	
	£10,000	<i>Clawback Sum</i>

The example £10,000 clawback would need to be re-paid two years after project completion.

If the property does not increase in value after two years, no repayment will be required. If the property value has increased the maximum repayment is limited to the amount of the grant awarded.

A legal charge will be put on the property where the grant is £20,000 or over, to ensure that any grant is repaid if the property is sold. This security will be released after 10 years provided you have complied with the terms of the contract.

The grant applicant is strongly advised to take independent legal advice about legal charges.

5. General information about fixed rate and vacant floor space grants

Grant payments:

All grant payments are made to grant applicants in arrears.

The grant applicant must have the financial resources to pay for the work before the grant can be claimed. If this is a problem it should be discussed with the Townscape Heritage Scheme Project Officer.

A professional advisor/contract administrator will inspect the work on site and issue an endorsed valuation certificate to the grant applicant, who will make all payments.

The grant applicant will need to provide the Townscape Heritage Scheme Project Officer with the valuation certificate, and any relevant invoices endorsed by the professional advisor/contract administrator, along with evidence that all payments have been made to contractors or suppliers. This may be in the form of a bank statement of the grant applicant or detailed receipt of payment from the contractor or supplier.

Once these conditions have been met the Townscape Heritage Scheme Project Officer will arrange to make a grant payment to the grant applicant. They are either made at agreed stages during the project (usually monthly) or on completion of the works, and they will take up to 10 days to process.

A sum equal to 10% of the grant will be withheld until the Townscape Heritage Scheme Partnership Board is satisfied that all works have been completed to the required standard, and has received a copy of the practical completion certificate, and the contractor's final account has been settled.

Payments will be made through BACS, directly into the grant applicant's bank account.

Value Added Tax (VAT):

Some or all of the work may be VAT exempt or eligible for reduced VAT. This can apply to residential conversions, disabled adaptations and energy saving measures.

You are advised to seek specific guidance regarding VAT from: www.gov.uk/business-tax/vat

Tenders and quotes for the work:

You must obtain at least three tenders for the works if the total cost will equal or exceed £10,000. The tenders should be accompanied by a tender summary. For works below £10,000 three quotes are required. In both cases the successful quote or tender must be accompanied by a fully costed schedule of works.

For large projects, where the fees for a consultant will equal or exceed £10,000, a tender process should also be applied.

Grant offer:

If the works are completed for less than the cost on which the grant offer was based, the grant will be reduced accordingly. The grant sum cannot be increased once it has been offered.

Repayment:

You may be required to repay the grant in certain circumstances, for example if you went bankrupt or have acted fraudulently or negligently in applying for the grant or have breached the conditions in the grant contract. These circumstances are identified in the grant contract.

For further advice on making your application and for an application pack,
please contact:

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