Page

Heritage Enterprise Grants £250,000 to £5million

30/01/2024
30/01/2024
See all updates
Our funding programme for Heritage Enterprise projects in the UK.

Page last updated: 30 January 2024. See all updates.

Overview

As the largest funder for the UK's heritage, our vision is for heritage to be valued, cared for and sustained for everyone, now and in the future.

Our investment principles

Four investment principles guide all our grant decision making under our 10-year strategy, Heritage 2033:

- saving heritage
- protecting the environment
- inclusion, access and participation
- organisational sustainability

You must take all four principles into account in your application. The strength of focus, and emphasis on each principle, is for you to decide and demonstrate.

The investment principles and strategic initiatives will help us achieve our ambitions for Heritage 2033.

Heritage Enterprise

The Heritage Enterprise process is for projects that seek to achieve economic growth by investing in heritage. It is aimed at enterprising community organisations and commercial organisations working in partnership with community organisations to help them rescue neglected historic buildings and sites and return them to a viable productive use.

Our research has shown that historic buildings can attract businesses that are more productive and can generate more wealth than the average across the whole economy. Yet, many historic buildings and sites lie vacant and derelict, unable to fulfil their economic potential.

Heritage Enterprise is designed to bridge the funding gap that prevents a historic asset in need of repair from being returned to a beneficial and commercial use. The case for grant funding will depend on there being a conservation deficit. This is where the existing value of a heritage asset plus the cost of bringing it back into use is greater than the value of the asset after development has been completed.

By closing the gap (ie meeting the conservation deficit) we hope to encourage greater private sector involvement with many Heritage Enterprise projects, working in partnership with community organisations to deliver commercially viable projects. The involvement of the private sector is not mandatory but is encouraged.

We want the projects we fund through the Heritage Enterprise process to clearly demonstrate why investing in heritage is good for business and good for the economy.

You can apply for a grant from £250,000 to £5million. The application process is in two phases.

About this guidance

This guidance will help you decide whether Heritage Enterprise is the right approach for your project. It will also provide you with the information you need to develop an application at both the development and delivery phase.

Please note: This guidance has been reviewed in light of the Heritage 2033 strategy launched in March 2023. We intend to undertake a more extensive revision to the guidance based on lessons learned in the delivery of these projects since the initiative was launched in 2017 and we will publish the results by the end of 2024.

This guidance should be read in conjunction with our application guidance for National Lottery Heritage Grants and Receiving a grant guidance.

Expression of Interest

Our application process is competitive and we cannot fund every good quality application that we receive.

We recognise the work that goes into preparing an application and so to help us to filter any projects which are unlikely to receive funding, and to save you time working on a full application unnecessarily, you must first submit an Expression of Interest.

We will use the information you provide to decide whether or not to invite you to submit a development phase application. An invitation to apply does not guarantee a grant from us but does indicate that we see potential in your initial proposals.

We aim to respond to your Expression of Interest within 20 working days of receipt. If we decide to invite you to apply, we will contact you to discuss next steps. You will have 12 months in which to submit an application.

If we are not inviting you to apply we will explain our reason. You must wait three months before you submit a new Expression of Interest.

We also provide a range of resources designed to help you plan your heritage project, and examples of projects that have been successfully completed.

Who we fund

Under this process, we fund applications from:

- not-for-profit organisations
- partnerships between commercial and not-for-profit organisations

If you are applying as a partnership, you will need to nominate a lead applicant. The lead applicant can be a commercial organisation or a not-for-profit organisation. The lead applicant should provide a signed partnership agreement showing the involvement of each partner and how the project will be managed.

A key aim of the Heritage Enterprise process is the integration of commercial and community interests within heritage-led regeneration projects. Therefore, we welcome applications from partnerships. Private sector for-profit organisations are encouraged to participate and are permitted to be the majority partner in a partnership with one or more not-for-profit organisations.

You may wish to create a special purpose vehicle or joint venture to deliver your Heritage Enterprise project. You can apply to us for a grant to help create the right constitutional framework (including the costs of obtaining professional advice on legal and governance structures) before you apply for a Heritage Enterprise grant.

The private for-profit sector may engage with Heritage Enterprise projects in several ways, such as:

- By forming a development partnership with a not-for-profit group. In this way the commercial company will invest in some of the capital costs and take back a return from the rental income generated by the business occupied within the conserved heritage. The amount taken back will be a reasonable return on their investment.
- By occupying and setting up their businesses in refurbished historic buildings, paying market rents to the not-for-profit organisation or partnership that manages the heritage. This will generate revenue for the not-for-profit sector to maintain the heritage in the future as well as providing a reasonable return to reinvest in their core activities.
- By providing some of the capital alongside our grant for the conservation and adaptation of the heritage. In such cases, the investing company is likely to own or have a long leasehold of the heritage, and could enter into a lease arrangement with a not-for-profit organisation.

All of these approaches are welcome, and others will emerge.

We expect to support a number of projects undertaken solely by not-for-profit organisations, but larger projects are likely to require the involvement of the private for-profit sector in order to generate the kind of economic impact we are looking for.

Here are some examples of the types of not-for-profit organisations we fund:

- charities, trusts and charitable incorporated organisations (CIOs)
- community or voluntary groups
- Community Interest Companies
- faith based and church organisations
- community/parish councils
- local authorities
- other public sector organisations, such as nationally funded museums

We expect the lead applicant’s constitution to include the following (unless the lead applicant is a public organisation or a commercial organisation):

- the legal name and aims of your organisation
- a statement which prevents your organisation from distributing income or property to members during its lifetime
- a statement which confirms that, if your organisation is wound up or dissolves, the organisation’s assets will be distributed to another charitable or not-for-profit organisation and not to the organisation’s members
- the date when the constitution was adopted
- the signature of your chairperson or other authorised person

We are unable to fund your organisation if your constitution does not include the above. The Charity Commission provides guidance on creating a governing document.

We do not need to see your governing document if you are:

- a public organisation; for example, a local authority or university
- a charity registered with the Charity Commissions for England, Wales or Northern Ireland, or the Scottish Charity Regulator

We expect any private gain in Heritage Enterprise projects to be reasonable, appropriate and proportionate and that it should not outweigh benefits for the heritage, for the local community and for the economy.

Subsidy control

If your application is successful, it is important to remember our grant comes from public funds and may be subject to the Subsidy Control Act 2022.

A subsidy is where a public authority provides financial support from public money that gives an economic advantage to the recipient, where equivalent support could not have been obtained on market terms. The majority of our grants will either not be a subsidy or will be a lawful subsidy which meets the requirements of the Subsidy Control Act 2022.

It is our responsibility to assess whether a grant is a subsidy and our subsidy control assessment is an important part of your application. We ask that you familiarise yourself with the key requirements and provide us with any assistance we may reasonably require in completing a subsidy control assessment.

If the lead applicant is a commercial organisation the following must be provided:

- articles of association
- statement of solvency
- where the grant aided asset is owned by a commercial organisation, a statement confirming that, at five years and nine years after completion of the project, net earnings in excess of the projected future income and expenditure used to establish the conservation deficit will be shared with us in line with our grant percentage

What we fund

We fund projects that connect people and communities to the UK's heritage.

A Heritage Enterprise project will have the potential to unlock a heritage asset in need of investment and utilise it as a stimulus for economic growth. We anticipate that this will involve the repair and adaptation of a historic building or asset or a coherent group of historic buildings or assets for an end-use that generates a sustainable commercial income.

Priority will be given to projects that are located within areas of the UK experiencing economic disadvantage. Projects do not need to be located within designated areas of deprivation but we will ask you to define the economic need of the area and the difference your project will make.

We will also give priority to projects that focus on heritage assets which are both:

- considered to be 'at risk'; for example identified on an 'at risk register'
- formally designated; for example listed or locally listed building, scheduled monument or in a conservation area

We will consider applications for undesignated assets if you can make the case that they are either of sufficient heritage importance to merit designation or that they are of particular heritage value to the local community.

Applications for grants through the Heritage Enterprise process will be considered solely on the basis of the conservation deficit and not on the applicant's inability to fund a commercially viable scheme. You will need to provide an indication of the conservation deficit by submitting information from a viability appraisal in the development phase application. The conservation deficit will then be calculated through the preparation of a development appraisal, after the award of a development phase grant. More information can be found in the Development Appraisals section.

When we say **project**, we mean work or activity that:

- is defined at the outset
- has not yet started
- will take no more than five years to complete
- will contribute to achieving our investment principles

You can apply to us for a grant to help prepare the viability appraisal before you apply for a Heritage Enterprise grant.

Individual projects will require tailored solutions, but we will expect those we fund to support an economic use that creates sufficient revenue to provide a reasonable return for the owner/developer and provide enough income to pay for ongoing maintenance and repair of the heritage asset once the project is completed.

We will consider projects that focus on residential or social housing where it is demonstrated that this is the most appropriate economically viable use for a building or group of buildings and where local need for housing is clearly evidenced.

Through Heritage Enterprise we can fund:

- the purchase of a heritage asset in need of investment
- essential conservation work, such as structural repairs to a historic building
- repairs and adaptations to bring vacant and derelict buildings and sites to bring back into commercially viable use
- fit-out of a building to a basic level (sometimes called 'Category A')

We can fund activities to help people engage with heritage, including:

- training in conservation, mentoring, learning, management or digital skills for people delivering the project
- activities or information that allow people to learn about the heritage of the buildings or sites in your Heritage Enterprise project

We also support work to help you develop and manage your project, such as:

- valuations, professional fees or the costs associated with obtaining the necessary statutory consents
- specialist research to ensure the conservation and development works are properly informed by a thorough understanding of the significance of the heritage asset and its repair needs
- preparing a development appraisal
- employing project staff

You can apply for a limited amount of funding for capital expenditure during project development to support, such as:

- urgent repairs to prevent further deterioration of the asset while you complete detailed planning work

- new temporary structures designed to allow 'meanwhile uses' during project development

The total expenditure for capital works during the development phase should not normally amount to more than 10% of your delivery grant request. More information can be found in the Capital work during your development phase section.

The assessment process is competitive and we cannot fund all of the good quality applications that we receive.

As a guide, the following are unlikely to win support:

- projects led by a private individual
- projects where the main focus is
- an urban park
- an active place of worship
- projects including residential uses that cannot demonstrate that residential use is the most appropriate solution for the building(s) and cannot show that the project responds to a local need or that it has demonstrable social and community benefits

In these cases our National Lottery Heritage Grants may be more appropriate.

If your project is designed to benefit people in **Wales**, you must make appropriate use of the Welsh language when you deliver your project.

Direct project costs

Your application should include all costs that are directly incurred as a result of the project.

Direct project costs include:

- property acquisition and related costs
- capital work, including repairs, conversion and new build costs
- development management costs
- planning and building control fees
- finance costs
- research, such as specialist surveys or historic research
- the preparation of development appraisals
- where applicable, the preparation of management and maintenance plans, activities statements, conservation plans and business plans
- payments/bursaries for trainees
- new staff posts, extra hours for existing staff or extending the hours of an existing staff member
- professional fees
- evaluation
- promotion
- extra costs for your organisation, such as equipment or extra rent

Direct costs do not include:

- existing staff or organisational costs, unless calculated through Full Cost Recovery
- activities that take place outside the UK
- statutory and/or legal responsibilities
- promoting the cause or beliefs of political or faith organisations
- recoverable VAT

- costs for money that has already been spent

Full Cost Recovery

If you are an organisation in the voluntary sector (for example, you might have a board of trustees and be funded by grants and donations), we can cover a proportion of your organisation's overheads through full cost recovery.

Full cost recovery means securing funding for all the costs involved in running a project. This means that you can request funding for direct project costs as well as a proportionate share of your organisation's fixed costs.

This may include costs that partly support the project, but also support other projects or activities that your organisation provides, such as salaries of staff working across projects in administration, management, HR, or fundraising; office costs such as rent or utilities; and legal or audit fees.

Funding that covers some of your running costs can be important for your sustainability, so we encourage you to consider including this in your budget in the 'Full cost recovery' costs category if you are eligible.

Recognised guidance on calculating the full cost recovery amount that applies to your project is available from organisations such as The National Lottery Community Fund.

Your contribution

We ask you to make a contribution towards your project. This contribution will depend on your conservation deficit.

If you are applying for a grant of up to **£1 million** you must contribute at least **5%** of the conservation deficit.

If you applying for a development grant to help you develop your delivery phase application, you must also contribute **5%** of the costs of your development phase.

If you are applying for a grant of **£1 million** or more, you must contribute at least **10%** of the conservation deficit.

If you are applying for a development grant to help you develop your delivery phase application, you must also contribute **10%** of the costs of your development phase.

You should consider whether other funders, organisations or people might be able to support your project. This will help show us that other people and organisations value your project and the benefits you are seeking to achieve.

We describe this contribution as 'partnership funding' and it can be made up of cash, loan financing, volunteer time, non-cash contributions, or a combination of all of these.

Cash contributions: this might be from your organisation's own reserves, a donation from a benefactor, a grant from another funder or other fundraised support such as crowd funding.

Non-cash contributions: this is anything you need for the project that you do not have to pay for; for example room hire or equipment. We only accept non-cash contributions if they are direct project costs that could have been part of your project budget.

Volunteer time: this is the time that volunteers give to support the delivery of your project. This could include administrative work, clearing a site or acting as a steward at an event.

You should not include costs for the time of people who will take part in your activities (for example, people who attend a workshop or go on a guided tour). We use a standard rate of £20 per hour to calculate volunteer time.

The value of increased future costs of management and maintenance for up to five years after practical completion can be included as partnership funding.

You should consider including an amount equal to the increase in the value of the heritage asset as project income, either from loan financing or as cash from your own organisation.

Application process

Making an application

Please refer to our application guidance and help notes for National Lottery Heritage Grants from £250,000 to £10million for full information. Please note that the maximum grant available for Heritage Enterprise projects is currently £5million.

You must submit an Expression of Interest form and we will let you know if you are invited to make an application for a Heritage Enterprise grant. Heritage Enterprise applications go through a two-round process. This is so that you can apply at an early stage of planning your project and get an idea of whether your project might be appropriate for our funding.

Deadlines for development and delivery applications are quarterly. Once we have received your application, we will assess your application within 12 weeks, and following assessment, it will be assigned to the next scheduled decision meeting.

You decide how long you need to develop your delivery phase proposals. You may take up to 24 months, depending on the complexity of your project.

Once you have submitted your application form it is not possible for us to return this to you for further work, or to release a new copy. It is therefore important to make sure that you are happy with your answers before you submit either your development or delivery phase application to us.

Development phase application

Your application for a development grant is to help you cover the costs of getting ready to do the project. When you submit this application, you will also set out your likely delivery grant request.

Development phase

If your application is approved, you begin your development phase project. This is when you will be developing all of the information, surveys, plans and other requirements to enable you to submit a fully worked-up delivery phase application.

Delivery phase application

Your delivery phase application sets out the fuller details of your project including project costs and finalised grant request.

Delivery phase

If you are awarded a grant, you enter your delivery phase and start your project using your delivery grant.

Development phase and delivery phase applications

The different levels of information required in a development phase and delivery phase application are outlined below.

Development phase application

Activities (as appropriate)

Outline proposals:

- Who is your project likely to involve
- The nature and range of activities that will engage people with heritage

Capital work

Outline proposals:

- Information from your **viability appraisal**, or equivalent document that provides an indication of the conservation deficit
- Draft conservation plan
- An initial breakdown of the capital work you plan to deliver
- Details of Heritage Property ownership or plans to achieve this at delivery phase
- Plans for architectural elements up to and including RIBA work stage 1 (or old RIBA work stage B). See more information about RIBA work stages.
- Plans for non-architectural elements, such as interpretation or digital outputs, at the equivalent of RIBA work stage 1 (or old RIBA work stage B)
- Detailed plans for capital works you wish to undertake during your development phase, at the equivalent of RIBA work stage 3 (or old RIBA work stage D)

Investment principles

Outline information on how you have taken all four investment principles into account in your project application. You may focus more on some investment principles than others. The strength of focus and emphasis on each principle is for you to decide and demonstrate. Your development funding request can include support towards working up your approach to any of the investment principles in detail.

Project management

- Partnership agreement (if applicable)
- **Detailed** information about the work you will do during your **development** phase
- **Detailed** information about how you will manage your **development** phase, including briefs for work to be undertaken by consultants and new job descriptions
- **Detailed** timetable for your **development** phase
- **Outline** information about how you will manage your **delivery** phase
- **Outline** timetable for **delivery** phase

After the project ends

- **Outline** information about how you will sustain the outcomes of your project after funding has ended, including funding additional running costs

Project costs

- **Detailed** costs for your **development** phase
- **Outline** costs for your **delivery** phase
- Possible sources of partnership funding for your delivery phase and/or a fundraising strategy for your development phase

Delivery phase application

Activities (as appropriate)

Detailed proposals:

- A detailed activity statement, showing all the activities in your project

Capital work

Detailed proposals:

- A **development appraisal** that establishes the conservation deficit gap
- Conservation plan
- Detailed plans and proposals for capital work you plan to deliver
- Detailed plans for architectural elements up to and including RIBA work stage 3 (or old RIBA work stage D)
- Plans for non-architectural elements, such as interpretation or digital outputs at the equivalent of RIBA work stage 3 (or old RIBA work stage D)
- Details of property ownership confirmed as meeting our requirements
- Independent valuation to support the acquisition of heritage property

Project outcomes

Detailed information on how your project has taken each investment principle into account, setting out how the project will demonstrate impact against those you may have chosen to focus on.

Project management

- Updated partnership agreement (if applicable)
- **Detailed** information about how you will manage your delivery phase, including briefs for work to be undertaken by consultants and new job descriptions
- **Detailed** timetable for your delivery phase
- A **project business plan**, if required

After the project ends

- **Detailed** information about how you will sustain the outcomes of your project after funding has ended, including funding additional running costs
- **Detailed** information about how you will evaluate your project
- A **management and maintenance** plan

Project costs

- **Detailed** costs for your **delivery** phase
- An indication that you will have secured partnership funding in place before you start your **delivery** phase

Your development phase

We understand that your project proposal may change in line with the consultation, detailed design and planning, and survey work that you do during your development phase.

Development review

We will review your project during your development phase to see how you are progressing with your delivery phase application and additional documents. We will look at your plans when they are in line with RIBA work stage 3. It is at this point that we will also review your draft development appraisal.

Guidance

Whilst planning your development phase, you are advised to read:

- Management and maintenance plan guidance
- Viability and development appraisal guidance
- Environmental sustainability guidance
- Evaluation guidance
- How to acknowledge your grant
- Conservation planning guidance

Development phase key tasks

1. You should continue to work through the conservation planning process, refining your understanding of your heritage and the opportunities to share your heritage with others so that your project will fully capitalise upon its potential while addressing any risks and threats that you have identified. You should share your draft conservation plan with your us during your development phase.
2. Carry out any **capital works** you have indicated you wish to implement during the development phase – ie to facilitate temporary urgent repairs or meanwhile uses.
3. Prepare a **development appraisal**.
4. Prepare a **project business plan**, if required.
5. Undertake any **surveys, consultations or investigations** necessary to develop your detailed plans and proposals; for example, an access audit, an assessment of the current environmental performance of your building or occupier market research. Consider whether there are any legal issues relating to ownership that you need to improve to ensure you meet our requirements for the delivery phase.
6. Consult new and existing audiences as appropriate according to the proposed use of the building. If appropriate, you can develop an **activity plan** setting out how you will develop these audiences and engage people with heritage.
7. Develop **detailed timetable, costs and cash flow** for your delivery phase.
8. Consider in detail how your project will **impact on your organisation/partnership** and how you will manage this change. You may need to carry out a governance review.
9. Consider how you will **sustain the heritage asset and its new use** after funding has ended, and how you will meet any additional running costs. This information will feed into your management and maintenance plan, and your project business plan, if required.

10. Consider how you will evaluate your project, and collect baseline data so that you can measure the difference your project makes.
11. Consider how you will buy goods, works and services during your delivery phase.
12. Consider how you will acknowledge and promote our grant.
13. Undertake the work necessary to produce all relevant supporting documents for your delivery phase application. More information can be found in the Supporting documents section.

How we assess your application

When we assess your development phase and delivery phase applications, we will consider the following:

- whether your project is relevant to the heritage of the UK
- the needs and opportunities your project will address
- the project risks and mitigations proposed by the project team
- how strongly your project will take into account all four investment principles
- how your project's impact will be sustained

We may also consider issues such as achieving a geographical spread of our funding.

If your application does not clearly relate to UK heritage or does not take into account all four investment principles, then it may be rejected earlier during the assessment process and we will let you know.

You should answer all questions in the application and make sure you tell us about your vision for the project. This is the only section of the application form that is directly presented to decision makers. It is your opportunity to explain what you hope to achieve and what the legacy of your project will be.

Considering risk

When assessing your application, we will make a measured judgement on the potential risks to your project and current organisational risks – and we will look to see if you have identified these and told us how you will mitigate against them.

All projects will face threats and opportunities that you need to identify and manage. We want you to be realistic about the risks your project and organisation may face so that you are in a good position to manage and deliver the project successfully.

You should also carefully consider inflation and contingency costs within your application.

The types of risks and problems you should consider are:

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

How decisions are made

Your application will be in competition with other projects at the development and delivery phase. It is important to note that a development phase grant award does not guarantee that you will receive a delivery phase grant award.

Applications with a combined development and delivery request of between £250,000 and £5million are decided on by committees in Northern Ireland, Scotland, Wales and England.

We require 12 weeks to assess your application. Once assessed your application will go to the next scheduled meeting of the relevant committee.

Our decision makers use their judgement to choose which applications to support, taking account of our investment principles and the strength of the project proposed.

Receiving a grant

Please refer to our application guidance for National Lottery Heritage Grants from £250,000 to £10million for full information.

Varied terms of grant for Heritage Enterprise projects

Contract term

The terms of the grant will last from the start of the project until **10 years after project completion**, including if your project involves buying land or a building.

If, after the completion of the project, you wish to dispose of any building that was part of the project, you must ask for our permission. If the grant-aided asset is sold we will expect to share in the proceeds of the sale. The exact amount we will expect to be reimbursed will depend on three factors:

1. Whether or not the value of the sale exceeds the value of our original grant. The basis for the repayment will be the higher figure of either the value of the sale, or the value of grant.
2. If the value of sale exceeds our grant, we will expect repayment equivalent to the proportion of total project costs that we contributed.
3. The length of time that has elapsed since project completion.

We will operate a fixed sliding scale for repayments, which declines over time:

Year of contract	Repayment
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%

In summary:

- If value of sale > value of grant, repayment = value of sale x our % of project costs x sliding scale based on years since project completion.
- If value of grant > value of sale. repayment = value of grant x sliding scale based on years since project completion.

Maximum grant

The maximum grant you can apply for is 90% of the conservation deficit, plus a contribution towards activity costs. An example of how to estimate the conservation deficit is set out in the Conservation deficit calculation section.

Developer's return

We allow developers, whether within the not-for-profit or private sectors, to make a reasonable return on their investment. The maximum allowed is 15% of the capital costs, including fees, contingency and inflation. More information can be found in the Developer's return section.

Emergency capital works and meanwhile uses during development phase

As noted above within the 'Capital work during your development phase' section below, you can apply for a limited amount of grant to support capital expenditure during the development phase of your project. The amount you apply for should normally add up to no more than 10% of your anticipated delivery phase grant request.

Interest payments on capital loans

If your organisation has had to take out a loan as a partnership funding contribution to this project, the loan interest can be included as an eligible cost within your project costs table.

Development appraisals

Conservation deficit

The Heritage Enterprise process is designed to help bridge the funding gap that prevents a historic asset in need of repair from being returned to a beneficial and economically viable use. The case for grant funding will depend on there being a conservation deficit. This is where the existing value of a heritage asset plus the cost of bringing it back into use is greater than the value of the asset after development has been completed. The conservation deficit is calculated by the preparation of a development appraisal.

An example of a conservation deficit calculation is given below.

1. The conservation deficit and costs figures should be used to fill in your project costs table.
2. The amount of the increase in the value of the asset should be included as a

cash contribution in the delivery phase income table. This should be a separate entry.

Development appraisal

A development appraisal is a financial cash flow calculation that considers all of the expenditure and income in the development process. It is essentially an accounting procedure that is widely used throughout the property and construction industry to assess the:

- viability (profitability) of development schemes
- funding gap where no profitability exists
- degree of risk
- residual value of the building or land prior to development

The purchase price of the building or site should be the open market value, if such a transaction is required as part of the development process.

The process for assessing the viability of a development scheme is as follows: all of the costs of undertaking the development, as well as a reasonable return for the developer, are deducted from the market value of the completed development (based on the likely capital sales value or rental income and investment yield). The remaining sum is the residual value of the building or land.

If this sum has a positive value, then the scheme is potentially viable and no grant funding is required. On the other hand, if this sum is negative – if a funding gap is identified - then a grant may be justified, but only to cover the conservation deficit (ie sufficient to bring the residual value up to zero) plus the costs of managing and maintaining the building or site over a reasonable period (eg five years).

However, the calculation of the market value of the completed development and the estimation of all of the development costs can be very complicated. A number of variables can affect the calculations, including amongst other things:

- the rate of inflation
- price fluctuations in the property sales and rental markets
- the cost and availability of finance
- other development activity in the area, including the provision of infrastructure

Therefore, despite there being a number of proprietary tools to help with the preparation of development appraisals, you are strongly advised to seek professional help from a RICS (Royal Institution of Chartered Surveyors) registered valuer or your developer partner. You can include the costs of this work in your development phase application.

Developer’s return

In order to encourage commercial investment in the repair and development of historic buildings and sites, developers are allowed a reasonable return on their investment. This ‘profit’ should be included as a project cost when calculating the development appraisal and filling in your project costs table. The degree of profit, and the way in which it is calculated, will be judged according to a number of factors, including:

- the degree of risk taken
- the nature of the development (duration, complexity, location)
- the stability of the target market

In order to ensure the potential for private gain is outweighed by public benefit, we will not accept a profit which exceeds 15% return on project delivery cost even where the risk to the developer is high. We do not distinguish between the different organisations that make up the project partnership. A reasonable rate of return will be allowed for each project partner, whether they are a not-for-profit organisation or a private for-profit organisation.

Due diligence assessment

You will need to provide us with a development appraisal in time for your RIBA work stage 2 review. As part of our assessment process, your development appraisal will be subject to professional scrutiny in order to work out whether:

- the level of grant sought is appropriate (as determined by the conservation deficit calculation)
- the degree of developer’s return is fair and reasonable

We will contact you to discuss your delivery phase application if we have any questions on the calculations in your development appraisal. We may ask you to adjust your delivery phase grant request, or we may reject your application if we do not accept your development appraisal, so you are strongly encouraged to get appropriate professional help to prepare it.

Viability appraisal

You are required to submit a viability appraisal with your development phase application. This is a relatively short statement that includes a brief assessment of your heritage building or site, its condition and the options for potential new uses. It should also consider in outline the costs of repair and adaptation, as well as providing a reasonable estimate of the market value of the heritage asset when the work is completed. The viability appraisal should contain enough information to make a convincing case for a conservation deficit and the need for a grant. Detailed cost calculations are not required at this stage.

You may decide you need professional advice to assist with the preparation of your viability appraisal. You can apply to us for a grant to help cover the costs of preparing your viability appraisal. Other organisations also offer grants for this kind of work, for example the Architectural Heritage Fund.

Conservation deficit calculation example

An example of how to estimate the conservation deficit is set out in the following table:

*percentages used are for illustrative purposes only. Please seek professional advice on appropriate percentages to include.

Capital	Values £	Totals £	Subtotal checks
Starting property value	50,000	N/A	N/A
Conservation	N/A	1,400,000	N/A
New build	N/A	120,000	N/A
Other capital work	N/A	18,000	N/A
Equipment	N/A	36,000	N/A
Finance	N/A	80,000	N/A
Subtotal	N/A	N/A	1,654,000
Fees @ 15%	N/A	248,100	N/A
Contingency @ 10%	N/A	190,210	N/A
Inflation @ 5% of capital	N/A	91,105	N/A
Subtotal (capital costs)	N/A	N/A	2,183,415
Developer’s return at 10% (of capital costs, fees, contingency and inflation)	N/A	218,341	N/A
Total capital costs	2,401,757	N/A	N/A
Final value of property (after completion of works)	650,000	N/A	N/A
Increase in value (final value – starting value)	600,000	N/A	N/A
Conservation deficit (total capital costs – increase in value)	2,401,757 – 600,000	1,801,757	N/A
Grant request (max 90% of conservation deficit)	N/A	**1,621,581**	N/A

Project cost tables

Using the figures from the conservation deficit calculation example, you will need to complete our costs tables as follows:

Delivery phase capital costs

Cost heading	Description	Cost £	VAT £	Total £
Repair and conservation work	Repair work Masonry repairs Lime plastering	1,166,666	233,334	1,400,000
New building work	Fit-out as flexible workspace	60,000	0	60,000
New building work	Extension to provide access	60,000	0	60,000
Other capital work	Digital interpretation	15,000	3,000	18,000
Other (include finance costs here if agreed with your Investment Manager)	Maximum of 5 years' financing costs for loan of £600,000	80,000	0	80,000
Professional fees relating to any of the above	Fees 15%	206,750	41,350	248,100
Professional fees relating to any of the above	Developers' profit at 10% of capital costs, fees, inflation and contingency)	N/A	N/A	218,342
Total costs	N/A	N/A	N/A	**2,120,442**

Delivery phase activity costs

Cost heading	Description	Cost £	VAT £	Total £
New staff costs	N/A	N/A	0	0
Training for staff	N/A	10,000	0	10,000
Paid training placements	N/A	N/A	0	0
Training for volunteers	Training for 1 year	5,000	0	5,000
Travel for staff	N/A	N/A	0	0
Travel and expenses for volunteers	N/A	N/A	0	0
Equipment and materials	Educational resources	5,000	0	5,000
Other	Safety equipment, public liability	5,000	500	5,500
Professional fees relating to the above	N/A	N/A	0	0
Total costs	N/A	25,000	500	**25,500**

Delivery phase – other costs

Cost heading	Description	Cost £	VAT £	Total £
Contingency*	Calculated at 10% on capital works. 0% other costs	N/A	N/A	192,760
Inflation*	Calculated at 5% on capital works, activity costs and fees	N/A	N/A	92,380

Cost heading	Description	Cost £	VAT £	Total £
Increased management and maintenance costs (maximum 5 years)	Additional costs for 5 years	50,000	N/A	50,000
Total delivery costs	N/A	N/A	0	**2,481,082**

***Percentages for contingency and inflation are given are for calculation purposes only and need to be assessed at the point of application.

Delivery phase income

Source of funding	Description	Secured?	Total
Cash fundraising/reserves (specify sources as listed in the application form)	Applicant contribution and fundraised income	Yes	184,501
Cash – increased property value. You will need to separately identify the estimated increased value of your property at project completion as a cash contribution, whether you have secured a loan or not	5 year loan against increase in value of property (Final valuation – starting valuation)	No	600,000
Increased management and maintenance	Additional management and maintenance costs for 5 years	Yes	50,000
Grant request (67%)	90% of conservation deficit + 100% of activity costs	N/A	**1,646,581**
Total income	N/A	N/A	**2,481,082**

Delivery phase financial summary

Cost category	Amount
Total delivery costs	£2,481,082
Total delivery income	£2,481,082
Delivery grant request (rounded down to the nearest £100)	£1,646,581
Delivery grant percentage	67%

Capital work during your development phase

Under the Heritage Enterprise process, you can apply for a limited amount of grant to support capital expenditure during the development phase of your project. The amount you apply for should normally add up to no more than 10% of your anticipated delivery phase grant request.

We will only consider funding capital work during the development phase if you already own the building or site and where works are classed as either:

- urgent repairs, or
- meanwhile uses

You will need to provide a full breakdown of capital work in the detailed cost spreadsheet submitted with your development phase application.

Urgent repairs

When we say urgent repairs we mean works that are necessary to prevent the further deterioration of the heritage asset during the development phase of the project (ie up to a maximum of two years). These can include:

- urgent stabilisation works, such as the propping of collapsing masonry or the temporary fixing of a roof
- other works to ensure a building is weathertight, such as the fixing of blocked/broken guttering and downpipes, and the temporary boarding of windows and other openings
- measures to improve the security of the site, such as fencing and the installation of proprietary security grilles
- the clearance of rubbish and debris where it poses a significant threat to the stability of the site. You may need the help of an appropriate professional to ensure the works are reasonably specified and are the minimum necessary.

Meanwhile uses

Meanwhile uses are defined as the temporary use of vacant buildings or land for a beneficial purpose whilst planning and development work is underway to bring them back into commercial use. Our research has demonstrated that it is particularly important for community-led regeneration initiatives to maintain momentum and support during project development.

Our support for capital works during your development phase will allow you to introduce meanwhile uses in, on or adjacent to your heritage site (such as a café, shop, exhibition space or cultural venue) while you develop your main project. Through these uses, momentum can be created and maintained in a variety of imaginative ways, like, for example, the use of ‘pop-up architecture’ to provide low cost temporary structures or spaces which provide homes for new businesses for an interim period. Such initiatives also increase the visibility of your project, encouraging more people from your local community to get involved. This kind of innovative approach can help you increase your chances of securing a viable and sustainable future for your conserved heritage.

Glossary

Activities: We describe anything in your project that isn’t capital work as ‘activities’. Often these will be activities to engage people with heritage.

Back-to-back agreement: The terms of back-to-back agreements can vary, but generally they involve a local authority using its compulsory purchase powers to acquire property and dispose of it to a developer (e.g. a Building Preservation Trust) in return for the developer undertaking to carry out the development (at the developer’s expense) and indemnify the local authority’s costs.

Capital work: Capital work includes any physical work such as conservation, new building work, creating interpretation or digital outputs, or buying items or property.

Conservation deficit: This is where the existing value of a heritage asset plus the development cost is greater than the value of the asset after development has been completed. For Heritage Enterprise applications, the conservation deficit is used to calculate the amount of grant requested.

Conservation plan: This document helps you to understand why your heritage is important and to whom. It helps you take an overall view, and it sets out a framework of policies that will help you make decisions about how to look after your heritage whilst ensuring it continues to be used, enjoyed and made accessible.

Delivery-grant request: The amount of money you request from us towards your delivery phase.

Delivery phase: This is when you carry out your project.

Development appraisal: This document is essentially a financial cash flow calculation that considers all of the expenditure and income in the development process.

Development-grant request: The amount of money you request from us towards your development phase.

Development phase: This is when you develop your delivery phase application.

Digital output: We use the term 'digital output' to cover anything you create in your project in a digital format which is designed to give access to heritage and/or to help people engage with and learn about heritage. Examples include a collection of digital images or sound files, an online heritage resource or exhibition, or a smartphone app.

Direct project costs: All the costs that are directly incurred as a result of your project.

Investment principles: The four principles that guide all of our decision making under Heritage 2033, our 10-year strategy. You must take all four investment principles into account in your project application. The strength of focus and emphasis on each principle is for you to decide and demonstrate.

Lead applicant: If you are applying as a partnership, you will need to nominate a lead applicant who will submit the application on behalf of other organisations in the partnership. If the application is successful, the lead applicant will be bound into the terms of grant and receive grant payments.

Management and maintenance plan: This document sets out what maintenance and management you need to do, when you will do it, and who will do it. It also tells us how much it will cost and how you will monitor the work.

Meanwhile uses: Meanwhile uses are defined as the temporary use of vacant buildings or land for a socially beneficial purpose whilst planning and development work is underway to bring them back into commercial use

Output: Outputs are the things that your project will produce, such as a book, a new exhibition, a workshop, or conservation work to a building.

Partnership funding: This is how we describe your contribution to your project. It can include cash, non-cash contributions and volunteer time.

Pop-up architecture: This term refers to temporary new buildings and spaces within existing buildings that are relatively quick and simple to construct, affordable, adaptable and designed for short term usage only. They generally involve the use of cheap materials, such as plywood and softwood timber, to create useable spaces.

Project business plan: This document sets out the financial and organisational aspects of your project. It is not the same as your organisation's business plan.

Project completion: This is the date that we make our final payment and are satisfied that the approved purposes of the grant have been met. The standard terms of grant will last for 10 years from this date.

RIBA work stage: A numerical outline plan from 1 to 7 which organises the process of managing and designing building projects and administering building contracts into a number of work stages, as defined by RIBA (Royal Institute of British Architects). An alphabetical plan was previously used (from A to L).

Special purpose vehicle (SPV): An SPV is a legal entity set up for a temporary period for a specific purpose. For example, a Building Preservation Trust might wish to set up a new organisation in partnership with a private sector company, solely for the purpose of delivering a project that brings an historic building back into productive use. The new organisation could be an SPV.

Viability appraisal: A relatively short statement that includes a brief assessment of your heritage building or site, its condition and the options for potential new uses. It should also consider in outline the costs of repair and adaptation, as well as providing a reasonable estimate of the market value of the completed development.

Contact us

If you have a question about our funding, please get in touch.

If you require further help with your application, find out more about the types of assistance and support we can provide.

If you want to find out about our complaints process, please visit our Customer Service page.

Guidance updates

We will regularly review this guidance and respond to user feedback. We reserve the right to make changes as required. We will communicate any changes as quickly as possible via this webpage.

Heritage Enterprise viability and development appraisal guidance

30/01/2024
30/01/2024
See all updates
This guidance is for those applying for grants through the Heritage Enterprise programme. It explains the purpose of viability and development appraisals and will help you to prepare or commission these appraisals. It should be read in conjunction with the main Heritage Enterprise application guidance.

Introduction

The Heritage Enterprise programme is for projects that seek to achieve economic growth by investing in heritage. It is primarily for enterprising community organisations and partnerships between commercial organisations and community organisations, to help them rescue neglected historic buildings and sites and return them to a viable productive use.

Heritage Enterprise is designed to bridge the funding gap that prevents a historic asset in need of repair from being returned to a beneficial and commercial use. The case for grant funding will depend on there being a **conservation deficit**. This is where the existing value of a heritage asset plus the cost of bringing it back into use is greater than the value of the asset after development has been completed.

By closing the gap (meeting the conservation deficit) we hope to encourage greater private sector involvement with many Heritage Enterprise projects, working in partnership with community organisations to deliver commercially viable projects. The involvement of the private sector is not mandatory, but it is encouraged.

Funding the conservation deficit

Applications for grants through the Heritage Enterprise programme will be considered solely on the basis of the conservation deficit and not on the applicant’s inability to fund a commercially viable scheme. You will need to provide an indication of the conservation deficit by submitting information from a **viability appraisal** in your development-phase (first-round) application. The conservation deficit will then be calculated through the preparation of a **development appraisal**, after the award of a development-phase pass.

You are strongly advised to seek professional help from a RICS (Royal Institution of Chartered Surveyors) registered valuer or your commercial partner to prepare both your viability and development appraisals.

You can apply to us for a **grant to help prepare the viability appraisal** before you apply for a Heritage Enterprise grant. You can include the costs of preparing a development appraisal in your development-phase application.

As part of our assessment process, your development appraisal will be subject to professional scrutiny in order to work out whether:

- the level of grant sought is appropriate (as determined by the conservation deficit calculation)
- the degree of developer’s return is fair and reasonable

We will appoint our own National Lottery Heritage Fund appraiser to work with your own development appraiser to agree on the conservation deficit calculation and the amount of grant sought at delivery-phase (second-round).

What are viability and development appraisals for?

Both serve the same purpose: to calculate the conservation deficit. They are carried out at different times in the grant application process.

Viability appraisals

A viability appraisal is part of the application for the grant development phase of your project. It should:

- Consider the various options for a sustainable end-use for your building or site
- Provide an initial broad idea of the costs, values and likely size of the conservation deficit
- Show that the development-phase application falls within the scope of the Heritage Enterprise programme, and the amount of grant applied for is appropriate

Development appraisals

A development appraisal is part of the application for the grant delivery phase of your project. It should:

- Identify the proposed end-use for the building or site, and clearly explain why it is the preferred option
- Provide a fully detailed estimate of construction costs, overheads and developer’s return

- Clearly identify the market value of the completed development, and hence the amount of grant actually needed to cover the conservation deficit

The National Lottery Heritage Fund appraiser and investment manager will confirm whether the amount of grant applied for in your delivery-phase application is appropriate, on the basis of the information in your development appraisal.

Why viability and development appraisals are important

Viability and development appraisals are a key part of the business planning process for you (the grant applicant) and The National Lottery Heritage Fund as a funder. At their most basic, they are a financial cash flow calculation that considers all of the expenditure and income in the development process in order to identify the conservation deficit. Yet they can be much more than just a calculation.

The information in viability and development appraisals can help you to:

Plan and manage your project

Appraisals and appraisers sit at the heart of good business and project planning. An appraisal should not be seen as a one-off ‘tick box’ activity in the process of obtaining a grant. It records all of your ideas and assumptions at the time you apply for a grant. It also allows you to keep track from where you started, test your assumptions and different scenarios, change estimates into actual amounts, and learn from the process of change and adapting to circumstances. An appraisal is also a vital tool for managing projects to a successful conclusion, especially when circumstances, costs and other key variables start to change - as they often do.

Identify project costs

It is not easy to anticipate heritage costs with any degree of certainty, but if you fully understand the repair and development costs at the outset, you have a better chance of predicting the financial need and ensuring your project is commercially viable.

Raising finance

As your Heritage Enterprise grant is only designed to help fund the conservation deficit, it is likely that you will need to raise finance from other sources to undertake and complete your project. By clearly identifying the costs and end value of your project, and by demonstrating its commercial viability, good quality appraisals can help you successfully apply for loans/grants from other sources.

Complete your Heritage Enterprise application forms

Your appraisals will help you produce the information you need to complete your development- and delivery-phase applications. For example, when you think about the options for the end-use of your building or site, you will assess how they will deliver against the National Lottery Heritage Fund investment principles.

Finding the right development appraiser

Development appraisers must be capable of looking beyond the raw numbers of appraisals and the two points in the project cycle when you have to submit your appraisals to The National Lottery Heritage Fund.

Your development appraiser must also be capable of:

- understanding and interpreting the complexity of what is contained in the appraisal ‘result’
- communicating to you (the client, and your partners and stakeholders) the implications of the appraisal ‘result’, and suggesting the actions that are needed to ensure the project becomes and remains viable
- translating the appraisal ‘result’ into a clear recommendation to The National Lottery Heritage Fund on the amount of grant needed
- negotiating and communicating with the National Lottery Heritage Fund appraiser and investment manager, on your behalf

It is extremely important you appoint the right person to prepare the appraisal for you. For further advice, see Tips on recruiting a development appraiser (part 10).

The role of the National Lottery Heritage Fund appraiser

National Lottery Heritage Fund appraisers will:

- scrutinise and validate the development appraisal submitted by you
- make recommendations to The National Lottery Heritage Fund on whether to make the grant award, in full or in part
- advise The National Lottery Heritage Fund whether the award should be subject to any conditions

National Lottery Heritage Fund appraisers are not responsible for doing the appraisal for you, but they will also have a role as ‘light touch’ enablers. They will want to ensure that you and your advisers have adopted a development appraisal methodology that is appropriate to the scale and type of your project.

Preparing your viability and development appraisals

The Heritage Enterprise application guidance provides a clear step-by-step guide to the process of making an application and presents an overview of the information required in the viability and development appraisals.

This guidance contains a template (section 9) for both the viability appraisal and the development appraisal, setting out the structure of each report. It explains what should be included in each section and how to obtain the information required.

Your development appraisal should follow the same basic template as your viability appraisal but in much more detail. The sections below highlight some key questions that you should think about when completing your development appraisal.

Your aim is to help the National Lottery Heritage Fund appraiser make a sound judgement on the strength and credibility of your organisation, your development appraisal, and ultimately your delivery-phase application.

When you are preparing your development appraisal, remember that it is more than just a calculation. It is part of the process of ‘telling the story’ of the project. Our evaluation guidance has useful sections that are relevant to both the project planning stages, as well as evaluating your project once it is complete.

Doing the development appraisal

The worked example in the Heritage Enterprise application guidance shows you the basics of a residual valuation method of calculation. This method will give you a ‘result’ that will tell you whether the project can break even or better, or make a loss. If it’s a loss, then the Heritage Enterprise grant comes into play to make up the loss (ie fund the conservation deficit).

Your own development appraiser will advise you on any other appraisal techniques you might need to use, but typically you could structure your own project planning and development appraisal around the following elements:

Options analysis / Economic impact appraisal

In the viability appraisal, you are asked to show that you have considered a range of options and selected the one which will deliver the optimum viable use that is appropriate for the heritage asset concerned. At the more detailed development appraisal stage, this process needs to be revisited to ensure that your early assumptions about different possible options still hold good. Is the preferred way of carrying out the project still the right one, or should other new alternatives also now be considered?

The options analysis method

This can be quite simple or very complex. Your development appraiser, in consultation with the National Lottery Heritage Fund appraiser, will need to tell you how detailed the options analysis should be (depending on the size and complexity of your project) and whether there are a sufficient number of genuinely significant alternatives that should be tested.

The main purpose of the options analysis

This should compare alternatives (looking at a maximum of three options in detail) and decide which is most likely to:

- achieve the desired outcomes – usually qualitative effects
- deliver the required outputs – usually quantifiable results
- ensure that the project cost is affordable and considered to be good value to society at large

This will apply for both simple and complex appraisals.

What the National Lottery Heritage Fund appraiser wants to see

The National Lottery Heritage Fund appraiser will want to be convinced there has been a robust process that has resulted in a well-considered case for selecting the preferred option, which also enjoys support across the project partners and their stakeholders. Your options analysis should:

- aim to look at all aspects of the project systematically and comprehensively, both for your preferred option and any options that you decide to discard
- provide a process for engaging all the key players involved in a project, in making their judgments of the relative importance of one option over another
- be used to bring together the stakeholders and, using the evidence produced by the analysis, it should help you to reach a consensus or majority agreement, or adapt the project to accommodate different priorities and objectives

Economic impact appraisal

We will want to assess the economic impact of your project to estimate its contribution to local economic growth. To achieve this, we will need you to provide certain basic information as set out in Section 4 of the template below. You will need to consider whether the economic outcomes of your project are **additional** (resulting in new economic activity) or are the result of **displacement** (moved from another part of the town/city) or **deadweight** (would have happened anyway, irrespective of the National Lottery Heritage Fund project).

As part of your local consultations, you should be in touch with local business people in the vicinity. Talk to them about how well they are doing, for example:

- Business turnover
- Footfall they have going past their premises
- Range of goods and services they are providing
- Number of people they employ

Take note of these, and discuss with the local business/es, either individually or collectively, what kind of changes they could imagine happening as a result of your project. Some of these may be quite precise and quantitative; others may be more subjective and qualitative. Both are good and can be written up as a story of what you hope will happen.

You could also include businesses who may become significant suppliers of services to the completed development.

You can then revisit your story, as the project proceeds, as part of the ongoing and post-project completion evaluation. Individual stories of business change should be captured and publicised, as the act of publication can also be a stimulus for more business investment and activity. Our evaluation guidance has useful sections on who to ask, how to ask, and what kind of questions.

Private sector - investment valuation/discounted cash flow

Your appraiser will need to calculate the value of any part of the scheme that generates a rent or other income to see how much private finance can be brought into the project, before you can work out the conservation deficit and how much grant you will need.

Your appraiser might use an investment valuation based on the future anticipated rental income, user financial strength and lease lengths based on comparable market rates where it is proposed to lease the building to one or more occupiers. The market valuation should conform to RICS Valuation – Professional Standards (the 'Red Book').

Alternatively, a discounted cash flow of relevant costs and income from services may be needed to show the investment value created. This should include:

- **relevant costs** – for example, normal costs that are judged to be appropriate to the type of use, user agreements, service activity, management, maintenance and sinking fund costs
- **relevant income** – for example, from sales, licences, bookings

Although the contract between you and The National Lottery Heritage Fund only lasts for 10 years, the valuation period should not be limited to the duration of the contract.

The following two ‘extra-over’ costs are added to the total delivery costs after the calculation of the conservation deficit, but **before** the calculation of the amount of the Heritage Enterprise grant (ie there should be no net effect on the valuation):

- **Increased management and maintenance costs** are allowed as a grant for the first years of occupation, up to a maximum of five years.
- **Activity costs** are allowed as a grant for the duration of the National Lottery Heritage Fund contract.

Whole-life costing

The future management and maintenance costs of the building will need to be calculated, both for the five-year period when any increased management and maintenance costs can be accounted for in the grant award and for the very long term. Major elements of the building will need repairing and replacing. Historic buildings will probably have more complicated futures, so this is particularly important for you.

You may need to do an assessment on a bespoke basis for your building, with a specialist, rather rely than on standard financial models. This will be an important part of Supporting Document 32 - The **management and maintenance plan**, as well as providing information for Supporting Document 21 - **Income and spending forecasts** for first five years and/or Supporting Document 33, The **project business plan** for grant requests over £2m.

Where a building is to be leased, the management and maintenance plan will need to clearly indicate who will be responsible for arranging future repairs and maintenance and how the costs will be met – the owner (via a service charge) or the tenant (if leased on a full repairing basis).

Conservation deficit and Enterprise grant calculation

You should follow the sample calculation in the Heritage Enterprise application guidance as the template for calculating the conservation deficit. You should ensure you are familiar with the project costs that The National Lottery Heritage Fund can cover. The guidance describes the different categories of cost but does not define standards or the scope of all the costs. They remain a matter of judgement for the applicant and their professional team, as well as for the National Lottery Heritage Fund appraiser. However, for the purposes of the Heritage Enterprise programme, it should be assumed that The National Lottery Heritage Fund defines reasonable project costs to include all works of repair and development up to a basic fit-out.

Reasonable costs must relate to the primary objective of doing whatever is necessary to restore and safeguard the heritage and to achieve the project and National Lottery Heritage Fund outcomes. Specifically:

- Repair and conservation work, which may include the costs of work to repair, restore, reinstate lost architectural features, or conserve the heritage building fabric and its setting (but does not include fittings and equipment).
- New building work, equipment and materials, which may include the costs for basic fittings and equipment to make a building useable and marketable. These should be focused on the creation of value and the cost-efficient use and management of the building to support the activities that justify the commercial investment, and grant aid to the heritage.

In some markets, it is recognised that basic fit-outs, fittings and equipment may have to be more extensive in order to attract and retain occupiers and thus maximise the economic development potential of the project. You will need to show how you have reached the right balance between costs that should be borne by the occupier and the conservation deficit.

The amount of the increase in the value of the heritage asset before and after project completion will need to be identified as a cash contribution and separate entry in the funding table on your application form (Table 6g Delivery-phase income).

Completing the development appraisal

The appraisal should include the four elements described above. Where more detailed background information is provided in the supporting documents, these should be clearly referenced to help the National Lottery Heritage Fund appraiser find any supporting evidence needed.

As standalone Supporting Document 1, the development appraisal draws on other supporting documents for key inputs, including:

- Project timetable
- Cash flow forecast
- Income and expenditure for the first five years
- Project costs spreadsheet
- Full cost recovery calculation
- Project business plan (for grant applications over £2m)

The conservation deficit and Heritage Enterprise grant calculation should be accompanied by explanatory text to ensure the National Lottery Heritage Fund appraiser has the fullest possible picture of the project. This is so that a grant recommendation can be made with the minimum additional investigation or asking you for further information and clarification.

Viability and development appraisal template

This template is based on the Project Viability Grant Guidance produced by the Architectural Heritage Fund www.ahfund.org.uk. It uses the same language and lists the same requirements, differing only where additional information is required to support a Heritage Enterprise grant application.

A viability appraisal report should total no more than eight pages of A4 (not including appendices) in a standard font size. A development appraisal is likely to be much longer as it will contain more detail about your project.

Section 1 – Background

Viability appraisal and development appraisal

1. Name of organisation
2. No./Name of building, building address, postcode
3. A brief summary of the heritage significance, ie the historical and architectural importance of the building. This should not be a lengthy piece of work: just any relevant and important items that are additional to the statutory listing and may be of interest.
4. How your organisation is involved in the project. For example, were you contacted by a local council or a partnership group regarding the building? Did your organisation form specifically to rescue the building? Does your organisation have other objectives that would be furthered by taking on the building?
5. Any significant activities you have already carried out and details of any previous attempts at re-using the building. For example, have you carried out any publicity raising activities like Doors Open Day or community meetings? Do you know of previous attempts to restore the building? What were they; do you know why they failed?
6. Why the building is at risk and why now is the time to be tackling the building. Explain why the building is at risk whether on account of functional, structural, financial and/or other problems. Also, explain why now is the time to tackle the building: is the risk critical, is there funding available, would it complement another project?
7. Who is the owner? (viability appraisal) / provide confirmation of ownership (development appraisal)
8. What are the prospects for the acquisition of freehold or long leasehold? (viability appraisal only)
9. If you are already the owner, how long have you owned the building and why has the need for change of use not been pursued before now?

Section 2 - Condition of building

Viability appraisal

1. A very brief summary of the condition of the building. It can be useful to have a single sentence summing up the condition e.g. ‘The building is unsafe and represents a real and present hazard to public safety’, or ‘The building is structurally sound but requires extensive works to be made habitable’ etc. Any further information should be put in an appendix.
2. A list of any immediate repairs required to make the building safe, wind and watertight. This should be a simple list of the repairs required at a top level, not a description of each and every item. Details can be given in an appendix.
3. Rough costs of the repairs outlined above.

Development appraisal

1. A more detailed assessment of the condition of the building updated from any further survey work undertaken during your grant development phase.
2. Set out here in detail the scope of work required to address the repair and conservation needs of the building and/or site. Include a description of any urgent stabilisation works undertaken during your development phase.
3. Detailed costs of the repair and conservation needs set out above.

Section 3 - Situation and planning context

Viability appraisal and development appraisal

This section can be similar to an estate agent description of the area, except with the aim to persuade funders that the project can be successful. You should describe such things as:

- Is the building isolated or on a busy high street?
- Is there nearby parking, a train station, or is it on bus routes?
- Is the area mostly agricultural, residential, retail, offices, or industrial?
- Are nearby houses or businesses occupied and being used?
- Does the building have route access issues? Would a new road layout be needed?

Find out what the current designated use for the building/area is. Is there a local plan? You should also look out for other documents such as area action plans, development plan documents and supplementary planning documents, master plans and conservation area management plans. These are usually available at your local planning office. State what the plans mean for your project - do not quote passages word for word. Include these in the appendices if you think they are necessary.

Viability appraisal

What is the opinion of the appropriate heritage body (local planning authority, Historic England, Cadw, Historic Environment Scotland, Northern Ireland Environment Agency, and the amenity societies where relevant) on an approach to repair and conversion?

You may find it useful, depending on the uses you propose, to talk to council officials, local housing associations, estate agents, local companies etc.

Development appraisal

Set out a timetable for acquiring any necessary consents. Confirm that preliminary conversations have taken place with the necessary planning/heritage bodies and that there is general support for your proposals. Include any relevant documentation (e.g. correspondence confirming in-principle support) in the appendices.

Update in line with any further consultation you have undertaken during your grant development phase.

Section 4 - Options for use (concentrating on need and long-term sustainability)

Viability appraisal

You should only look at a maximum of three options in any detail (do not include a ‘do nothing’ option). List other options if you’ve considered them but rejected them for obvious reasons. The section for each use should cover the following elements:

A. What the potential use is. If the use is something like a community hall, state what sort of activities would take place. If the primary use is residential, tell us whether it will be social and/or community-led housing and the number of units you are proposing. State whom the end users and/or owners of the building would be. Tell us how the building will be managed.

B. A brief description of what works or interventions would have to be done to the building to enable the uses.

C. Cost of project: a rough cost of the works and interventions required

D. A discussion of the pros and cons of the project, these must show evidence of the need for the use and how the use will be sustainable in the long term. Items you may address are for instance:

- Is there a demand in the area (evidenced by market research, community engagement work, the opinion of local experts, newspaper letters, campaigns etc)?
- Have similar concerns gone out of business recently? Why? How is yours different?
- Are there similar uses in the area already? If so how many and at what distance? What is different about your proposed project?
- Do apartments sell in the area, what are comparable rents for office space etc?

E. Identify the economic development outcomes and outputs of the preferred option. Estimate:

- the amount of existing floor space brought back into use and the amount of additional floor space created (gross internal floor area/m2) and what type of business use is envisaged
- whether the economic development outcomes and outputs are likely to be added, or the result of displacement or deadweight
- the number of FTE jobs created during the construction period, in the businesses (including housing) that occupy the completed development, and for maintaining the building/site in the long-term
- the number of volunteers engaged in activities relating to the heritage of the building/site.

Development appraisal

Update with a detailed analysis of the potential options, including more thorough consideration of project costs, opportunity and demand for project investment principles and outputs, and market value of completed development. This section should identify the preferred option at the outset.

Complete an economic impact appraisal after talking to local businesses and assessing the impact your project will make on the local economic market.

Show how the preferred option will deliver against the National Lottery Heritage Fund outcomes focusing on the ones that will be achieved strongly.

Section 5 - conservation deficit calculation

Viability appraisal

This is the most important part of your appraisal as the conservation deficit calculation will determine the amount of grant you can apply for.

Follow the template in the Heritage Enterprise Application Guidance (Development appraisals) and clearly identify:

- Outline costs of repair and adaptation (as referenced above).
- A reasonable estimate of the market value of the heritage asset before and after the project is completed (prepared by a RICS qualified valuer).

If your project involves the acquisition of a heritage building or site, and you intend to include the cost of purchase in your application, it is very important that the acquisition price reflects the market value of the heritage site at the time of purchase.

This section should contain enough information to make a convincing case for a conservation deficit and the need for a grant. Whilst detailed cost calculations are not required at this stage, it is very important to ensure you have provided reasonable estimates. Costs and values will be refined within your development appraisal template, but the overall conservation deficit calculation, and hence the amount of grant requested from The National Lottery Heritage Fund, should not differ significantly between the development- and delivery-phase applications.

Development appraisal

Provide a detailed breakdown of project costs (submitted as a separate spreadsheet).

Identify construction costs, valuations, acquisition price, professional fees, other project costs (e.g. finance costs), whole-life building maintenance costs etc.

A developer's return of up to 15% of total project delivery cost can be included. Justify the percentage sought in relation to overall project risk.

Do not include activity costs and increased management and maintenance costs for the first five years (if applied for as an 'extra-over' cost as part of the grant).

Provide a market valuation of the heritage asset before and after project completion, taken from at least one valuation report, prepared in accordance with the RICS Valuation - Professional Standards (the "Red Book"). Include the valuation report in the appendices.

The conservation deficit calculation should follow the residual valuation method set out in the Heritage Enterprise application guidance. The figures should be robust and should stand up to scrutiny by the National Lottery Heritage Fund appraiser.

Please note **your delivery-phase bid might be jeopardised if the amount of grant requested is significantly higher than anticipated** in your viability appraisal and development-phase application (and where there is no reasonable justification for the increase).

Section 6 – Conclusion

Viability appraisal

Which option is the preferred choice and why? For example, is the preferred choice best value for money? Does it meet most criteria of prospective funders? How is it sustainable?

Show a breakdown of costs, possible funders, how the project meets their criteria and possible funding amounts. The project elements should be things like 'development', 'structural work', 'fit out'.

Development appraisal

Provide a brief summary based on the information provided in the sections above, concluding why the preferred option will deliver successfully against the National Lottery Heritage Fund outcomes.

Identify other sources of funding needed to complete the development. Include a fundraising strategy and timetable if not all project funding has been secured.

Section 7 – Action plan

Viability appraisal

Any immediate actions required to safeguard the building, such as erecting scaffolding, clearing gutters, providing temporary roof repairs.

Your strategy for taking forward the preferred use. How are you going to progress the project? For example which funders are you going to apply to and when?

Your strategy if the preferred use proves unviable. Is there another route if the preferred scheme proves impossible to carry out?

Development appraisal

Update this as necessary. Refer to your project business plan (if applying for a grant of over £2m) or to your project timetable and cash flow (if under £2m). Refer to your detailed project risk analysis, submitted as part of your delivery-phase application.

Section 8 – Appendices

Viability appraisal

This section should have:

- a list of all people who have been consulted with contact details where relevant

- other information pertinent to the project that further makes the case for the conservation deficit, need for the grant and the subsequent viability of the project
- any other supplementary information referred to above

Development appraisal

Include all of the documentation referred to in the sections above.

Tips on recruiting a development appraiser

Essential qualifications

This is a demanding role for a senior professional with the experience and confidence to assess complex, high profile - and potentially risky - projects.

Ideally, development appraisers should be Royal Institution of Chartered Surveyors (RICS) registered practitioners with experience of undertaking development appraisals on similar projects. Your development partner might have staff with relevant skills and abilities.

Skills and abilities

- **Range of approaches** – Appraisers will need to use a range of appraisal methodologies that assess economic, social and environmental factors, non-monetary and monetary factors.
- **Practical experience** – They should understand the regeneration or redevelopment context in which projects are being promoted and the aims of Heritage Enterprise. They should have worked on similar projects in the past.
- **Stakeholder management** – Development appraisers should understand the structure and needs of community organisations (as sole applicants or partners), all project partnerships (like commercial organisations), and any other stakeholders.
- **Creativity** – Heritage Enterprise seeks to bring together community and commercial partners to unlock the creative energies that exist in both sectors. Development appraisers must be able to contribute proactively to this process.
- **Communication** - Your appraiser will be one of the main communication links between the grant applicant and The National Lottery Heritage Fund.

Where can we find development appraisers?

Locality - the network for community-led organisations – supports a brokering programme to bring together property professionals and community enterprises.

Your local authority may have a list of firms with the relevant skills to do valuations and/or development appraisals: www.gov.uk/find-your-local-council

For RICS Registered Valuers, use the RICS ‘find a surveyor’ online search service: www.ricsfirms.com.

Web searches will help you locate professional firms or developers near you that you could approach, using this document to ensure they know what you are looking for.

How to recruit a development appraiser

- **Tender widely** - Get at least 3 competitive quotes from different organisations.

- **Interview –** Meet and ‘get a feel for’ the person who will actually work with you on a day-to-day basis.
- **Assess and judge -** It is essential that you have confidence in them, at a personal and professional level.
- **Appoint –** Select the candidate who you feel best understands the project, respects its objectives and aspirations and that you can work with.

Questions to ask potential development appraisers

Experience and qualifications

Are they RICS registered? How many years’ experience do they have as a qualified valuer or developer? National Lottery Heritage Fund expects a minimum of five years.

Which types of building have they worked on? Have they worked on other projects with a value/budget comparable to yours? Do they work alone, or as part of a team?

Technical knowledge

Do they have direct personal experience of?

- residual land value
- overage calculations
- gap funding
- clawback
- economic impact appraisal
- whole-life costing
- brokering solutions

Regeneration and economic growth

Does the appraiser have a background in development, planning or ‘placemaking’? How will they measure economic output and growth? What experience do they have of projects which seek to effect change and regeneration in local communities?

Assessing organisations and partnerships

How will they support the project? Can they take a balanced view of the project and make clear recommendations for improvement and success? Can they help you to achieve success? How?

Awareness and judgement

Does the applicant have ‘development knowledge’ (day rates for professionals, cost of materials, accurate timescales, etc)? What will they bring to the project? Will they be even-handed in their dealings with you and The National Lottery Heritage Fund? Do they have the experience and ability to advise you about what is realistic, accurate and achievable?