

GUIDANCE FOR APPLICANTS ON PROJECTS INVOLVING BUILDINGS & LAND

Some of the funds that Foundation Scotland manages can support requests towards the costs of purchasing, developing, or improving buildings or land. Such projects can bring significant benefit for the community in question. They can also be complex and can involve significant sums of funding. As with all of our grant making, we will ask for evidence of need for the project and grant, likely impact, and robust project planning in line with the size of grant requested.

Those making funding decisions often wish to know whether the grant requested will clearly contribute towards a specific element (or elements) of the overall project, and which will bring clear benefits to the users of the land or building in its own right. For example, the fitting out of the kitchen or creation of a car park. However, sometimes decision makers are happy to make a contribution towards the overall purchase or works.

The following are some of the key things that you will need to be aware of and provide information on.

Appropriate tenure

Where funding is requested towards the costs of developing or improving land or a building (including new builds), we need to know whether the applicant organisation owns, or has some other form of secure tenure over, the site. An investment in a property that is not securely owned or leased for a sufficient period of time may simply increase the value of the property to the benefit of the actual owner and risk charitable funds being used to little impact (should use of the property be restricted by the owner in some way following our grant investment).

If the applicant organisation is not the outright owner, then it must normally secure a lease agreement that ensures any development of, or improvements to, the land or building as a result of a grant from Foundation Scotland will primarily be for the benefit of the community in question. In other words that the applicant organisation and its beneficiaries will have sufficient use of the site and over a sufficient period. We also need to know whether its use will be restricted in any way. In some cases, for example where a lease does not expressly permit the type of project or activity envisaged, it may need you to gain the owner's written consent for the project and to provide evidence of this.

The length of tenure that we expect applicants to have over the site is commensurate to the size of the grant requested. Overall project cost will also be a consideration. As a guide, we would normally expect to see a lease agreement for a minimum of 10 years where our investment is £100,000 or more in value, and a minimum of 20 years where it is £250,000 or more. However, the appropriate length will depend on the nature of the project and the site in question and what exactly the grant will pay for.

Note that projects that will take place on a school estate do not require a lease agreement. However, the applicant should provide written evidence that:

- the education authority has given permission for the development or improvement to their estate
- the education authority be responsible for the ongoing maintenance and insurance of the new facility (known as “adoption”), and
- The project will provide genuine wider community benefit beyond that of the pupils alone. For example, through access to play equipment for local children outside of school hours, or through access to facilities for adult education or youth groups outside of school hours.

If your application is towards the purchase of a property we may ask you to confirm your organisation holds clean title over it by obtaining a certificate of title from your solicitor (or by another appropriate method). Similarly, if you own the property then we may need to review the title deeds or ask you to obtain a certificate of title. This will depend on the value of the grant you are requesting and isn't generally considered necessary where this is less than £100,000.

As with a lease agreement, we need to know about any unduly restrictive conditions or burdens within title deeds that may prevent the site from being used for the purpose that your organisation envisages, or that require the written permission of the owner or a third party before certain alterations are made. For example, access rights held by third parties or restrictions over the type of building that can be erected on site.

Applicants should budget for the costs of any conveyancing fees where these are required. Also, for the costs of any work that may be necessary to remediate or reinstate the site once the project comes to an end, where this is required as part of planning consent or a lease agreement.

Securing investments in property

Where a very large sum is requested towards the purchase of land or buildings, we may wish to take some form of security over the property. This may have any of the following purposes:

- Where we are offering a loan or repayable grant (zero interest loan), ensuring that this is paid back
- Ensuring that the investment is used for the purpose for which it was granted, and / or
- Increasing the likelihood that the value of some or all of investment can be recovered by Foundation Scotland in the unfortunate event of your organisation failing.

Foundation Scotland will normally seek to take some form of security over the property where the value of our investment is £100,000 or more. However, we may also seek this in relation to smaller investments.

Various mechanisms may be used in achieving this, including a standard security, assignation of rents, a floating charge, or personal guarantees. The most appropriate mechanism will be explored by the Foundation and its solicitors.

Statutory consents

In addition to any written consent from the owner of the property (where this is not the applicant organisation), the project may by law require consent(s) from relevant statutory bodies. For example, planning consent, listed buildings consent, and /or a building warrant. We expect applicants to find out whether or not these are required and provide evidence of this. For example, a letter from the planning authority. Applicants are encouraged to seek pre-application consultations with a local authority planning officer.

If any such consents are required, we will need to know whether they have been applied for and when, as well as when a decision by the relevant authority is likely. If they have not been applied for, we will expect you to have budgeted for the costs involved in any application(s) to the relevant authority.

If you have already secured any relevant consents, we will ask for a copy of the decision notice including any special conditions placed on this.

Contracting professional services

For most large projects involving improvements to land or buildings, and all those involving new buildings, you will need to contract a range of qualified professionals to design, manage and deliver the works. For example architects, engineers, quantity surveyor, builders and other trades. We need to know how these have been or will be chosen, whether the selected professionals have the correct experience and qualifications, and whether their fees represent value for money.

For larger projects, we would normally expect to see the applicant's appointed project design team carry out a procurement process for the appointment of building works contract before that is let. We will ask for a copy of a report on how this tendering exercise was conducted and the preferred contractor(s) selected.

Further guidance in this area is provided in our policy on [Evidencing Value for Money](#).

Design issues (accessibility, sustainability, etc.)

Where you are applying for funding towards the costs of a new building or significant development of / alterations to land or an existing building, we wish to know whether the project design meets the needs of your intended beneficiaries and represents good practice. For example, in relation to access, other user needs, energy efficiency and resource use (during both construction and operation of the site).

Many such design elements must meet with statutory requirements or industry standards. Nonetheless, we will ask how you (or your project design team) have consulted with the anticipated users of the site and how their views have been taken into account in the project designs. For large projects, this is commonly done as part of an 'options appraisal'. This process involves gathering information on site constraints and opportunities, consulting those who will use the facility on different design options to best meet their needs within the site and arriving at a preferred way forward. Costs and benefits will also need to be factored into this decision-making process, so as to arrive at an optimum deliverable design.

Where you are requesting funding towards the costs of a new community building or improvements to an existing one, we expect you to have taken a 'whole building' approach in relation to its energy use. This will always lead to the most cost and carbon effective solutions over the lifetime of the building (i.e., long-term value for money). Further guidance on this is available from Local Energy Scotland [here](#).

We also expect applicants for building projects to have sought an 'energy opportunities assessment' from [Business Energy Scotland](#) (BES) or a similar independent and suitably qualified professional. (BES offer this kind of support free-of-charge to community groups and charities in Scotland). This will help you to identify the most cost-effective energy saving measures for the building and can cover the design of new buildings or improvements to existing buildings. If you do not wish to have such an assessment carried out, we will need to know why before considering your funding request further.

BES can also provide access to zero interest loans with cashback grants for some energy saving measures. We expect applicants to explore whether they are eligible for this funding before requesting funding from Foundation Scotland.

We also expect applicants to consider the wider environmental impacts of their building or and project and seek opportunities to reduce any negative impacts and maximise any positive ones. Further guidance on this is provided on our website [here](#).

Value Added Tax

Registered charities can be invoiced without Value Added Tax (VAT), or at a reduced rate of VAT, for certain types of purchases (known as 'exemptions') including construction services relating to the building of new premises (but not refurbishment) for charitable use, as well as alternations to existing buildings for people with disabilities. Exempt construction services have no VAT added.

Where a new building is to be used for a mixture of charitable and non-charitable activity, a partial exemption may be possible. Calculations may be based for example on the amount of time or floorspace used for charitable versus non-charitable activity. However, specialist advice will usually be required here and early contact with HMRC is encouraged.

Detailed guidance on exemptions is given at <https://www.gov.uk/vat-charities/what-qualifies-for-relief>. To claim an exemption, the charity must provide the supplier with evidence of their charitable status; the supplier can then invoice without VAT or at a reduced rate.

If you are requesting funding on behalf of a registered charity, we will need to know whether any cost figures you provide in relation to exempt items are stated net of VAT or at a reduced rate. Charities embarking on the construction of substantial new build projects are advised to seek specialist VAT advice on the exemptions available to them.

Often, organisations owning and managing community buildings are not VAT registered as they aren't making 'business' supplies as defined in the regulations covering VAT. Letting out spaces for activities is not normally treated as a 'business' supply by HMRC. This means that if the organisation is undertaking a refurbishment, it will have to pay VAT on the refurbishment costs, which can be substantial.

However, the organisation may be able to take advantage of regulations which allow rental income to be treated as 'business', known as an 'option to tax'. This then allows the organisation to register for VAT and reclaim VAT on the costs related to the refurbishment of the portion of the space used for business purposes. The disadvantages are that VAT then has to be added to booking charges, which increases the costs for users, and the organisation will have the additional administration work required of VAT registered businesses. Again, if your organisation is planning to adopt an 'option to tax' in order to reduce building refurbishment costs, we would advise that you seek appropriate professional advice at an early stage.

Site operation and maintenance

We will ask for information on how the building or land will be adequately maintained and operated over the lifespan of your project, and how. Depending on the nature of your project and the size of your funding request, this may include:

- A realistic plan for the ongoing operation and maintenance of the site. This should include information on who will operate/maintain it (paid staff, contractors or volunteers).
- Likely annual operating and maintenance costs. This should comprise a realistic forecast of income and expenditure and show whether and when the project will 'break even', i.e. income is likely to cover expenditure.
- For buildings, the forecast should include a 'sinking fund' – money accrued annually to pay for the eventual replacement of major items (e.g. the heating system) as these reaches the end of their life.
- Where the project will take place on land owned by a statutory authority, e.g. improvements to a school playground or a local park, we will ask for evidence the statutory authority will adopt (i.e. maintain and insure) the new facility.

Evidence required for projects involving buildings or land

The following sets out the evidence of project planning that we may ask for in relation to land or buildings projects of different sizes, in line with Foundation Scotland's proportionate approach to due diligence. However, this will depend on the nature of the project and its overall cost plus the amount and proportion of funding requested. In some cases, not every item will be relevant.

For refurbishments or **minor capital works**, where the total cost is more than £3,000 but less than £75,000, the following should normally be submitted:

- Three competitive quotations for the work
- Evidence of current professional indemnity cover for all professionals involved
- A breakdown of the proposed works with costings
- Proof of tenure (not necessary for very minor works)
- Evidence of the landlord's or owner's consent to the work (if applicable)
- Evidence that relevant statutory consents are either not required, secured or have been applied for (and likely decision date).

Applications for **larger capital works**, such as new builds or significant refurbishments that will cost over £75,000, may be subject to a staged application and assessment process. We would expect most such applicants to go out to tender for the works via their Project Design Team.

In addition to the submissions required for minor capital works (above), applicants for such projects will need to supply further materials depending on the size and nature of the project. These may include:

- An options appraisal – ideally involving the current or intended users of the building, conducted before the design of the facility is finalised.
- A feasibility report
- Architectural drawings for the preferred design
- Elemental cost plans
- Details of the project design team (if already appointed)
- As appropriate (pre- or post-award), a tender report for the contract in question (e.g. appointment of design team or of building firm) including evidence that the tendering opportunity has been widely advertised or made available to relevant parties, details of the successful bidder and justification for their selection.
- Financial forecasts for the operation and maintenance of the site.