Assessing the Feasibility of a Community Asset Project

This resource looks at assessing whether your plans to acquire and/or refurbish an asset are realistic and achievable. An asset in this context is a building or land.

Feasibility is not a one-off process. You will commission work to explore the feasibility of some aspects of your plans, but decisions on feasibility must be taken by your organisation. Feasibility needs to be reassessed on a regular basis during the development process.

If you are a new organisation, perhaps one which has come together to save a local asset, it is important to set some ground rules for how you operate and take decisions. Keep notes of discussions so that there is a record of your thinking at each stage. In the long run you will need a formal structure, but during the early stages, it is enough to establish a steering group.

Problems later in the development process can often be traced back to not asking difficult questions as part of the feasibility assessment. It is important to question and challenge from the start. If you are seeking funding for an asset, your proposal is strengthened by being able to demonstrate that you went through a detailed feasibility process. It helps to demonstrate a clear rationale for development decisions.

Why do you want to acquire or refurbish an asset?

Start by establishing a clear rationale for acquiring and/or refurbishing an asset, looking at:

- What is the need for acquisition or refurbishment?
- Who will use the asset?
- What activities or services will be delivered?
- What is the social benefit?
- What would happen if the asset was not acquired/refurbished?

Are there other options which would enable you to achieve your goals? For example, would it be easier and/or cheaper to rent space in other community buildings than to acquire a building? An exercise to consider the options would help to demonstrate that all the alternatives have been explored.

The starting point is often to protect or save a local asset. There may be a tight timescale to acquire. It is tempting to prioritise acquisition without thinking in detail about future use.

This can waste time and money – you may end up with a building which does not meet the needs of the local community and does not cover its costs.

Not every building or piece of land is an asset. It can be a liability if it is in the wrong place, in poor condition or expensive to run. A heritage building may seem attractive but may not work for you if it is not possible to make the physical changes required to meet your needs or make the building accessible. It may seem a priority to save a local shop or pub, but it may be on the market because it loses money, so you need to be sure that you can operate it profitably.

Starting point

Begin by thinking about how the asset will operate once it is acquired and/or refurbished. For example, if it is a sports centre, what sports will be offered, how frequently? If you are planning a community centre, when will it be open, who will use it, what activities and services will be offered?

Use this information to draw up a "back of an envelope" income and expenditure budget. Where will income to run the asset come from? Will customers pay – e.g. for exercise sessions, refreshments in a community café, to rent space in the asset? Will there be grants or contracts covering the costs of some activities or services?

What are the costs of operating the asset? This is straightforward if you are acquiring or refurbishing an asset you already manage or if the current owner is willing to share information on operating costs. If not, can you get information on running costs from similar assets?

It may seem premature to talk about income and expenditure at this stage. However, if a realistic assessment of income and expenditure shows that you will not have enough income to run the asset, then there is no point in going further. The asset will not achieve the intended social benefits. It will be very difficult to raise capital funding if you cannot prove the asset will be viable. The "asset" may in reality be a liability which will be a drain on the organisation and could cause it to close.

Sense test your idea at an early stage. Is there community support for your plans? There are simple ways to test this out – for example through a local meeting or a poll on social media. This can also be a good method to recruit more people to get involved. Think about your plans and your local area – are there similar assets locally? If so, why is your asset project needed?

It is useful to begin drawing up your risk register at an early stage. You can find a template, worked example and explanatory notes in the Assets Hub on My Community. Think about the risks of developing the project – for example not being able to get planning permission – and those of running the asset – for example not generating enough income to cover costs. Any project involving acquiring or refurbishing property has risks. Drawing up a risk register allows you to identify the risks and consider how you can manage them. A risk register should be regularly reviewed, so that you are keeping in mind all the factors which could negatively affect your project and considering ways in which the risks could be mitigated. During the development process, some risks will be resolved, and other risks will be added.

Selecting an Asset

This section looks at the issues to explore if you are considering acquiring an asset. You can skip this section if you are planning to refurbish an asset which you already hold on a freehold or a long lease basis.

Site or Building Acquisition

In many cases, you will already have an asset in mind. Your organisation may have been established to save a heritage building, a local sports centre, the local shop or pub.

Alternatively, you may already be delivering (or planning to deliver) a local service and need suitable premises.

Asset acquisition is usually through purchase or lease. You may be seeking a community asset transfer from a local authority – there is more information in the Asset Hub on My Community about community asset transfer. Acquisition may range from acquiring the freehold or a long lease to a short-term lease or other short-term rental agreement.

Developing a specification

The first step in considering any asset is to draw up a specification of what you require. Think about the activities and services that will take place in the asset and the people who will use it.

This is important even if you already have an asset in mind. The specification helps you to decide if that asset will be suitable.

Location

- Must the asset be in a specific area, or is there some flexibility?
- Does it need to be in a busy high street location – vital for some community businesses – or in a quieter area?
- Is it important that it is close to public transport, local facilities or amenities?
- Do you need to be able to get vehicles onto and off the site?

Asset

- What floor space and layout do you need based on proposed uses?
- Do you need a large hall, spaces for one-to-one meetings, a kitchen?
- Is the asset accessible or can it be made accessible for people with mobility problems?
- What is the asset currently used for – will change of use cause problems with the local community?
- Do you need parking on site, or close by?
- If you are looking to reduce running costs through installing renewables etc., is the property suitable?

Issues to consider

Some of these will be "deal-breakers" if they cannot be resolved. Others may add time or cost to the acquisition. You will need to take legal advice on acquisition, check out planning and you may need specialist input in relation to issues such as flood risk or the physical condition of the building.

Planning and legal

- What is the current planning "use" of the asset?

- Will you need planning permission for your plans for the asset (this could be for your building or refurbishment plans or change of use)? It is not always obvious whether planning permission is required so it is important to check this out with your local planning department.
- Is the asset a heritage listed building or is it in a conservation area?
- Are there issues about parking which could make getting planning permission difficult?
- Are there any covenants, restrictions or rights of way on the property?
- Is the asset listed as an Asset of Community Value? If so, there is a legal framework governing the sale. There is information on Assets of Community Value in the Asset Hub on My Community.
- If you are acquiring a long lease (including a long lease through community asset transfer) what are the terms of the lease? Will anything in the lease restrict what you plan to do with the asset? If it is a fully repairing and insuring lease, consider future maintenance of the asset and developing a maintenance plan.
- How is the building being sold? Many assets are sold through some type of auction. Be sure that you understand the risks of bidding, particularly if you have not had time to check out issues such as planning permission and any covenants or restrictions on the property.
- Is it a community asset transfer from a local authority or other statutory body?

Physical issues

- Condition of the building including heating systems etc.
- Presence of asbestos on the premises
- Risk of flooding
- Close neighbours who might be impacted by noise
- Location, e.g. on a steep hill or in a secluded location meaning potential users may have safety concerns, close to a busy road.

Acquiring a site to build

Any site will require detailed investigations to check if it is suitable for building. You will need to consider provision of infrastructure to the site including utilities, water, sewage and drainage, roadways and paths. New developments may be subject to a Section 106 agreement or Community Infrastructure Levy so you will need to check this out at an early stage.

Purchase price

Bear in mind that there will be additional costs over and above the price paid to the vendor. There will be costs for legal work and surveys. In some cases, VAT and stamp duty will apply. An independent valuation should be obtained and the physical condition of the asset should be taken into account in the purchase price.

Refurbishment or construction

You may be considering the refurbishment of an asset which you already own (freehold or on a long lease), or you may be acquiring an asset which requires building work to bring it up to standard. You may be considering acquiring a site for a new build.

If you have a lease on a building, funders may require a minimum length of lease. Check this out at an early stage as you may need to negotiate a longer lease with the owner.

In relation to refurbishment, the approach will depend on whether you are looking to solve one or two discrete problems with the building or carry out major building work. If you are carrying out major building work, you will need a condition survey to get a clear view of all the problems with the building. Capital funders may want evidence of this to show that refurbishment works will deal with any major issues with the building and that this is appropriately costed - this might be through quotes you have obtained or working with a quantity surveyor who will cost a schedule of capital works. You may also need a mechanical and electrical survey (M&E) to identify works needed to the heating system, electrics, etc.

If you already own or operate from the property, consider the alternatives before you embark on a major refurbishment or extension programme. Are there easier ways to source the additional space you need – maybe by renting from a nearby organisation? Do you really need additional space – could you meet your needs by better management of the space you already have?

Check if planning permission is needed. Even small changes such as putting solar panels on the roof or putting up signage may need planning permission.

If you are considering one or two discrete pieces of refurbishment work, you may decide that you have sufficient skills to manage this in-house. Be sure that you specify the work clearly – see guidance in the Asset Hub on My Community around commissioning building work. Ensure that you comply with your procurement policy and, if you are using grant funding or social finance, ensure that you comply with any requirements of the funder.

For larger projects to refurbish, extend or build, you will need to employ an architect to prepare designs and scope out the work. You will need other professional input around costing the work etc. There is guidance in the Asset Hub on My Community around commissioning professional services and the role of the client. Again, ensure that you comply with your procurement policy and the requirements of your funders.

When working with professionals, it is important to remember that their expertise is in buildings – yours is in operating this type of building. If you don't have this experience, visit similar projects to get an understanding of the practicalities. Make sure you ask questions and assess how the designs will work in practice. It is easier to make changes before work starts than during the building work or afterwards. Some things to consider are:

- How will people access the building during the day? Designs often have some sort of reception – but is that realistic given your likely staffing/volunteering? If you are not planning a staffed reception, you may need information boards and signage.
- How will people access the building in the evening? Do you need a key card or secure box system? Do you need to zone areas of the building to restrict access?
- Can the building be made physically accessible for people with mobility problems? There is more information on this in the DEI hub on My Community.
- If you work with children or vulnerable adults, do you need areas of the building that are self-contained? That may mean extra security measures, additional toilets and kitchen areas.
- Are there areas that need to be close to each other? Obvious ones are kitchen and seating area if you are running a community café. Another example is rooms for one-to-one meetings needing to be close to a waiting area.
- Consider how each area will be cleaned. High windows and ceilings can be problematic.
- What security measures will be installed to the building? Will your staff and volunteers require strength or reach to be able to open and close the building?
- Are heating controls are easy to operate, particularly if the building will be operated by volunteers?

Funders of your asset project will want to know exactly what their funding is paying for. It can be helpful to put together a table showing the different elements of the work and what they will cost. Be as specific as you can. Some funders will not accept general estimates such as refurbishment costs per square metre. Others will be interested in covering the cost of a particular element of the building work. The costs will also include:

- Professional fees if you are using an architect and/or other professionals – these fees are usually around 15% of the build cost.
- Contingency – this is to cover any unanticipated costs once the build is underway. You should carry out all the necessary surveys prior to going on site, but there can still be surprises, particularly if you are refurbishing an older building.
- Inflation – raising significant levels of capital funding takes time and prices rise during that time. Including an allowance for inflation should ensure that you have sufficient funding when you go on site
- VAT if you cannot recover it. VAT is complex, particularly in relation to build projects. It is important to take specialist VAT advice.

Part of your research on potential funders should be checking out their policy on contingency and allowances for inflation. Some funders have specific expectations of the amount they will allow for contingency and/or inflation.

Project Plan

At an early stage, it is useful to develop a project plan which sets out the steps required to deliver the project with timescales.

A project plan will generally be set out in stages with the milestones to be reached at each stage. It should also include the timescale and costs for each stage. The complexity of the plan depends on the scale of the project. You can find guidance on the stages of a project plan on the Asset Hub on My Community.

Think about the sequence in which things need to happen. Your professional advisers will be able to advise on technical issues related to a building project. For example, if you are a new organisation, you may need to establish your legal form before you can apply for funding for development costs. You may need to carry out various surveys before you can get planning permission. You may not be able to apply for capital funding for acquisition or building work until you have planning permission and a longer term lease.

A project plan is not just about delivery of the capital project, it is about all aspects of the feasibility of the project. Your initial feasibility will have made assumptions about activities at the asset, users, income, expenditure. As you develop the project, you should carry out further research. This may alter your assumptions, and you may need to rethink the long-term viability of the project. The earlier you identify issues with long-term viability, the easier it is to make changes.

The project plan should allocate responsibilities. You may decide to have one or more sub-committees to progress particular aspects of the work – for example liaising with the professional team, fundraising, community involvement and consultation. In larger organisations, management of the process may be delegated to staff, but the board/management committee should scrutinise the project at the end of each stage and decide whether to proceed.

The board/management committee decision at end of each stage about whether to proceed further should not just be a rubber-stamp. The board/management committee should consider the information in depth and ask difficult questions. A project may seem viable initially, but with further research it proves not to be. For example, building costs may be substantially higher than anticipated, physical limitations of the building may preclude some activities or services, there may not be enough community support. Although it is a difficult decision to make, if the project is not viable it should not proceed.

Finding Funding

One of the greatest challenges for a community asset project is raising sufficient funding to cover capital costs, including the costs related to determining the feasibility of the project. Funding options include.

Public Sector grants

These may be from central, national or local government or from other parts of the statutory sector. A recent example of central government funding for community assets was the Community Ownership Fund which closed to new applications in 2024. New initiatives of this type are well publicised.

Grants from local authorities may be linked to community asset transfer of buildings. Some local authorities run more general grant funding schemes which are publicised locally and often have a community focus.

Capital funding may come through regeneration initiatives and funds managed by local authorities such as Section 106 and the Community Infrastructure Levy. This funding is not usually based on an open application process, so it is important to share your plans with stakeholders.

Grants from charities and foundations

There are many grant-making charities and foundations that provide funding for community organisations. Each funder has their own criteria setting out what they will fund. Some funders concentrate on a specific geographic area, others are interested in funding work to address a particular issue such as homelessness or substance misuse. Many funders will only support charitable activity – in most cases this does not mean that the organisation must be a registered charity. If your project is for community benefit but is not a charitable activity, for example community ownership of a pub, it may be more difficult to raise grant funding.

Most grant funders are over-subscribed, and many will not consider applications outside of their published criteria. It is important to research each funder you plan to approach and develop an application which clearly demonstrates how your proposal fits with their criteria. Most grant funders will not accept general appeals for funding. Take advantage if a grant funder offers the opportunity to ask questions or have a discussion before submitting an application. This can help you to understand their priorities and processes. If your project is not a good fit for their fund, it can avoid the work of preparing an application which will not be successful.

The National Lottery operates in a similar way to a charity or foundation but is an executive non-departmental governmental body. There are a range of distributors of National Lottery funding across the four nations, including support for heritage, the arts, sport and community projects. Lottery distributors publish detailed information about their criteria and how to make an application.

Check the Assets Hub for information on sources of capital funding.

Loans

Loans are funds made available over a set period. The amount borrowed must be repaid together with any interest over an agreed repayment schedule. There is usually a cost related to getting a loan offer – this is known as an arrangement fee. Loans may be available from high street lenders, particularly if the loan can be secured against the asset. Projects with social benefit can access social finance – that is loan finance specifically targeted at community and voluntary organisations and social enterprises.

Some social lenders offer long term loan funding, similar to a mortgage. This would usually be secured on the asset. Others offer shorter term loans. Some may offer investments which are a mix of loan and grant. Again, it is important to research the terms that each social lender will offer. Most social lenders will offer support to help you develop your proposal. You will need to demonstrate that you can repay the investment within the agreed timeframe and that you will generate social benefits.

To use loan funding, the organisation needs to be earning (or expecting to earn) sufficient income to make repayments and pay interest. Grant funders usually stipulate that their funding cannot be used to repay or pay interest on loans.

Community Shares and Bonds

Community share offers are a popular way for community organisations to raise capital. A community share offer invites individuals and organisations to purchase shares to support a specific project. Community shares cannot be traded – they can be withdrawn. Interest is paid on community shares. There is a risk in investing in community shares – investors may not get their money back and may not receive interest – share withdrawals and payments of interest can only happen if it is viable for the organisation to do so.

The most suitable legal structure for an organisation planning a community share offer is a Community Benefit Society. The process is that documentation is produced explaining the offer to potential investors, then the offer is publicised widely to potential investors. Developing a successful share offer is complicated and you are recommended to take specialist advice.

Some organisations issue community bonds. These differ from community shares as a community bond is effectively a loan. Your organisation must repay investors at the end of the term of the bond and must pay interest as set out in the investment document. Again, a community bond issue is complicated, and you are recommended to take specialist advice.

Fundraising

Donations are financial gifts which can be large or small, one-off or regular. Charities can take advantage of Gift Aid, which is a way to increase the value of donations from UK taxpayers by claiming back the basic income tax paid by the donor. Many organisations use crowdfunding websites to enable donations online. Generally crowdfunding works best if it is accompanied by active local promotion through, for example, events and leaflets.

Sponsorship deals can be made with commercial companies who will provide finance, resources or services in return for having their branding or advertisements displayed on buildings or literature.

Though some high-profile fundraising events raise large sums, the amount raised by most events and other community fundraising is modest. However, active fundraising like this raises the profile of your project in the community, demonstrates community support for the project and it can be helpful to include details of fundraising activities in applications for grants.

Developing a funding strategy

Once you have a rough idea of the amount of funding you need to raise, you can start to develop a funding strategy. Not all fundraising options will be pursued. The funding strategy will help you decide what funding sources are best for your organisation based on, for example, the capacity and skills in your organisation and whether earned income is likely to be sufficient for loan finance or community shares to be an option.

The first step is to research the options, identifying potential sources of funding. There is information about sources of capital funding on My Community. A key source of local knowledge is your local Council for Voluntary Service or Rural Community Council, if there is one in your area. Your local library may hold directories of grant funders. There are several organisations which provide information about funding sources, usually on a subscription basis. You may be able to access these through your local CVS or rural community council. If you know of similar projects, check out how they funded acquisition and/or building costs.

The second step is to start or continue a dialogue with your stakeholders. As noted above, local authorities may be a source of funding. They may also be able to help with ideas and support to approach other funders. Talk to your local Community Foundation if there is one in your area. Community Foundations have their own funds but also manage funds for other grant givers. They will be able to advise if they manage any funds that you could apply to.

The third step is to continue to consult and involve the community. For new organisations, this will build on the initial work done to highlight the opportunity to acquire or refurbish a community asset and form a steering group. For existing organisations, it is about checking in with the community about plans for the asset and encouraging involvement. Community support and involvement brings a wide range of benefits including:

- Recruiting volunteers and steering group members
- Gathering ideas and insights from local people to improve the project
- Reassuring funders that your proposals are in line with community aspirations
- Raising the profile of the project
- Raising funds – from small amounts to cover initial costs to raising significant capital through a community share issue.

The fourth step is around being investment ready. You will already be working on many aspects of being investment ready as part of your feasibility work. Investment readiness includes:

- Having a suitable legal structure – you can find further information about legal structures on [My Community]
- Having a board/management committee with time, commitment and sufficient skills to manage the project
- Policies and procedures related to the effective management of your organisation and the asset
- A business plan
- Detailed financial projections
- A risk register
- Framework to measure social impact.

Investment readiness may seem like a set of hurdles to meet the requirements of funders, but it is necessary for your organisation to be satisfied that you can acquire and run the asset successfully and can make the impact you are planning.

The fifth step is to seek funding. Making proposals and completing application forms should be straightforward if you have completed the work to become investment ready.

The viewpoint of a funder

It can be helpful to consider what is important to funders when you are putting together proposals and applications. Funders want to invest in successful projects which will meet their objectives and yours. They need to be confident that their funding will be used well, particularly where they are making a long-term investment in acquiring an asset or refurbishing a building.

Some key points are:

- Does the proposal deliver social benefit – and is the social benefit in line with the priorities of the funder?
- Is there a need for the project – and does the project meet that need?
- Has the organisation got enough people with sufficient skills on the board/management committee to successfully deliver the project?
- Does the board/management committee fully understand the asset and the risks? If not, the project is unlikely to be successful.
- Will the plans for operating the asset when it is acquired and/or refurbished actually work? Will income exceed expenditure? Will there be enough users? In the case of loan finance or community shares, is it likely that the organisation will be able to meet its obligations in relation to repayments, withdrawals and interest?
- Is the organisation planning for the long term? Will the organisation generate enough income to keep the asset in good repair?
- If there are issues with your organisation – for example, late filing or issues raised in the independent inspection or audit of annual accounts – have these been sufficiently explained?

Most funding is competitive. Other applications will come from similar organisations. It is not sufficient to highlight that you were set up to deliver community benefit or charitable objectives. Be clear and specific about the community benefits you plan to deliver and how these fit with the priorities of the funder. Highlight the work you have done to consult and involve the community and the ways in which your target community has shaped the project.