The future of community asset ownership
The community ownership of assets is an opportunity to empower citizens, regenerate local economies and democratise resources. It can also provide a sustainable income base for community organisations, affording some stability at a time of increasing financial uncertainty, while often generating profits to reinvest in other community activities and services.

In recent years, the interest of successive governments in community asset ownership has led to a number of important policy developments, from the establishment of community asset transfer under New Labour to the Community Rights introduced as part of the Coalition Government’s localism agenda. But despite many important advances, a coherent and comprehensive national strategy of investment in community asset ownership feels out of reach.

This report seeks to change that by calling for a bold new programme of support for community asset ownership.

Interest in and demand for community asset ownership is probably higher now than ever before, and the public sector is poised to divest itself of significant amounts of the public estate. But the government’s programme of support for community asset transfer has come to an end, meaning that many communities will be unable to ensure that valued public land, buildings and services are retained for community benefit. Increasingly, financially-pressed councils are having to sell, cut or shut crucial parts of our community infrastructure.

In the wake of the EU referendum, the need for communities to have a real stake in their local areas and control over the activities and services which matter to them has never felt more important. Theresa May recognised this in her first speech as prime minister - and as we await her new agenda for social reform, the opportunities of community asset ownership must not be overlooked.

The government, working in concert with key partners, must seize the opportunity to capitalise huge swathes of the community sector to save significant and iconic community buildings from an uncertain fate, reshape public services, and create the conditions for local economic resilience and sustainable growth.

Through this report, we make recommendations for how to reset the community assets agenda.

At its heart is a proposal for a £1bn Community Asset Investment Plan, financed from a variety of sources, with central government leading the way by committing £125m over a five year period. Half of the fund - £500m – would be sought from the Dormant Assets Commission, which is currently identifying new pools of dormant financial assets that could be utilised to support good causes. The remainder would be made up of existing sources of social investment and co-ordinated investment from other funders such as the Big Lottery Fund.

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1 For brevity , the term ‘community ownership’ is used throughout this paper to mean the full spectrum of options available for land or building ownership/management - from short-term/temporary arrangements to freehold title purchase. For clarity, community asset transfer (CAT) is considered to be one of those options, albeit a central one.
For more information see: http://mycommunity.org.uk/resources/options-for-community-managementownership-of-assets/
Community Asset Transfer (CAT)
Community Asset Transfer is the transfer of management and/or ownership of public land and buildings from its owner (usually a local authority) to a community organisation (such as a Development Trust, a Community Interest Company or a social enterprise) for less than market value – to achieve a local social, economic or environmental benefit.

There are several legal options for CAT, but most tend to be long-term leasehold arrangements (25+ years at a ‘peppercorn’ rent) to enable external funding to be secured, although a shorter term might be more appropriate as a ‘stepping stone’ to a more substantial agreement in the future.

Multiple Asset Transfer (MAT)
Multiple Asset Transfer (MAT) refers to initiatives with more than one asset being transferred from a local authority to the community. This will either be:

- Place-based – transferring of a mixed portfolio of assets in a particular local authority or smaller geographic area to underpin new/expanding community enterprises;
- Service-led – exploring transfer options related to specific types of service – for example, libraries - this element has strong links to service redesign;
- Asset type – identifying multiple transfer options for specific types of asset, for example community centres or sports facilities.

Community Ownership and Management of Assets (COMA)
In 2015/16 Locality delivered the Community Ownership and Management of Assets (COMA) programme on behalf of the DCLG. This supported 52 partnerships between local public bodies (predominantly local authorities) and community groups (including parish councils) to develop multiple asset transfer or single, more complex and ground-breaking, asset projects.

Community Right to Bid
The Community Right to Bid allows communities and parish councils to nominate buildings or land for listing by the local authority as an asset of community value. If the assets comes up for sale, the community can ‘pause’ the sale and take up to six months to find the funding required to buy the asset.

Key terminologies

3 For a full list, please refer to the Acknowledgements section of this report.

Places and Spaces: The future of community asset ownership draws on the insights of Locality’s management of the Community Ownership and Management of Assets (COMA) programme, funded by DCLG from 2015-16, a new survey of local authorities and community groups and individual consultations. It outlines the barriers to greater community asset ownership, as well as best practice cases and learning about how central government, local authorities and key partners can encourage and support greater community asset ownership; and how community organisations can take better advantage of the current opportunities to have greater control of the places they live.
Introduction

Over the last few years, it has felt like the community ownership of assets is an idea whose time has finally come. For centuries, people have sought to reclaim ownership of land and buildings that are controlled by the state or vested in private hands. But while historically this call for greater empowerment has been driven from below, in the last two decades, transferring over the control of community assets to local people has become an explicit goal of central government policy.

As the Department for Communities and Local Government (DCLG) reported back in 2006: “Community-based organisations, when they take control of the buildings they occupy, embark upon a journey that can produce significant positive outcomes for themselves, the communities they serve and a wide range of other stakeholders.” The following year, the Quirk Review outlined the “clear benefits” that could emerge from local groups owning or managing community assets:

“Community ownership can bring people from different backgrounds together. It can foster a sense of belonging. It can play a role in enhancing the local environment, alleviating poverty and raising people’s aspirations. Fundamentally, it’s about giving local people a bigger stake in the future of their area.”

Yet despite the drafting of successive white papers and establishing the mechanisms and funded support that underpin the process, the Labour government stopped short of creating a fundamentally different relationship between citizen and state. Indeed, New Labour’s statecraft ultimately became seen by its critics as overly top-down and centralising. Partly in response to this – and partly driven by the pressing need to reduce the public sector deficit following the financial crisis – the essential foundation of the coalition government in 2010 was a shared commitment to decentralise power. This found expression in the Localism Act of 2011, which sought to achieve “a substantial and lasting shift in power away from central government and towards local people.”

The Localism Act brought new opportunities for community asset ownership through the establishment of the Community Rights. In particular, the Community Right to Bid allowed communities to nominate important local places as ‘assets of community value’, so that the local pub, park or community centre could not be sold without the community first being allowed to bid to purchase it, with a six month window within which to do this. The owner is not required to accept this bid: it’s not a right to buy. But it has given communities a precious foothold, uniting them in defence of the places they hold dear - albeit one which the Communities and Local Government Select Committee has called on the government to strengthen and make easier to use.

Alongside these new rights, there has also been growing use of the more established community asset transfer option. This is a discretionary mechanism rather than a right, agreed by mutual negotiation between a statutory body (usually a local authority) and community organisations. It means that important local assets which are currently owned by public bodies can be taken over by communities at less than market value, in order to achieve a broad set of social, economic and environmental outcomes.

These are significant tools that bring with them huge possibilities to empower communities and create thriving neighbourhoods. What’s more, with the financial pressures that local authorities face becoming increasingly acute, transferring assets to communities is one way that cash-strapped councils might look to save money and reorganise services to realise efficiencies. But at present, there is a risk that the empowerment drivers for the community assets agenda are being de-prioritised, as the pressures of austerity lead councils to either sell, cut or shut local services and centres.

Indeed local authorities are increasingly being encouraged to sell off their assets to the highest bidder as quickly as possible.

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4 For example, the General Disposal Consent in 2003 permits transfer of land and buildings at less than market value and the establishment of funding for the Asset Transfer Unit from 2008/09 to 2010/11.
8 See for example, DCLG (2008) ‘Communities in Control: real people, real power.’
George Osborne’s final spending review in 2015 “encourages and empowers local authorities to dispose of potentially surplus assets” at a time when commercial property value is at a historic low point, bringing all the dangers of ‘fire sales’. Further funding was also announced to extend the government’s One Public Estate programme, in order to “support local authorities to work with other local public sector property owners and design more efficient asset management strategies.” But, while some local authorities are integrating an explicit community dimension to this, many more have no strong community focus. Without this, the programme is likely to simply facilitate the transfer of financially and socially valuable public assets into private hands, and is a lost opportunity to give local people a greater stake in community ownership.

Recent DCLG guidance may now hasten a drive towards selling off assets for commercial value by allowing local authorities to use capital receipts for revenue spending. Previously, funds generated from asset sales had to be reinvested back into other assets. Now local authorities can plug gaps in their day-to-day spending by selling off the property assets they own. In addition, councils are now required to adopt a more commercially minded approach to setting rents. This can displace voluntary and community sector tenants, many of whom are not in a position to transition to market rates, at least not overnight.

So, over the next few years, as the pressure on budgets gets more and more intense, the temptation for many local authorities to sell off public assets to the private sector may become overwhelming. Or, where a capital receipt is unlikely to be realised, assets may simply be closed or mothballed, and boarded-up buildings, crumbling heritage sites and parks left overgrown will become an increasingly frequent sight across England’s cities, towns and villages. This also risks speeding the loss of traditional meeting places in communities – the libraries, local shops and parks where people come together and build relationships. Flourishing public spaces are in turn closely intertwined with a successful private sector and are crucial to attracting new businesses. So at a time when the long-term future of local authorities’ funding is increasingly reliant on the success of the local economy - as the central government grant is phased out and the burden falls on business rates – it is particularly short-sighted for councils to let go of public assets that might spur local regeneration.

To allow this to happen would be missing the opportunity to develop a new approach for the long-term by empowering local citizens. Yet the government’s programme of support for community asset transfer has come to an end. Without fresh impetus, affluent communities will no doubt still be able to avail themselves of the current opportunities to save their pubs and community centres, in places where there is pre-existing expertise and strong civil society. But the risk is that inequalities will be further entrenched and that more disadvantaged areas will be the ones that disproportionately lose out. These are also typically the places where business rate income will be lowest and so the pressure to sell assets to support spending on services the greatest; and they will be the ones that, without support, will be least able to take ownership of their valued assets. The poorest places are often where the local economy is most reliant on the public sector and its actions have huge consequences as a result.

What are we proposing?

That is why this report calls for a step change in support for community ownership. This draws on activity from Scotland (population 5.3 million) where the Big Lottery Fund and the Scottish government have collectively invested or pledged £103m specifically into community ownership during the ten year period 2010-2020. As a result, Scotland is making huge strides on this agenda and leaving the rest of the UK trailing in its wake. A similar (per-capita) scheme in England (population 53 million) would equate to around £1bn.

We therefore propose a £1bn Community Asset Investment Plan, accelerated over 5 years given the urgency of the challenges and opportunities. It would be financed from a variety of sources, with central government leading the way by committing £125m. Half of the fund – £500m – would be sought from the Dormant Assets Commission, with the remainder made up of existing sources of social investment and co-ordinated investment from other funders.

This bold plan to increase community asset ownership would be a hugely significant step forward to inject capital into community organisations, regenerate local economies and secure the future of our most important and treasured community buildings, land and infrastructure.

### References

12. Its legal basis is found in the 2003 General Disposal Consent
15. Further details of this proposal can be found in the recommendations section at the end of this report
The benefits of community ownership

This section presents some of the key benefits delivered by and sought from community asset ownership, as identified by community groups and local authorities.

Building community capacity: strengthening the community sector through community ownership

Community ownership, when done well and supported properly, provides a sustainable foundation and robust financial basis for the growth of community and civil society organisations. In 2016, Locality members held £779m worth of assets, providing an incredible source of strength and resilience as well as supporting a vast array of different activities and services operating out of the assets. Indeed, the organisations which have best adapted to the impact of the recession have assets which generate revenue, including renting buildings or hosting new services. Previous analysis of Locality members’ financial accounts showed a positive correlation between those that were asset-owning and the generation of unrestricted income. However, there are also risks which organisations are exposed to through asset ownership, demonstrating the essential role for access to suitable advice and support in the process.

In a context of financial volatility for many voluntary and community sector organisations – including decreasing availability of funding from public sector contracts and grants, which has had the most acute impact on small and medium sized organisations – financial security through asset ownership has an important role to play. It demonstrates that councils who use their public estate and service commissioning strategically to invest in the long-term future of their local voluntary and community sector can strengthen community capacity and help to secure the continuity of vital community infrastructure, services and activities.

The process of community ownership can also have important benefits for strengthening the capacity and skills of community organisations as they work in partnership with local authorities to take on ownership of assets. This has been seen very clearly through the outcomes of the COMA programme. Similarly in our survey of community organisations, 72% of respondents said that the skills and capacity of their board and/or staff had improved as a result of the process. For local authorities, 75% of respondents reported a stronger and more effective voluntary and community sector locally.19

In addition, the process of acquiring an asset can allow emergent community groups to develop their capacity and governance, so that they grow to become community anchor organisations, like Locality members. Many such journeys begin with a community campaign led by a coalition of residents, and end with a legally incorporated, asset-owning community organisation playing a vital role in the local community.

Many asset-owning organisations will strengthen the capacity of other local community organisations and act as catalysts for wider community action, for example by hosting smaller organisations in their buildings and providing affordable workspace. Often, they will also support the growth of local small and medium-sized enterprises as well.

The Mirehouse Residents Group confirmed that the biggest impact has been on developing the capacity of their group. As a result of the programme they reported they had learned a great deal and grown in confidence.

The community centres in Newcastle City Council’s partnership have raised their aspirations and understanding of what it takes to be sustainable, and in the process of increasing autonomy, a small number of net new jobs have been created.

Strengthening local partnerships

Community ownership can play a significant role in establishing an organisation’s local power and influence, leveraging social capital and helping to ensure that communities can directly control services in their neighbourhoods. In particular, the benefits of community asset transfer in improving relationships between community organisations, the local authority and local people have been highlighted.

Whilst the community engagement and relational benefits of some assets may be more obvious than others – a multi-purpose community centre has a very clear correlation to community engagement, for example – the resulting benefits are not limited to some types of assets and not others. The process of dialogue, consultation and shared understanding which is required and developed can be as important for local relationships as the eventual use of the asset.

A huge benefit of community ownership and enterprise is that a community organisation is also able to leverage additional external investment for community services and activities (which the local authority cannot), which can be an important factor in developing a long-term partnership with the local authority.

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THE SELBY CENTRE  –  TOTTENHAM

Operating in an area of lower than average employment with historically low levels of investment, the Selby Trust in Tottenham manages a multi-purpose community and social enterprise centre – the Selby Centre – in former school premises on a 25 year lease from Haringey Council. The site is 150,000 square feet, with offices, meeting rooms, training facilities, sports and events halls and a large car park.

They house community facilities and services and host 38 other local organisations at the Centre, and hire out meeting and training rooms as a successful social enterprise. They have also supported over 100 ‘micro businesses’ - with a particular focus on helping women and disabled people to set up as social enterprises. They also support entrepreneurs in the creative and media sectors to network, access business support, and share expertise.

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58% of community organisations we surveyed reported that their relationship with the local authority had been strengthened by the process of community ownership.

70% of local authorities either agreed or strongly agreed that the process had enhanced partnership working with local voluntary and community sector groups.

75% reported an increase in more effective community engagement.

97% of the community organisations we surveyed said that the community asset transfer had strengthened their relationship with the local community.

52% also highlighted a strengthened relationship with other public agencies as a key benefit.
STRONGER RELATIONSHIPS

Gedling Borough Council made a budget commitment to make significant savings in the area of community centres over the financial years 2016/17 and 2017/18. Underpinning this was the council’s need to develop, consult upon, and adopt a Community Asset Transfer Policy. The starting point was the need to engage a Community Partnership Group with commitment, dynamism and a spirit of collaboration and trust to explore asset transfer opportunities.

The partnership has developed from a reluctant and somewhat sceptical collection of incumbent groups who were largely unwilling to engage in the process, to a fully collaborative partnership each of whom in their own way has grown and embraced change through the process - whether by going forward with a transfer, by forming a new collaboration, or simply creating their first business plan.

Mitcham Cricket Green Community and Heritage is intent on securing the future of a pair of important community and heritage assets - Mitcham Cricket Pavilion and the Burn Bullock pub - in Mitcham, a district in the London Borough of Merton. Positive partnership meetings between the community partners and the borough council have gradually increased the level of officer and political will behind the project. Despite early difficulties in persuading the council to prioritise the project, the community organisations feel that it has been a really helpful and positive experience, and that they now operate as near-equals with the council.

The community partnership feel that they are having a grown-up conversation rather than being perceived as a lobby group. This improved standing has since been leveraged by the community partnership when, for example, they sought the local planning authority’s view about reports in the local press that the pavilion was going to be demolished and replaced with a care home.

Regeneration and place-making

Very often the key motivation for seeking community ownership is to improve the local neighbourhood. Projects are often imaginative and diverse, but they are united in this common purpose. This might be through ensuring a much loved local amenity continues to be used for community benefit, such as the only village shop or pub; transforming redundant or underutilised assets to generate new community-led housing; or using assets to boost the local economy and as vehicles for training, volunteering and skills development.

Community ownership can underpin local economic resilience, by stimulating local business activity, enterprise and entrepreneurship and attracting inward investment and infrastructure development.

Community ownership models can also be essential in protecting and developing green spaces and parks. Green spaces have immense value to local communities, providing spaces for community activities and interaction with the natural world, as well as the positive impacts on the health and wellbeing of residents. Very often our local parks are owned and managed by local authorities, but increasingly the pressures to make savings to park budgets are meaning that local authorities are exploring new ways of managing green spaces.

THE MILLFIELDS TRUST BUSINESS PARK - PLYMOUTH

The Millfields Community Economic Development Trust (Millfields Trust) was set up to enable local people to contribute and manage the regeneration of the Stonehouse neighbourhood in Plymouth. They generate income through assets by developing sites for commercial premises, with over 100 business premises, with a particular focus on small and medium sized enterprises. Their sites include a renovated Naval Hospital and a former clothing factory.

They support their small and medium sized business tenants by offering a package of measures including high quality affordable accommodation and flexible tenancy terms. In return companies employ local people, purchase in the local community and provide goods and services.
HEELEY PEOPLE’S PARK - SHEFFIELD

Heeley People’s Park in Sheffield is a flagship model of community management of green space. In the 1970s, the area was cleared of houses, pubs and businesses in order to make way for a new dual carriageway to be built through Heeley. Due in part to public opposition, the plans were shelved, leaving the land which is now Heeley People’s Park derelict and disowned.

Heeley Development Trust (HDT) was established in 1996, to reclaim the land for community use and in 1998 they managed to secure the 120 year lease on the 3.5 hectares of land from Sheffield City Council. The vision for the park was that it would be an area created for and by the community.

As well as donations from the local community and local businesses, HDT has also been able to lever in external funding, including from the Big Lottery Fund. Today the park is home to world-class boulder climbing, cycle tracks, picnic areas and music festivals, and provides local people, as well as other visitors, with places to escape, meet and play. It also provides adult education in the community and runs a local bike recycling project, and has played a key role in preserving a number of other local assets of community value.

COMMUNITY-LED HOUSING - THE GOODWIN TRUST, HULL

Goodwin Trust was set up as a charitable organisation in 1994 to improve the quality of life for residents of the Thornton Estate in Hull. A community anchor organisation, Goodwin Trust is located in the heart of Hull and offers a wide range of community based services. It has also developed a number of community assets including children’s centres and nurseries, a state-of-the-art conference centre, a community college, disability care facilities, sports pitches, a youth and arts centre, performance space, and meeting rooms.

Responding to the pressing need for affordable community homes, the Goodwin Trust launched the Goodwin Community Housing programme to provide quality housing at 80% of current market rental rates. The area has long been blighted by unattractive tower blocks and derelict buildings and the Trust has also taken a proactive approach to its regeneration by redeveloping derelict and difficult properties including working with the local community to design an award winning community building - the Octagon.

Its community-led approach, combined with its entrepreneurial spirit has enabled these improvements to transform both the local area and the lives of local people for the long-term.

Local regeneration policies and national regeneration strategies - such as those being examined by the current estates regeneration panel, led by Lord Heseltine 21 should build in community ownership to ensure that they can be an enduring and wealth-creating part of the regeneration of neighbourhoods and provide a way for local people and community groups to leverage influence over the priorities for regeneration.

Many communities are seeking to address local housing need through the development of assets for community-led housing (CLH). CLH developments provide a valuable and affordable supply of housing locally which supports the development of sustainable and thriving communities. Designed and managed according to local priorities, CLH is often built to help local people to stay within the local area, such as young families or older people. It can also offer additional benefits around supporting health and wellbeing, addressing local employment and skills needs, as well as generating income which is reinvested back into community activity and neighbourhood regeneration. CLH models are many and varied — from co-ops, to self-help housing, to community land trusts — to meet their aims of providing locally developed, affordable housing, alongside a range of other community buildings and services.

21 For more information visit: https://www.gov.uk/government/news/heseltine-launches-panel-of-experts-to-kick-start-estates-regeneration
COMMUNITY ASSET OWNERSHIP AND ESTATE REGENERATION
WITTON LODGE COMMUNITY ASSOCIATION – BIRMINGHAM

Witton Lodge was formed by local people in 1989 in response to the local authority’s plans to demolish the majority of the Perry Common estate in Birmingham. Witton Lodge has demonstrated the power which community-led redevelopment has to physically transform a run-down estate and support more sustainable communities through high levels of community engagement and asset development.

The Perry Common estate has been transformed under a masterplan which was designed by the local community. Defective concrete homes have been replaced by new and refurbished homes, with the addition of green spaces, new community facilities and a dedicated extra-care facility for older residents.

Not only has Witton Lodge enabled local people to be at the heart of the plans for redevelopment, they have also integrated a community-led housing model into the regeneration of the Perry Common estate. The income Witton Lodge receives through the rental of properties is reinvested into either the maintenance of homes, rebuilding of new homes or the overall regeneration of Perry Common.

Financial climate for local authorities

Overwhelmingly for councils, the most frequent motivation behind transferring ownership of assets to communities is that it can deliver them financial savings, with 85% of local authorities in our survey agreeing or strongly agreeing with this as one of the key benefits.22 This can include the wish to seek to reduce the financial burdens of maintaining their property portfolio – such as staff time, heating and maintenance - whilst at the same time maintaining or increasing services by transferring to community ownership. 85% of local authority respondents said that maintaining service delivery from a facility that would have otherwise closed was a key benefit.23

Perhaps unsurprisingly given the huge public spending pressures of the last six years, community ownership is increasingly only framed in terms of the financial savings which could be released. This is a marked change of emphasis from where the community ownership agenda began, and the hopeful vision of empowerment that informed the Quirk Review, which asked us to imagine “it is 2020 and communities across England have been revitalised from within ... A new civic spirit sweeps through urban, suburban and rural communities alike – galvanising communities to harness their energies for the wider public good.” Now it is a grinding pragmatism in response to the strictures of austerity that is driving community ownership.

Similarly, it is often this fear of losing services that motivates community groups to proactively seek community ownership. Many community organisations involved in COMA emphasised that they got involved because they feared for the future of local assets as a result of council budget cuts.

The public sector does understand these dangers, and knows there will be an alternative in many cases (our survey shows that 95% of local authorities expect asset transfer to play an increasingly important role in the next 5 years).24 But whilst it is beyond the scope of this paper to change the economic frame within which local authorities and communities are operating, a national programme of investment into community ownership could go a long way to unlocking the potential of community ownership to revitalise and empower communities to shape their local areas, whilst at the same time continuing to safeguard vital services and ease the pressure on local authority budgets.

STRONGER FINANCES

Gateshead Council has sought to use community ownership to reduce expenditure in areas like building repair and maintenance. Over three years, almost £1 million in savings have been realised in relation to 18 transferred community centres, with £300k savings in relation to two leisure facilities.

Sheffield City Council, as a result of the potential community asset transfer of Meersbrook Hall to Heeley Development Trust, it is calculated that the council could make annual revenue savings of more than £65k from removing their need to maintain and heat the building. The council will make further savings in staff time, administration and unforeseen costs such as damage repair. After repairs in the future they will also see a significant uplift in the value of the asset, which is leased but will remain in their ownership.

Barriers to greater community ownership

Here we discuss some of the biggest barriers to community ownership and ways in which they can be overcome.

Availability of funding and finance

The key barrier to community ownership is the lack of available funding, in particular pre-feasibility and feasibility funding as well as capital grants. Early stage development funding support is vital for organisations in preparing to take on assets, developing business plans and working with specialists such as architects and surveyors. In the past few years, this type of funding has dried up and, where available is often targeted at a later stage of development where there is more certainty about the outcome. Similarly a lack of capital grants limits the ability of community organisations to act swiftly to purchase assets, often in the face of intense competition from commercial buyers and development pressures.

A key frustration for community groups seeking to develop capacity to take on assets is that it is difficult to build experience and a financial track record without a corresponding transfer of responsibility. A common hesitation for local authorities is the risk of transferring ownership to an under-developed community group. However, very often the skills and capacity required can only be developed through the transfer of responsibility.

Although social investment provides part of the solution for unlocking funding for assets, in our experience in order to get a project up and running, most require an element of non-repayable finance in the form of equity, grants, donations or a community asset transfer of land or buildings at less than market value, to make plans viable and allow projects to become sustainable.

Social investment can also provide a number of challenges for organisations, particularly smaller ones, with organisations finding themselves heavily and in some cases unsustainably indebted. Interest rates on loan finance from social investors can be higher than high street bank rates. Funders are often too risk averse and many Locality members have found that social finance will not back more innovative projects. Whilst some lessons are being learnt in the social investment market about what constitutes sustainable gearing, in our experience the maximum should not exceed 20-30%. However, many organisations would not be able to withstand even this level of debt burden.

An increasing number of community assets projects have been funded through a combination of grants, loans, and equity through community share issues. The proportions that may be appropriate will vary depending on the individual project, community capacity and local circumstances, such as property prices. However, grants remain critical for the success of these projects, particularly during the pre-feasibility stages and early stages of a project’s life, and for building community capacity.

Community ownership projects could benefit enormously through access to finance via local authorities – in particular through low cost or zero interest loans. Locality members have been working successfully with a number of local authorities to access prudential borrowing and other forms of low-cost borrowing; however, these examples are still significantly in the minority.

LEEDS CITY COUNCIL

An example of a local authority supporting the development of community-led housing through providing affordable finance is Leeds City Council. Leeds City Council have provided Canopy Housing Project with a £200k interest free loan which has been used to renovate five properties for families who are homeless. They have also provided Canopy with 25 year peppercorn leases for properties, some of which have been extended to 99 years. This has provided them with asset security from which to lever in additional funding from other sources for costs such as training support.

Availability of land

A key overarching barrier to greater community ownership is the availability of affordable land. Land prices have risen dramatically over the last 30 years, far outstripping the rise in house prices. This is largely the result of a planning system where not enough land is being released for housing over a long period. The promise of increasing land values has led to its acquisition becoming one of the key objectives for developers, and has created conditions for ‘land banking’.

In many areas, the development lifecycle leaves communities vulnerable. This is pertinent in London and other city region hotspots, but it can also occur in rural and less developed areas when residential building and large scale development schemes are mooted. Ambitious communities in high land value areas should have a genuine chance of building an asset portfolio for service delivery as well as capturing financial value in the long term for community benefit. But more often they find themselves competing with more lucrative sectors, unable to access the necessary financial support when land is sold.

Where regeneration fails to work with the existing community over a reasonable timescale, there is also the risk that community spaces become unaffordable, preventing new organisations from getting involved and driving out established community businesses and alienating or displacing the existing community.

Assets versus liabilities

As local authorities are encouraged to find further savings and dispose of a greater number of publically-owned assets, there is a growing risk that these so-called ‘assets’ will in fact be ‘liabilities’ - where there is no possibility of generating enough income from them to fund repairs, maintenance and ongoing operational costs. Off-loading liabilities to community organisations who then struggle to run and maintain them, can result in severe financial difficulty or even closure for the organisation.

Furthermore, the lack of valuable assets on offer means that the most experienced community enterprises (who would have many of the skills to make a success of community ownership) are often not engaged with opportunities because the assets and deals available are not appealing. The majority of assets considered appropriate for community ownership are community centres, parks and green spaces and libraries - all things which councils are struggling to support themselves. Whilst it is essential that community ownership is adequately supported as a potential solution to retain these assets, there would be greater benefits for communities to have the opportunity to take ownership of more profitable going concerns with potential for sustainable growth.

The lack of opportunities to manage assets with a greater potential to generate quality income streams - such as housing, business parks, car parks – mean that too often community ownership can start from a ‘deficit’ position, and limits the opportunities for community anchor organisations to develop a diversity of income sources, which can be key to long-term financial sustainability. This also contributes to the wider narrative that community groups are ‘saving’ local assets (including through the Right to Bid) which although true, underplays the central role of a supportive and enabling local authority, not least in their role as devolution champions, service commissioners and community enterprise advocates in the local economy.

There is also a need for councils, funders and communities to all work together to ensure that assets do not impose an unreasonable liability when transferred.

Possible solutions include:

- Linked transfer of counter-weight assets with viable uses – ie offering a high value asset capable of generating surpluses for reinvestment at the local level, alongside potential liabilities for cross-subsidy.
- A programme to ‘green’ community assets – making them more cost-effective and environmentally friendly.
- Support for new ways of working with property professionals.

Phased community ownership, or a ‘meanwhile’ agreement, is an important tool which councils can use to give assets to community groups on a short-term arrangement, so that they can test the viability of their model and business plan in these crucial early stages. It also ensures that buildings don’t lie empty for long periods of time, and can support short-term regeneration of places.

However, it should also be recognised that in the right context and with the right support, community organisations can take on and manage buildings and land which would be considered a liability, and where both the state and the market will not invest directly. Derelict buildings and disused land can accelerate a range of associated problems for communities, including anti-social behaviour and environmental concerns. With the right support from the council and funders, partnerships can be formed which provide solutions for bringing such land and property into community ownership.

A successful model of this is the Heritage Enterprise scheme, which addresses the ‘heritage deficit’ of historic buildings with high restoration costs to make the properties commercially viable.25

More information on the Heritage Enterprise scheme can be found at https://www.hlf.org.uk/looking-funding/our-grant-programmes/heritage-enterprise

25 25% of partnership projects were based in the 20% most deprived IMD deciles in England (at Lower-layer Super Output Area).
Community ownership in areas of deprivation, and among minority groups

While the COMA programme showed that there is a clear appetite for community ownership in disadvantaged areas, there remains a real risk of a deficit of assets in community ownership in areas of higher social and economic deprivation. These are the places that may lack the capacity to take on the process of asset ownership and are therefore places where important assets are under threat.

The report by the Ubele Initiative and Locality into asset ownership in BAME communities highlighted particular issues with governance capacity which impacts on the ability of organisations to obtain and secure assets. The report also found that 54% of respondents reported that the future of their community building is insecure. This demonstrates the need to target funding and support areas and communities of interest where assets are particularly insecure.

Lack of strategy and policy within councils

For most communities, asset projects are a complex and time-consuming business. Often, organisations will not have prior experience of the particular activity they might be engaged in, and it might take longer than anticipated to clarify exactly what they hope to achieve or to undertake the viability work necessary. So for community ownership to be successful, clarity and constructive support from the local authority is absolutely crucial. However, our research has shown that this is not always in evidence. A key reported barrier to community ownership is a lack of coordination, clear processes and transparency for engagement within local authorities. This means that it is difficult for community organisations to get their cases for community ownership considered.

The presence of a consistent and transparent community ownership policy - which is strategically adopted across departments in the council – is crucial not only to signalling externally that a local authority is committed to pursuing community ownership, but it can also help ensure internal buy-in. For many councils, community ownership requires a fundamental change in culture and approach, whereby local authorities are no longer directly delivering services but are acting more as convenors and community champions. COMA found that sometimes, individual councillors or officers were not necessarily signed-up to this change in practice and could be disruptive to the process.

What’s more, there can be a perception amongst local politicians that having a community ownership policy in place will take power away from them and they will no longer have the scope to make decisions about publically owned assets. In fact, their involvement in shaping a policy across the council is crucial, and will ensure that they are able to pro-actively create a policy which fits with their council’s vision and other agendas in order to achieve the maximum benefit from the entirety of the public estate locally. The presence of a clear community ownership policy, including details on expectations, roles, responsibilities and decision making, is invaluable to smoothing this journey, and its strategic adoption across the council can ensure consistency of decision-making.

Our survey of local authorities shows the difference a community ownership policy makes in practice: councils with a policy are over 50% more likely to have transferred an asset than those without a policy. And councils where there is a policy in place are overwhelmingly more likely to believe in the social benefits of community ownership than those without a policy.

Yet in and of itself, having a community ownership policy will not necessarily lead to a surge in activity. One council we spoke to, which was very pro-active in putting a community ownership policy in place, had failed to make the progress that they hoped to because their policy had turned out to be insufficiently flexible and overly prescriptive. This is likely to be the case when a council with little experience in community ownership puts a strategy in place for the first time. So it is important that a policy is not designed as ‘one-size-fits all’ and responds to the capacities of the community organisations, who come in all shapes and sizes and who might be keen to take on an asset, but face a range of challenges in making it viable. It may also be helpful in the first instance to put a short-term policy in place, for say two years, so that councils can gain experience of how successful projects happen and build relationships with the community, before developing a longer-term policy.

Availability of information

The quality and timeliness of information which is made available on assets is vital to the success of business planning, ensuring that time and capacity is not used up on unviable propositions. This includes: Transfer of Undertakings (TUPE) implications, conditions surveys, current tenancy arrangements, a breakdown of disaggregated costs including running costs and maintenance expenditure, and planning history and context.

This underlines the important role that lead local authority officers play in gathering and presenting disparate information about assets which can help to inform the development of proposals. Whilst this requires resource and time commitment from the council, the provision of high quality information significantly helps to mitigate the risk of community organisations being unclear on the best way to manage an asset (particularly complex or historical buildings) and the level of capacity required post-transfer.

Specific challenges within the Community Right to Bid

The Community Right to Bid is an important tool for community groups in helping to save vital community spaces and amenities. The range of assets listed – from allotments, quarries and lakes, to hospitals, theatres, libraries and community centres – is a testament to the range of community interest across the country.

However, there remain a number of significant challenges in the design and use of the Community Right to Bid. These include:

The length of the moratorium period.
The current period of six months significantly restricts the time available for a number of essential processes that need to be completed to establish viability and enable a community proposal to be developed. These processes include: community capacity building and engagement; governance and board development; investment readiness preparation; technical and specialist work including surveys and energy audits; the lead-in time for investment, including grants, loans, social investment and community shares, and navigating complex and often conflicting funding application cycles.

We have called for the extension of the moratorium to at least nine months, and estimate that a period of one year would be optimum. These calls were echoed throughout the evidence submitted to the Communities and Local Government Committee inquiry on Community Rights and was even a commitment in the Conservative Party 2015 manifesto.29

Redefining ‘community value’ and ‘recent past.’

The criteria for listing an asset of community value (ACV) is whether it is used for community benefit, or has been used in the ‘recent past’. This is open to different interpretation by local authorities. Generally, local authorities have sought to interpret a short timescale for ‘recent past’. This means that sites which have either been treated irresponsibly or have fallen out of use recently, despite long histories of productive use previously, can be excluded from being listed as assets of community value.

Whilst we appreciate the need for local authorities to be given freedom to interpret what is meant by ‘recent past’ – given that what constitutes ‘recent past’ is genuinely different from place to place in terms of the relative pace of regeneration and development – a more appropriate term would be ‘in the past.’ We would further recommend that guidance be set that a minimum of five years previously should be considered as ‘past’ use. Given that assets of community value are currently kept on the list for five years, this would be an appropriate and consistent minimum timescale.

We also recommend giving weight to long periods of productive community use, rather than recent fallow years, when considering whether an asset is of community value for listing purposes.

First right of refusal to community groups: a Community Right to Buy

Even wider take up of the Community Right to Bid could be achieved through the adoption of a genuine Right to Buy model – that is, through the introduction of a first right of refusal for communities interested in acquiring land of community value.

In Scotland, the equivalent legislation on registration of community interests in land allows for the community group to have first right of refusal in purchasing the listed asset – referred to as the Community Right to Buy.30 Communities have eight months to raise the funds for the purchase and an independent valuation is done to ensure that the owner receives a fair price at ‘market value.’

New Community Right to Community Ownership

We also believe there are potential opportunities to create a new Community Right around community asset transfer on publically-owned assets. This would take a similar form to the existing Right to Reclaim Land.31 It would involve an application process for community ownership to be received on the grounds that assets have been identified for disposal, and this application would have to be reviewed and considered on a formal basis by the local authority, with information released on the process behind the decision to reject/accept the proposal.

Recommendations
Community Asset Investment Plan: 2017-2022

Our key recommendation is for a **£1bn Community Asset Investment Plan**.

**HOW THE FUND WOULD BE ESTABLISHED**

- **£500m** Dormant Assets Commission
- **£200m** Social Investment
- **£125m** Central Government
- **£125m** Big Lottery Fund
- **£50m** Other funders and charitable trusts

**WHAT THE FUND WOULD DELIVER***

- **80%** to provide capital grants and finance. This would deliver the equivalent of one project per year in every local authority in England
- **10%** to support development planning and feasibility of projects
- **10%** to manage grants and investments, and provide a national hub for information, advice and support

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**CENTRAL GOVERNMENT**

In addition to supporting the Community Asset Investment Plan, central government should improve the Community Right to Bid legislation:

The moratorium period should be extended to a year to give optimum time for community groups to develop a viable bid. This extension could be accompanied by new requirements on prospective bidders to demonstrate reasonable progress towards fundraising the capital required as well as evidence which demonstrates serious intent.

Give first right of refusal to community groups: a ‘Community Right to Buy.’ Even wider take up of the Community Right to Bid could be achieved through the adoption of a genuine Right to Buy model – that is, through the introduction of a first right of refusal for communities interested in acquiring land of community value.

Interpretations of ‘recent past’ for assets of community value should be at least five years, and lengthier time frames should also be considered. This should include giving weight to long periods of productive community use rather than more recent fallow years when considering whether it is appropriate to list somewhere as an asset of community value.

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**LOCAL GOVERNMENT**

Ensure that councils have a consistent, transparent and flexible community ownership policy which is well communicated internally and externally and is supported and championed by council leadership.

For further information see: [http://mycommunity.org.uk/resources/making-the-most-of-assets-guide-for-local-authorities/](http://mycommunity.org.uk/resources/making-the-most-of-assets-guide-for-local-authorities/)

Co-invest in assets in conjunction with communities through providing low-cost or zero interest loan finance for assets projects, including community-led housing.

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**FUNDERS**

The core way in which funders could support the growth of community asset ownership is by committing to co-ordinated investment and support through the Community Asset Investment Plan.

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*Indicative percentages rounded to nearest ten.
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Cover image: Bramley Baths, a community-led, not-for-profit centre for fitness, health and fun. See more at bramleybaths.com