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Understanding Community Asset Transfer

A guide for community organisations

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About this guide

Community ownership of land and buildings can transform neighbourhoods, support thriving community businesses, and unlock the power of community.

Thousands of spaces across the country are already owned by community organisations – from sports centres, shops and cinemas, to nurseries, health centres and wind turbines.

For community businesses, owning an asset can provide a sustainable income stream and a secure base for community activities, service delivery and local enterprise.

Community ownership also enables local people to take control of the important spaces and buildings which matter to them locally, to meet the priorities and needs of the local area.

Community Asset Transfer is the transfer of a publicly owned asset (usually land or buildings) to a community organisation at less than market value, or at nil consideration (no cost).

This guide provides information and advice about Community Asset Transfer. It can be a long and complex process, and in this guide we provide support to guide you on your community ownership journey.

Introduction

All community ownership journeys will start with a catalyst moment – the driver that will have prompted you to start thinking about Community Asset Transfer (CAT).

As a community organisation, you might be thinking about securing premises to develop your community activities, services or community business. Or it might be that a local building is threatened with closure, and as a group of residents you want to save it.

Whatever your starting point, make no mistake: Community Asset Transfer is usually a long, complex process which could take several years. While the end results are worth it, it requires long-term community commitment, passion and ambition.

Some councils will have a CAT policy in place, which will make the process clearer, but many will not and you may be starting from scratch locally in making the case for community ownership. Some projects will start with the best of intentions, but will prove not to be workable in practice.

Understanding these difficulties at the start of the journey will help to ensure you and your community have the resilience to see it through to the end. It will also help you to become more informed, confident and equipped to ask the right questions and seek the right help.

How to use this guide

This guide takes you through your community ownership journey in five phases: imagination; discovery; building relationships; negotiation; and taking ownership. These phases are not intended to be followed sequentially. Many of these phases will be happening at the same time, rather than step-by-step, and we highlight how these overlap throughout this guide.

This guide can be used as a companion throughout your journey. It brings together key information, advice and support which already exists, and sign-posts you to further resources and areas of research you will need to consider.

What's the difference between Community Asset Transfer (CAT) and the Community Right to Bid?[1]

- **CAT** only applies to publicly-owned assets. The Right to Bid applies to some public and some private assets.
- **CAT** is the transfer of management or ownership at less than market value. The Right to Bid provides a six-month pause on the sale for the community to raise money to purchase on the open market.
- **CAT** is a voluntary process entered into proactively by public bodies. The Right to Bid is a legal right and applies to all assets listed as Assets of Community Value.

[1] This guide only addresses CAT. For advice and support around land and buildings which are currently in private ownership see: www.mycommunity.org.uk/take-action/land-and-building-assets/assets-of-community-value-right-to-bid/

Key terms

Freehold: outright ownership of land or buildings

Leasehold: where one party acquires the right to occupy land or a building for a given length of time. This might require a 'peppercorn rent' – which is a nominal rent used in some lease agreements.

Long lease: a leasehold of at least 25 years or more.

Business model: the way the organisation generates income or value from its activities – eg selling goods and services, rental income, delivering contracts, charging fees.

Business plan: this will include the business objectives, the evidence and reasons why the objectives are achievable, and the plan for meeting these objectives. It should be based upon local market conditions and research.

Feasibility: the ability of the project to meet its objectives, given its context and the resources available.

Viability: the ability of an asset to cover all its costs with income over a specified period. This period is usually 3-5 years, although for larger projects, or where bigger loans have been taken out, this period will be longer.

Imagination and vision: starting your ownership journey

Your community ownership journey should begin by thinking about the end goal: imagine owning the land or building and being responsible for its ongoing maintenance and management.

Ask yourself: What will community ownership look like in practice? What are your overall objectives and vision for the asset? What are you trying to achieve through community ownership?

While much of your early focus and attention will be on acquiring the building or land itself, you should also be thinking in detail about the range of activities that will eventually take place within it. The asset itself is not 'the business' and you will need to consider how to generate sufficient funds to maintain the bricks and mortar and provide the services within. Even if your key goal and motivation is to save a building from demolition or closure, its long-term sustainable future needs to be at the forefront of your vision.

Involving your community in imagining and co-creating this vision is essential, to generate ideas and support. We discuss this engagement further in 'building relationships' on page 14.

While it is important to have a clear vision and purpose for the asset, you should also bear in mind that this vision may need to change throughout the process. Community views or advice from the council might cause you to change track, or detailed feasibility work might prove your original idea unworkable.

Flexibility is key. Don't become so fixed on your original idea that it scuppers the whole project. It is important therefore that you keep your vision under review and make sure that your board, members and wider community are with you as you shape and re-shape your vision.

Throughout your journey remember to learn from your peers: there is much learning and inspiration to be had from the many communities who have trod the community ownership path before you. Network with your peers and learn from their experience. Visit **www.locality.org.uk** and **www.powertochange.org.uk**

Discovery: considering your options

Developing plans for an asset is a process of discovery, considering all the options and practical steps required to turn your vision into reality.

Get to know the asset

It is essential you find out as much information as possible about the potential asset.

Who currently owns the land or building? Remember CAT is only an option if the site is publicly-owned and the owner is prepared to negotiate.

Are there planning restrictions or covenants in place? The local authority should be able to supply this information, however a legal review may incur a cost. What are the building conditions? You should undertake an initial site visit, preferably with a surveyor to give you an assessment of the asset.

What are the current management and running costs? Think about management and maintenance costs early on. Watch out for hidden costs which can turn an asset into a liability.

Is community asset transfer a possibility?

Different councils have different approaches to CAT, so it will be important to identify any policies your council might have.

Does your council have a CAT policy? This will be your key starting point. If it exists, it is likely to be published on the council's website.

Is the asset currently under consideration for CAT? The public body might consider CAT for a range of reasons including: the asset is too expensive for them to manage; the services that used to be based there are going to be relocated; they want to achieve greater social value by somebody else managing the asset.

Is the asset currently registered as an Asset of Community Value (ACV)? You can find the current ACV list through your council's website.

If it is not currently registered, you could consider a registration process. This might be helpful to support community engagement, raise awareness of the asset locally, or put pressure on the council to preserve the building for community benefit.

Find out more about how to register an ACV:

www.mycommunity.org.uk/takeaction/land-and-building-assets

Read a short guide on asset management and ownership models:
www.locality.org.uk/catresources

How will you make the asset financially sustainable?

You will need to start developing a sustainable business model.

There are a range of options to consider, including:

Community business and trading: the asset might provide premises for a new or expanded community business. You can find inspiration on potential community business ideas on Locality and Power to Change's websites.

Venue hire and commercial rental agreements: including for functions and events. See for example, community spaces such as Toynbee Hall in London and Hebden Bridge Town Hall, which hire out their venues for wedding receptions[2].

Community-led housing: the transfer of an asset could provide opportunities for community-led housing developments. See for example, **Bristol Community Land Trus**t which transformed a former school building into 12 new affordable housing units.[3]

Case study: The Burton Street Foundation

The Burton Street Foundation provides vital services for 300 disabled adults and children in Hillsborough, Sheffield. Set in three Victorian school buildings, the community hub also accommodates over 20 small businesses and charities – including a café, a bar and restaurant, a conference centre, a gym and sports hall and a recording studio – that employ 72 local people. All these facilities are used by the local community and Sheffield businesses.

This generates income for Burton Street to run 30 regular sessions for adults and children with learning difficulties, and many other activities and events for the local community.
https://www.powertochange.org.uk/get-inspired/stories/burton-street-foundation/

[2] https://locality.org.uk/love-is-in-the-air-locality-members-do-weddings/
[3] https://www.powertochange.org.uk/research/bristol-community-land-trust-case-study-1/

Funding and investment options

Asset transfer and ownership will often require a 'cocktail' of funding, and you will need to consider how you will access funds for different stages in your journey.

Discovery and Planning: the cost of finding out about the building and then paying for any refurbishment designs and costing your plans.

These development costs are often the hardest to finance as, if the CAT does not proceed, then this money will be lost. It is important to secure non-repayable finance for this stage.

Acquisition and refurbishment: there may be a price for acquisition even under a CAT and there will often be a need to refurbish a building to allow better or new services to be delivered.

These capital costs can often be spread over time through using share capital or loan finance.

Operational Finance: to cover costs (losses) during the early stages while activities develop and income grows. Known as working capital this provides adequate cash to pay bills while income is collected.

Funding sources:

Community support. A crowdfunded appeal for donations, soft loans or community shares may provide important finance at various stages and is a wonderful way to demonstrate community support.

Council support: often an important source of discovery information, some councils may offer grant support with the planning phase and even grants or loans to help with the capital phase. They may also be a source of service contracts to meet operational finance needs.

Pro bono support: professionals, such as lawyers or architects, that could offer their work for free or at risk.

Grants: a variety of grants are available from the National Lottery award bodies and independent foundations for all the stages of CAT, as well as from councils.

Loan finance: Available both from normal commercial sources and specialist social finance lenders, usually for a proportion of the capital costs.

Forming your organisation

Knowing your options for a legal structure and governance model is an important part of the discovery phase. Your legal structure should be considered alongside your business planning. How you plan to run your asset will determine which governance model is right for you.

For example, if you want to raise money from community shares, you will need to be a co-operative society or a community benefit society. If the volunteers driving the project also want to work for it, then you will need a legal structure that enables directors to be paid. Or if you are seeking a high level of capital grant, then being a charity might be beneficial.

You need to think about your governance options and legal structure early on, but you should only decide which model to adopt once you have settled on your business plan.

If you are a new organisation, start with a simple constitution to enable you to raise funds for any early-stage development work, and decide on a final structure once you have chosen your business plan.

As a minimum, you will need to be an incorporated organisation, with a legal identity which provides limited liability to its members.

Read Locality's guide to choosing your legal structure for more information and advice:

www.locality.org.uk/catresources

Capacity, skills and leadership

You should spend time in the early stages identifying your existing skills within your organisation or group. A skills audit can be a useful exercise – whether your group is new, or an established community business.

This will help you identify what resources you already have at your disposal, and what you will need to develop or source from elsewhere.

Relationships: growing your supporter base

Developing and maintaining relationships will be a key theme of your community ownership journey.

Community engagement

Community engagement is an essential part of building support for your project locally. Whether your project is about saving a much-loved amenity from closure, or developing vacant land for affordable housing – you will need to mobilise support from local residents.

If open conversations and engagement with the community do not occur, then there is a risk that your project could generate mistrust or opposition locally.

You will need to have a communications and marketing plan to drive forward your engagement with the community.

Community engagement can range from providing information and collecting views and opinions, to active participation and collaboration. At this end of the spectrum, you are more likely to recruit new volunteers and community champions, and develop a shared sense of ownership with the community over the project.

Find out more about advice and support for community engagement from Locality:

www.locality.org.uk/catresources

Councillor relationships

Identify who your key political allies might be locally. This could be your ward councillor, or others within the council that might support your plans or your organisation.

These relationships will be very important in getting CAT negotiations off the ground, and through to a successful conclusion. Research shows that engaging with councillors increases the chances of a successful asset transfer.

When building your case with individual councillors, you can use Locality and Power to Change's 'Guide for councillors on Community Asset Transfer', which contains lots of information on the benefits of community ownership and how they can support it:
www.locality.org.uk/catresources

Relationships within your organisation

Making sure that your trustees are involved in creating the vision for your project will be very important. Making sure they are supported to engage with the process, rather than just informed, will mean you are far more likely to achieve your long-term aims for the project.

Negotiation: securing the asset transfer

Negotiating the asset transfer with the council can be a long process, with several rounds. At points it might feel that you are getting nowhere fast.

Key tips for starting your negotiation

- Refer to the CAT policy as a starting point if your council has one. It will guide you in what to expect.
- Contact the council's property department in the first instance to discuss the possibilities for transfer. This may lead to an invitation to submit an initial expression of interest, before more detailed business plans are discussed.
- Identify your champions and positive relationships in the council - how can they help you get negotiations started?
- Do your plans for the asset tie into wider council objectives such as on service delivery, the local economy, or community development? Use this to shape your case.
- If possible, identify a key contact in the council who will be able to provide you with updates and guidance throughout the process.

Negotiation is likely to take place with a number of council departments and councillors. You may not always keep the same key contact and you may spend a lot of time repeating your case! The process can feel long-winded and frustrating, but try to retain positive relationships with the council – it will help you in the long run.

Strengthening your plans:

As the negotiation progresses, you will need to refine and strengthen the plans you developed during your initial discovery phase.

Make sure you have all the key information about the asset, including potential liabilities.

The local authority should provide you with information about the asset. This includes: possible TUPE (Transfer of Undertakings and Protection of Employment) implications, current tenancy arrangements, and running costs.

The local authority is unlikely to give any warranties as to the state of the asset and therefore all liabilities will pass to the community group. A full conditions survey needs to be commissioned to flag important issues, such as structural defects, land contamination, asbestos or listed building status.

If you are planning building works, do not rush into paying architects for detailed plans too early on. This can be expensive. At this stage, it is more important to gain an understanding of the basic structural design of the existing building and the main remodelling options.

Develop maintenance and management plans.

Understand how much your asset might end up costing you to operate and maintain in the long term.

Some items of expenditure occur on a cyclical basis – such as electrical equipment testing and gas checks – whereas others are unplanned. Therefore it is good practice to set aside a budget for emergency repairs, for example 5-10% of annual income. Using volunteers will keep your costs lower, but do not take short cuts where professionally qualified people are required.

You should also assign responsibility for overall maintenance management and health and safety considerations.

Use Locality's 'Building Calculator' to understand your potential operational and maintenance costs:

www.buildingcalculator.org.uk

Find out more about facilities management:

www.locality.org.uk/catresources

Refine your business plan and secure your funding options:

A detailed business plan will be an essential part of securing the agreement with the council. It will also form the key document for your funding applications.

What should a business plan include?

As well as key information about your organisation and mission, your business plan should include:

- Product/services pricing and projected sales/outputs
- The current market and operating environment
- Risk analysis
- Resource needs and business operations
- Income and cost projections
- Funding and finance needs
- Cashflow forecasts

Always be prepared to walk away or adjust your original vision if it isn't right or the numbers aren't working. An asset that turns into a liability could land your organisation in troubled waters.

Forecasting and cash flow.

You must forecast your income, capital costs (such as structural and building works) and revenue costs (such as ongoing facilities and maintenance costs).

Some of this will be based on 'guesstimates' but it is important not to get caught by 'optimism bias' – always err towards lower income and higher costs in your predictions.

Cashflow is key! Project failure is often due to poor cashflow, rather than overall lack of profitability.

Once you have forecasted your income against your costs, you should make sure that surplus is forecasted as cashflow. Your forecasting will also show you where your gaps in cashflow are likely to be, and therefore how much working capital you will require for your day-to-day operations to get you up and running.

You will need a 'whole life costing' for your asset to help you plan.

This requires considering all the long-term relevant costs and revenues associated with an asset (over the period of the lease if a leasehold agreement). You will need surveyor estimates for the operational, repair, upkeep, building and landscape elements of the asset. You can use the Locality Building Calculator to support you in this process.

More advice and support on business planning is available from Power to Change:

www.powertochange.org.uk/support-and-resources/startingout/business-tools/

Read step-by-step guides on how to get started with your business plan:

www.mycommunity.org.uk/takeaction/getting-started/step-by-step/

Negotiating your leasehold or freehold agreement

Getting to the point of negotiating the terms of transfer is a key achievement. This is an important stage, and the terms of your agreement will have a huge impact on the viability of your plans for the asset in the long term.

Try to secure a 'heads of terms' document early in the process. This will provide clarity on what is to be transferred, to whom, and on what terms.

For leasehold agreements, remember

The longer the lease, the more secure the asset: a secure lease should be at least 25 years, preferably longer. Anything less and you may struggle to use the asset as leverage for external funding and loans.

Beware of restrictions on use: for example, limiting the use of a building to a particular service stops you from being flexible in how you can meet local needs.

Make sure you can sublet: it is likely that you will want the ability to sub-let parts of the building to other organisations – for example letting rooms to other community groups or local enterprises. It is important that your lease allows you to do this.

Avoid 'reinstatement terms': reinstatement leases often contain a clause that requires the building to be 'reinstated' at the end of the lease term – even if 25 years later. This requires the tenant to put the property back into the same condition that it was in when the lease commenced.

For freehold agreements, remember

An 'asset lock' clause is often required: this will give the council reassurance that transferring the freehold will not result in private profit-gains. This is an important way you can demonstrate to the council that you will help to safeguard the asset for community purpose.

Really 'know what you're getting:' this is important for freehold or leasehold, but absolute clarity for freehold owners is essential – including access and boundaries, any restrictive covenants, environmental information and existing development plans.

Overage: the seller may insist on an 'overage' provision in the sale terms to ensure that they will benefit from any future development gains. It is important to get experienced advice if this is the case.

Read a technical toolkit on CAT negotiation from Anthony Collins Solicitors:

www.locality.org.uk/catresources

This is not a substitute for legal advice. Your lease is a complex legal document and you may require external support from a solicitor to get the best deal.

Taking ownership: handover and what to watch out for

The gates are open, you've been handed the keys. This is a time to celebrate your success with the community. But this can also feel like a challenging time, and there are a number of key risks that you need to watch out for.

Regular board meetings: during the first few months, it will be important for trustees to meet more regularly so that key risks can be discussed and mitigated against.

Tight cost controls and stable cash flow: micro managing your finances during this period is key to having working capital and achieving success. This will help to make sure you can keep cash-flow positive and ensures you can take action to improve situations as soon as possible if necessary.

Snagging clauses: if you have had any building works carried out, make sure that the contract includes a 'snagging' period of snagging to follow up on any issues that might arise. For example, you could make sure that you have a clause that holds back a proportion of the contract value (eg 10%) to ensure that the contractor takes action on any faults emerging in the first few months.

Keep talking to the council: ideally regular communication will be a key part of the council's post-transfer support. Make sure you secure a named contact for follow-up, keep them updated on your progress, and keep in touch with any councillors who were champions through your asset transfer journey.

Learn from your peers: don't close the doors behind you. While managing the asset will keep you extremely busy, remember that joining networks with others who have been through the same journey can be extremely valuable.

Build power in your community through Community Asset Transfer

Find out more at:
locality.org.uk

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About Locality

Locality supports local community organisations to unlock the power in their community to build a fairer society. Our member network of over 550 community organisations creates the services their community needs most in spaces where everyone belongs. Locality provides specialist advice, peer-learning, resources, and campaigns to create better operating conditions for our members.

About Power to Change

Power to Change is an independent trust that strengthens community businesses across England.

We received our endowment from Big Lottery Fund in 2015. At a time when many parts of the UK face cuts, neglect and social problems, we are helping local people come together to take control, and make sure their local areas survive and stay vibrant.

No one understands a community better than the people who live there. In some areas, people are already coming together to solve problems for themselves, and we support them as they run businesses which help their whole community and recycles money back into the local area. Community businesses revive local assets, protect the services people rely on, and address local needs.

www.powertochange.org.uk

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