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Our assets, our future: the economics, outcomes and sustainability of assets in community ownership

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Ministry of Housing, Communities & Local Government

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About this report

Power to Change and the Ministry of Housing, Communities and Local Government commissioned this research in mid-2018. The scope of the project was to create a national picture of community asset ownership, to assess their financial health and economic impact. The project sought to address evidence gaps identified in earlier work commissioned by Power to Change.

This report and all views expressed are the authors' own. Full details of the methodology can be found in the accompanying technical report, published at **powertochange.org.uk/research**. All community-owned assets identified through this work can be viewed on **keepitinthecommunity.org**

Our thanks is extended to the team at Locality, in particular Stephen Rolph, whose support was invaluable in completing this research.

About the authors

CRESR is a leading UK policy research centre that seeks to understand the impact of social and economic disadvantage on places and people, and assess critically the policies and interventions targeted at these issues. The centre is distinguished by its policy and practice oriented approach to research, with research outputs regularly feeding into a wide range of fora in the public and voluntary sectors. Much of CRESR's work is intended to be of practical benefit, both to those who commission the research and to a wider audience. Our clients include government departments and agencies, local authorities, charities and foundations, international organisations, and the private sector.

The research was carried out in partnership with the Institute for Voluntary Action Research (IVAR) – an independent research charity working closely with people and organisations striving for social change. They work nationally across the voluntary, public and funding sectors, using research to develop practical responses to challenges and creating opportunities for people to learn from their findings.

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Executive summary

Introduction

There is little debate about the social value of village halls, community shops or local arts centres owned and operated by the community. Assets like these give people a greater sense of connection to the places where they live and support them to lead more fulfilling lives. But what is less well known is the economic contribution made by community-owned assets, and their overall financial health is not well understood. In light of their importance to local communities, this report sets out to address that evidence gap.

In July 2018, Power to Change and the Ministry of Housing, Communities and Local Government commissioned a team from the Centre for Regional Economic and Social Research (CRESR), at Sheffield Hallam University, and the Institute for Voluntary Action Research (IVAR) to provide an economic assessment of the assets in community ownership sector in England. The objectives of this study were to:

- provide a detailed map of assets in community ownership undertake in-depth economic assessments of assets in community ownership
- provide deeper insights into the challenges faced by community asset owners, and identify key factors and processes that have supported their sustainability
- synthesise findings on the effectiveness of policy interventions, funding provision, support and other factors which have catalysed community asset ownership.

Key findings

The report finds a community ownership sector not only growing fast, but making an increasingly significant contribution to the UK economy. According to the analysis, community-owned assets are:

- **a valuable part of the economy –** there are more than 6,300 community-owned assets in the country, contributing nearly £220 million to the UK economy every year
- **financially robust –** despite limited resources, three-quarters of community-owned assets say they are in good financial health
- **a growth sector –** nearly a third of all community-owned assets came into community ownership in the last decade.

Overall the report sets out the clear benefits provided by community-owned assets, including economic growth, local economic resilience and general wellbeing. We therefore make suggestions that draw on the evidence gathered here, to support the community ownership sector so that it can make the most of its potential to strengthen the UK economy and society.

Defining an asset in community ownership

The research required a definition of community-owned assets, which we developed through exploring the meaning of the terms 'community', 'ownership' and 'assets':

Land, buildings or other large physical structures for which long-term ownership rights are in place – for instance, through a freehold or leasehold of 25 years or more – and where this is held by a community or voluntary organisation which operates for the benefit of local people. The decision-making body for the asset is controlled by local residents.

Despite attempts to develop a simple definition, the heterogeneity of this sector meant significant ambiguity remained.

What is the current state of community asset ownership?

Detailed mapping work led to an estimate of **6,325 assets in community ownership in England.** This is likely to be an underestimate as it only includes assets that were revealed through available data sources.

Analysis of the location and characteristics of assets in community ownership revealed:

- assets are unevenly distributed across England, with the highest numbers in less deprived, rural local authorities. The most deprived 30 per cent of neighbourhoods[1] contain just 18 per cent of assets in community ownership.
- over 80 per cent of assets identified as being a 'community hub/hall/centre'
- there has been a marked increase in communities bringing assets into their ownership in the last decade: 29 per cent of current assets came into community ownership in the last 10 years.
- the majority of assets in community ownership provided a 'micro' (32 per cent) or 'small' (48 per cent) revenue of less than £100,000.

[1] Neighbourhoods is defined as Lower Layer Super Output Areas with a typical population of 1,500

Why and how do assets come into community ownership?

The case studies revealed two categories of motivation:

The first related to a desire **to preserve (or improve) an asset deemed to be of local value, where communities wanted to:**

– prevent the asset from falling into disrepair and a source of anti-social behaviour
– prevent the asset being closed down, for example due to local government austerity measures or a market failure in the provision of activities or services
– protect the asset from privatisation, including its sale to private developers.

The second was **to provide benefits to the community, including:**

– ensuring that services and facilities meet local needs
– to secure funds (e.g. grants) that enable (improved) benefits
– to maximise the potential for reinvestment of surpluses in their community.

Survey responses revealed that most assets came into community ownership from a private source (41 per cent) and around 30 per cent came from a public body. Just under half of assets came into community ownership through a transfer from a public body (25 per cent) or were donated (24 per cent) at no cost or for a peppercorn rent.

Role of policy in supporting community asset ownership

A regulation in the 2011 Localism Act enabled communities to apply for an asset to be listed as an Asset of Community Value (ACV). If a listed asset is put up for sale within the five-year listing period, the community can claim a Community Right to Bid, which gives them a moratorium period of six months to raise the finance to purchase the asset. There is currently no nationally available information about the rate of conversions of ACV listings into community ownership. However, this study has identified **90 ACV listings that subsequently came into community ownership – a conversion rate of 15 assets making it into community ownership for every 1,000 listed as an ACV.**

Decision-making, resources and external support emerged as vital to both the acquisition and transfer of assets into community ownership. The Community Asset Transfer (CAT) process was highlighted as being particularly complex, and there was often limited understanding at the outset about what it would entail. Transferring an asset from public to community ownership requires significant time and resources from both communities and local authorities.

The requirement for specialist skills frequently frustrates efforts to transfer assets. As a result, the external support and technical advice often proved invaluable, alongside a local authority that fully embraced the opportunity.

What is the financial health of assets in community ownership?

'Financial health' broadly describes the general state of an asset's financial situation. This can include perceptions alongside harder financial metrics such as profit ratios. Financial health is fundamental to an asset's continuing existence. Sound financial health makes an asset more sustainable – able to pay its expenses and operate successfully while laying the foundation to a stable long-term future.

A little over three-quarters of survey respondents reported their asset to be in 'very good' or 'good' financial health and almost half experienced improvements in financial health over the last three years.

Despite this positivity, close analysis reveals some less healthy indicators.

- Around one in five assets made an operating loss of 10 per cent or more of their revenue in their latest financial year - equivalent to 1,300 assets.
- Up to a fifth were likely to have insufficient reserves to meet a modest unexpected expense or income shock. A significant number are also likely to be operating at a loss.
- Controlling expenses was an issue for many. A third of survey respondents did not agree that their asset's expenses were 'regular and predictable' and 56 per cent did not feel their expenses adjusted in line with revenues.
- As assets are increasingly moving towards loan-funding, it is a concern that 28 per cent did not agree that their debts are under control.

We developed a measure to account for the multi-faceted nature of financial health, which indicated that **31 per cent of assets had 'excellent' financial health**, with only five per cent assessed as being in 'extremely poor' health.

What affects the financial health of assets in community ownership?

In the context of the challenging environment facing the wider voluntary and community sector, a positive finding from the survey was that **30 per cent reported facing no factors that had negatively affected their asset over the last three years.**

The cost of maintenance was by far the most common factor reported to have affected the financial health of community-owned assets in the last three years, at 46 per cent. Other common factors, identified by more than one in six respondents, included:

– the scale of expenses
– poor revenue from the asset
– not being able to recruit a full volunteer base
– limited access to grant-funding.

Modelling identified that the following factors had a significant impact on financial health.

– **Operating income/revenue:** assets with a higher income were more likely to have excellent financial health - the likelihood of excellent financial health increased with scale of operations.
– Being a **community hub/hall/centre** is negatively associated with excellent financial health. This reflects that these facilities are run on a shoestring budget.
– Operating from a **location in an area of deprivation** is a challenge and negatively associated with excellent financial health.

We identified seven critical factors which support an asset's capacity to maintain their financial health. These are explained in Section 5.3.

What are the costs and benefits of community asset ownership?

We considered the cost and benefit of community asset ownership to assess the potential for a cost-benefit analysis of the sector. Key findings provide a general picture of the costs and net additional benefits of community asset ownership, and its contribution to the wider economy.

- The total expected cost of an asset over a 10 year period is £1,757,000 (in today's prices). This includes average ongoing annual revenue costs of £81,000 and capital costs of £32,000.
- The estimated 6,325 assets in community ownership in England provided:
  - £216,819,000 worth of net additional[2] Gross Value Added (GVA) to the economy per annum. This is equivalent to £1.39 of every £10,000 in GVA nationally
  - £147,733,000 per annum additional expenditure into local communities
  - 7,000 net additional full time equivalent (FTE) jobs, providing £15,753,000 in fiscal benefit savings per annum
  - 151,000 net additional volunteer hours per week, the wellbeing benefit of which is equivalent to £131,926,000 in additional income for those taking up the volunteer roles.
- The costs and benefits for individual assets varied considerably: by type, revenue, locality and when and how the assets came into community ownership.

However, as the assessment could not include the most commonly-cited social, health and wellbeing benefits from assets in community ownership, a more detailed analysis including case studies, would enable a more rounded perspective to be developed.

[2] Net additional implies over and above what would have occurred in the absence of community-owned assets.

What recommendations emerged from the research?

The report provides a number of recommendations which aim to enhance current policymaking, improve practices within asset-owning and support organisations, and strengthen the current system of funding and finance.

Specifically, we recommend:

– improving local processes and the wider policy framework around asset transfers and community rights

– enhancing the support for, and business planning within, community assets

– agreeing measures of good financial health specific to this field

– improving funding, finance and protections for asset owners

– enhancing the evidence-base on costs and benefits, building on the approach developed in this research.

1. Introduction

1.1 Introduction

England is experiencing a radical shift in who controls, and seeks to control, the key physical assets which sustain communities. Whether this is land, buildings or other large physical structures and resources, the potential for community organisations to own and use assets for community benefit has been a persistent interest to both policymakers and practitioners.

Since 2008 the number of community land trusts has increased six-fold in England (National CLT Network, 2019). These organisations (as a vehicle for local ownership and control of housing) will develop an estimated 6,000 new homes between 2018 and 2022 (Archer et al., 2019). The number of community-owned pubs in the UK grew from nine to 85 between 2008 and 2017 (Plunkett Foundation, 2018a), and similarly the number of community shops has increased from 171 to 346 over the same period (Plunkett Foundation, 2018b). Other evidence suggests that 137 community energy projects have been created since the turn of the millennium (CEE, 2017), creating 121 megawatts of new energy-generating infrastructure. These are just a few examples of such expansion and how different types of community ownership are gaining ground. Despite signs of change, much remains unknown about the scale of community ownership (in terms of both asset types and their geographical distribution), the challenges facing the sector and its financial health, as well as the costs and benefits to local communities.

In response, Power to Change and the Ministry of Housing, Communities and Local Government commissioned a team from the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, and the Institute for Voluntary Action Research (IVAR), to provide an economic assessment of the assets in community ownership sector in England. This study commenced in July 2018 and concluded in May 2019.

Study objectives

1. **To provide a detailed mapping of community assets – building on previous efforts to deepen our understanding of different asset types in differing locations, the varying routes to community ownership, and key information about asset acquisitions, values and purchase prices.**
2. **To undertake an in-depth economic assessment of community assets – assessing the financial health of the organisations and their associated asset, as well as issues concerning their sustainability.**
3. **To provide deeper insights into the challenges faced by community asset owners, identifying key factors and processes that have affected their journey to date, and any barriers to sustainability.**
4. **To synthesise findings on the effectiveness of policy interventions, funding provision, support and other factors which have catalysed community asset ownership.**

To address these and other related questions, the research has undertaken a detailed mapping of the extent, features and outcomes of community asset ownership across England. Alongside this, in-depth qualitative research has been conducted to understand some of the factors affecting the financial health of community-owned assets and the outcomes they create. Through this analysis, the current and future role of key stakeholders – notably government and funders – comes into sharper focus.

The report is structured as follows:

- This chapter sets the context for the study, describes the methods employed and defines the key concepts guiding the research.
- Chapter 2 presents the current picture of community asset ownership. This includes the extent, location and characteristics of assets in community ownership.
- Chapter 3 considers how assets came into community ownership. This includes reasons for seeking asset ownership, the process through which assets are acquired and reflections on enabling and constraining factors.
- Chapter 4 draws on primary research to consider the financial health of assets in community ownership.
- Chapter 5 provides more detailed analysis and consideration of factors that affect and are vital to the financial health of these assets.
- Chapter 6 considers the economic and social costs and benefits of community asset ownership.
- The report concludes by summarising the key findings from the research, and making recommendations for a variety of audiences and stakeholders in this field.

1.2 The context for the research

It is 13 years since the publication of Making Assets Work (DCLG, 2007), an independent review of the barriers and opportunities in community asset management and ownership. This report sparked sustained interest in such initiatives, with more detailed research funded in 2008 (Aiken et al., 2008) and 2011 (Aiken et al., 2011). These publications revealed the range and scale of different forms of community control of assets across the UK. They also considered some of the benefits, costs and critical success factors of these models, alongside how best to support organisations owning or seeking to own assets.

However much has changed since this important work, not least in policy terms. Major shifts have taken place in the fiscal and funding environment for community ownership, and in the focus of policies seeking to support this activity. This presents asset owners with a changed set of constraints and enabling factors. For example, the pressure on public finances since the UK recession of 2008-09 has reduced the spending power of local authorities and, generally speaking, their capacity to support voluntary and community groups. However, tighter local authority budgets have also stimulated the release of publicly-owned assets that can be acquired by community groups. Alongside this, a variety of policies have been developed to facilitate asset transfers and acquisitions. This includes a range of 'community rights' enshrined in the Localism Act (HM Government, 2011). These provide rights for community organisations to delay the sale of a building or land so they might develop a bid for it, as well as the ability to register an asset as being of 'community value'. The devolved administrations of the UK have taken varying approaches on this. The Scottish Government, for instance, has conferred powers for community groups to purchase large landholding and estates, through a Right to Buy Land (Scottish Government, 2018). This will enable the forced disposal of a property if it is abandoned, neglected or detrimental in some way.

Alongside these formal rights, the process of community asset transfer (CAT) has been promoted. This allows public bodies to identify and support the disposal of land and buildings, often at a price below market value. An increasing number of asset transfers have taken place, with many local authorities and other public bodies developing dedicated policies to support this activity. Research commissioned by Power to Change (NLGN, 2016) revealed the extent of recent asset transfers to community organisations in England, in addition to shedding light on the state of local policy contexts. The report suggested that 50 per cent of local authorities surveyed 'actively pursue opportunities to transfer assets to community groups', and over 60 per cent stated that they had a community asset transfer policy in place. Despite signs of a commitment to transferring public assets, the research revealed significant variation between local authorities. Issues were also apparent in local bodies transferring assets at 'less than best consideration'.

The potential of, and constraints on, community asset ownership have led to charitable funders providing funds to support such activity. Others have argued for increased government funding and changes to policy and legislation; such as that relating to the community rights (Locality, 2018). Ongoing reviews are exploring measures to prevent community-owned assets from becoming financially unviable and being lost by those communities (Protecting Community Asset Inquiry, 2019).

Hence, recent evidence suggests a growth in community asset ownership, but under various constraints. This research examines both of these issues. It seeks to provide a much clearer view of the range and type of community-owned assets, as well as their financial position through a period of great change in the wider economy and policymaking environment.

1.3 Research methods and activities

A range of quantitative and qualitative research methods have been used to meet the study's objectives. These are summarised below with more detail provided in the supporting technical report. The outcome of this extensive research is a significant amount of quantitative and qualitative data, providing insights into community asset ownership at the national and organisational level, as well as at the level of individual assets. Broadly, the methods were as follows:

Scoping interviews with eight funders and support organisations

These interviews were undertaken in the early stages of the research. They contributed to the understanding, and mapping, of the assets in community ownership (Objective 1 above). In particular they informed efforts to define 'community assets', and the factors which affect variation in community ownership and control of those assets. These interviews were supported by detailed literature reviews leading to a set of definitions and concepts used in the study. The interviews also directed efforts to quantify the scale of ownership in England.

Collating a national database of assets in community ownership

To support efforts to measure the scale and nature of the sector (Objective 1) a national database of assets likely to be in community ownership was created. This database has been made available on the Keep it in the Community website **keepitinthecommunity.org**, where you can:

– check the assets in community ownership in your area or nationally
– verify the ownership and description of an asset
– list new or additional assets in community ownership.

Developing this database entailed securing **secondary data that identified potential assets in community ownership**. The sources for this data included:

– membership bodies
– funders and infrastructure organisations

- querying national datasets such as the Charity Register and the Community-led Housing Database
- a register of assets in community ownership – the Community Assets Exchange (CAsE) – which was developed for this study and issued through a range of channels.

An online and postal survey of potential asset-owning community organisations

This survey built on the approach taken in the register of assets, to explore in more depth the financial health of such organisations, the challenges experienced and types of benefits they are securing for their community (Objectives 2 and 3). The survey derived 551 responses, from which we were able to validate 365 assets in community ownership. This rich and unique evidence base provided a robust source for a detailed analysis of the community assets sector in England. The questionnaire covered: ownership and control, purpose, financial health and factors affecting financial health and economic and social outcomes provided by assets in community ownership.

More information about the survey, including the questionnaire, is provided in the accompanying technical report on the Power to Change website.

Case study research with 27 assets in community ownership in five local authority areas

Intensive case study research in five local authority areas provided a more detailed and nuanced understanding of the sector (Objective 1), its financial health (Objective 2) and factors affecting the development and financial health of assets (Objective 3). Five local authorities were identified using multi-dimensional case selection criteria: Lincolnshire, Liverpool, Wandsworth (and Richmond[3]), Wiltshire and Wolverhampton. These authorities presented a diverse range of characteristics, with varied levels of community ownership, disparate land and property values, differing levels of deprivation and variations in the rurality/urbanity of local settlements (see the accompanying technical report on the Power to Change website).

We extracted potential case studies in each of the five sites from our national database for these areas. Additional supplementary searches aimed to improve the accuracy of asset-mapping in these areas. These drew on internet search engines, the Land Registry CCOD (Commercial and Corporate Ownership Data) and conversations with key local infrastructure organisations. The case study areas and cases selected within them are summarised in Table 1.

[3] The Wandsworth case study local authority was expanded to include the London Borough of Richmond, to increase the number and type of possible case study assets.

Table 1: Case study areas and asset case studies

Case study area (local authority)	Area characteristics informing selection	Community-owned asset case studies
Lincolnshire	High/medium prevalence of assets High/medium deprivation in selected areas Rural	Belchford Community Solar project Coningsby Community Hall Mareham le Fen Community Centre Maurice Chappell Way housing scheme (Pinchbeck Community Land Trust) Blackberry Way housing scheme (Wilsford Community Land Trust)
Liverpool	High/medium prevalence of assets High/medium deprivation Urban	Croxteth Sport and Wellbeing Centre (Alt Valley Community Trust) Eldonian Village (Eldonian Community Based Housing Association) Kensington Library (Kensington Fields Community Association) The Rotunda (Rotunda Ltd) Squash community building, café and arts centre (Squash Nutrition)
Wandsworth and Richmond	Medium/low prevalence of assets Low/medium deprivation Urban	ETNA community centre (East Twickenham Neighbourhood Association) Katherine Low Settlement Landmark Arts Centre Affordable housing units (Richmond Parish Lands Charity) Community minibuses (Richmond and Kingston Accessible Transport – RaKAT)

Case study area (local authority)	Area characteristics informing selection	Community-owned asset case studies
Wiltshire	High/medium prevalence of assets Low/medium deprivation Rural	Tisbury & District Community Minibus The Peterborough Arms (Wiltshire and Berkshire Canal Trust) Wilton Hill (Wilton Community Land Trust) Canoe club building and facilities (Devizes Canoe Club) Community shop (Ashton Keynes Village Shop Association Ltd) Lover Community Hall (Lover Community Trust) St. John's Place (Bemerton Community Ltd)
Wolverhampton	Medium/low prevalence of assets High/medium deprivation Urban	The Big Venture Community Centre Bilston Town football ground (Bilston Town Community FC) Gatis Street Adventure Playground (Acts of Random Caring Community Interest Company) The Workspace (All Saints Action Network) Foodbank and transport assets (The Well)

Research with the 27 case studies involved interviewing at least three key participants in each case, to capture key data on the research themes:

- nature of their asset and community organisation
- reasons why the organisation sought community asset ownership
- routes they took to acquire their asset
- what difference community ownership makes in their local context
- financial health of those assets

– challenges faced and how these might have been overcome
– costs and benefits arising from community ownership
– key lessons for supporting and sustaining assets in community ownership.

Further information about case study selection and data gathering can be found in the technical report accompanying this publication. In addition, summary reports were produced for each case study. These documents are available on the Power to Change website **powertochange.org.uk/research**.

1.4 Defining key concepts

To apply these methods, a definition of a community-owned asset was required. This needed to be one that could be used throughout the research. Drawing on the knowledge of sector stakeholders and previous literature in this field, a workable definition was developed by setting out the meaning of the key terms: 'community', 'ownership' and 'assets'.

The term 'community' within this field plays an important function. It demarcates those organisations and assets where there is some local control and involvement in decision-making, and where the benefits are felt among local residents and users. Making Assets Work (DCLG, 2007, p. 9) – or the Quirk Review as it is commonly known – set out the following definition of organisational forms within the scope of the review:

'The common feature of all such organisations is that they are independent and their governing board or committee includes a majority of community representatives, which we might define as people living in the area.'

Crucially, Quirk disaggregated legal form from the role of community members in making decisions, stressing the importance of the latter. Other commentators and scholars have followed suit, but in perhaps less prescriptive ways. In their significant work for the Joseph Rowntree Foundation (JRF), Aiken et al. (2008, 2011) employed the concept of 'Community-based Organisations' to identify 'local organisations that are independent of government or market' and who seek benefits for defined places and people.

While the legal form of the asset-owning organisation may be a guide to the extent of community control, it is not a hard-and-fast assurance. Many housing associations are asset owners and adopt organisational forms which seek to benefit local communities. However, the size and geographical coverage of some of these organisations make localised control of assets unlikely. Establishing whether local control is in place is difficult without detailed localised assessment. Throughout the study we have used legal form as a proxy for community control, though in awareness of the potential problems of

doing so. Within the case studies we explored the issue of local control across a range of legal forms, asset types, organisational sizes (in terms of income and asset values) and in relation to different types of ownership. This revealed some of the complexities and subtleties in the governance of different asset-owning organisations, and the gradations of local control.

Similar complexities arise in using notions of ownership. Seminal academic work helps understand the key rights and characteristics associated with ownership (Honoré, 1961). In the realm of collective property ownership, socio-legal scholars have shown how legal rights often blend with day-to-day practices to underpin what 'ownership' of assets really means (Blandy, 2013). In previous literature concerning community assets – perhaps for pragmatic reasons – the legal estates of leasehold and freehold have been readily applied when discussing land and buildings, whilst acknowledging other forms of management arrangements:

'The community organisation's stake in these asset-holdings may range from a short-term management agreement or license to occupy a particular building, through to leasehold ownership on shorter or longer leases and freehold ownership of one or indeed a portfolio of assets' (DCLG, 2007, p. 9)

For Quirk and Aiken, ownership and management were recognised to have both porous and overlapping boundaries. While we recognised this issue, the key unit of analysis for this study has been those assets where long term property rights are in place. In practice this has meant focusing on those assets with freehold titles or long leases, if related to land and/or buildings.

The term 'assets' refers to a broad range of resources that communities may own, control and manage. Skerratt and Hall (2011) uses a typology for different forms of 'capital', to identify financial assets, social assets, cultural assets etc. However, much of the work in the community assets field has set the focus on tangible, physical assets. Aiken et al. (2011) noted that, while focusing on 'physical assets such as land and buildings', this crucially includes 'energy generation facilities'. Doing so raises the question about whether other structures or equipment should be added to the definition. Funders and policymakers have generally taken community-owned 'assets' to mean land or buildings (HM Treasury, 2007; BSC, 2015; Locality, 2018).

Our interviews with stakeholders highlighted the centrality of physical assets in this field, such as 'building spaces, community centres, a nursery, equipment, local transport, village halls, libraries', while also asserting the importance to some organisations of 'cultural artefacts…green spaces, organisational brand and identity, and people and volunteers'. Clearly assets can be conceptualised in very broad terms.

Others have taken the term 'asset' to denote something of net value, drawing on the conceptual difference between assets and liabilities. This appears to be implicit in the suggestion that land and buildings can only be a community-owned asset if 'capable of generating a profit that can be reinvested into activities that benefit the community' (Locality, in BSC, 2017). Conjoining these differing views, and to meet the aims of the study, the definition of assets has been set on land, buildings and large physical structures.

Hence the following definition of a 'community-owned asset' was developed and used throughout the research:

> **Land, buildings or other large physical structures for which long-term ownership rights are in place – for instance through a freehold or leasehold of 25 years or more – and where this is held by a community or voluntary organisation which operates for the benefit of local people. The decision-making body for the asset is controlled by local residents.**

In applying this definition it became clear that there exists a large set of organisations that may not fully meet this definition, and where it is difficult to make this assessment with certainty, but which we would still wish to include in the study. This includes community groups who have a short-term agreement to manage an asset, but where there is a structured plan in place to move to a longer lease after an initial period.

1.5 Applying the definition of community ownership of assets

There are sound reasons for developing a definition of a 'community-owned asset' which captures a broad range of governance structures, ownership models and asset types. Generalising across varied assets and organisations makes it easier for policy-makers and funders to address multiple needs, and for advocates to deliver a collective message on behalf of different constituents. The evidence gathered during this study has revealed some genuine parallels across assets and asset-owning organisations which hold irrespective of their geographical context, asset type or legal model. However, even accepting such similitude, applying the study's definition has highlighted the heterogeneity of the sector, and important dilemmas about what is, and is not, captured by the definition. Key considerations included:

The sector does not self-define

Many of those engaged in the research did not self-define as a community asset, instead identifying as a specific asset type (e.g. community hub, village hall, community land trust). The asset type underpinned important differences in how assets are used, controlled and managed, funded and the opportunities and challenges faced.

There are justifications and consequences of minimum lease length criteria

Setting a minimum lease length provided a clear way to focus on assets with long term property rights. This appeared operationally relevant too, as such rights of ownership and access affected the availability of grants, the community's perception of ownership and control, and the resources that could be leveraged for investment and strategic planning. Nonetheless, the focus on lease length narrowed the scope in such a way as to omit those assets on shorter or 'meanwhile' use leases, or those accessed through licenses or other informal arrangements. We recognise that while it was necessary for this study, one of the consequences of applying such a tight definition is that it may underplay the importance and contribution of other forms of activity.

There are challenges in defining and establishing community control

Perhaps the most challenging aspect of applying the definition related to how 'community' was defined and whether the control of decision-making by that community **could be practically established.** This was a particular issue when working with secondary data to establish the size of the sector. The case studies provided a valuable point of triangulation showing that asset-owning organisations nearly always function on a day-to-day basis through the decisions made by a small group of people. What the wider group of users, local residents and members actually have a say in, and how they assert control in decision-making, is clearly differentiated and difficult to assess with secondary data. Some assets were controlled specifically by beneficiaries, **with little opportunity for new local members** to assert control. This was evident in co-operative models where founder member capital was used to acquire assets. The revenue generated could be used to make both interest payments to members and secure wider community benefits. Irrespective of the value of these wider community benefits, control still resided with founder members.

While the definition does not rely on legal status as a marker of community control and benefit, variation in legal structure emerged as being important. Different legal structures place different regulations and restrictions on assets and can lead to different governance and operational practices. The sheer variation in form and function raised questions about the subtle differences between individual community assets. For example, if a village hall is

technically held in trust and under the custodianship of specific trustees, is this a meaningfully different form of ownership to a community land trust, where land or a building is held by the organisation?

The extent of community benefits, and the role of assets in providing these, varies

Finally, the definition focused on those organisations using a physical asset to provide a community benefit over profit maximisation. However, some used or were considering how to use their asset for non-community focused activity. This provided income to cross-subsidise community activity, fund investments and cover maintenance expenditure. The creation of community benefits arising from activities primarily serving commercial interests is an important phenomenon to understand.

Related to this is the characteristic of many assets being one step removed from the end outcomes for beneficiaries. For instance, in many community buildings local benefits arise from the activities provided by those who rent the space, rather than the space itself (e.g. where third parties use the building to run fitness sessions or adult education classes). Hence the benefits of community ownership need to be understood as a relationship between the physical asset and the way in which it is used.

1.6 Summary

This chapter has introduced and set the context for this study which aims to provide an assessment of the assets in community ownership sector in England. A definition of community asset ownership was developed which covers: physical land, buildings and other structures, where there is a long-term ownership right and where control is by local communities, to provide benefit for local people. The next chapter applies this definition to look at the current state of assets in community ownership, including the extent of this type of activity.

2. What is the current state of assets in community ownership?

This chapter assesses the extent of community asset ownership in England, the location of assets in community ownership and their key characteristics. It responds to the first part of Objective 1.

Key findings:

- at least 6,325 assets are estimated to be in community ownership
- these assets are unevenly distributed across England with the highest numbers in less deprived, rural local authorities – the most deprived 30 per cent of LSOAs contain just 18 per cent of assets in community ownership
- over four-fifths of assets identified as being a 'community hub/hall/centre'
- there has been a marked increase in communities bringing assets into their ownership in the last decade: 29 per cent of current assets came into community ownership in the last 10 years
- the majority of assets in community ownership provided a 'micro' (32 per cent) or small (48 per cent) revenue of less than £100,000

2.1 What is the extent of community asset ownership?

It is estimated that there are at least **6,325 assets in community ownership in England.**

The accompanying technical report explains the challenges faced in deriving this estimate as well as the three-step approach that was adopted to create it. In reality this is likely to be an underestimate, as it only includes assets that were revealed through the data sources available to the study. For example, the extent of community ownership relating to sports facilities, community energy and open and green space will be underrepresented in the data sources that were made available. This means the population of assets in community ownership is likely to be similar to the number of community businesses operating in England – 7,800 (Power to Change, 2018).

2.2 Where are assets in community ownership located?

This section considers the location of assets in community ownership in terms of:

- the geographical distribution of assets across local authorities
- the extent to which they are located in urban and rural localities
- the extent to which they are located in deprived and less deprived localities.

The geographical distribution of assets across local authorities

Analysis of the location of identified assets reveals that local authorities contained an average of 19 assets in community ownership. The actual number varies considerably, with 47 local authorities (14 per cent) containing three or fewer assets. At the other extreme, three local authorities each had more than 100 assets in community ownership – Cornwall, Wiltshire and Shropshire.

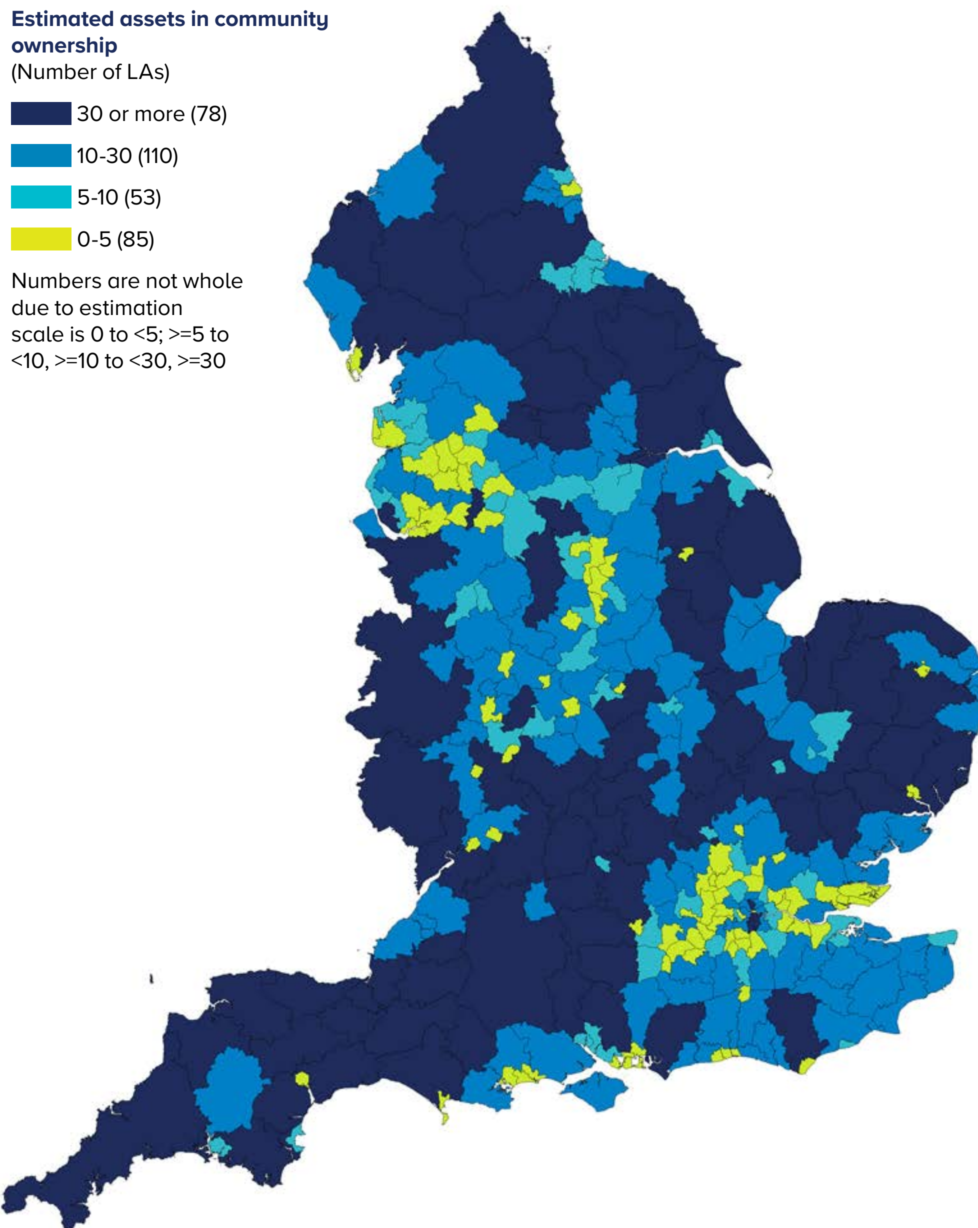
Figure 1 shows the distribution of the estimated[4] number of assets in community ownership across local authorities in England. The map shows that local authorities with the highest numbers of assets in community ownership tended to be in more rural and less deprived areas. On average, rural local authorities contained 38 assets in community ownership, compared to just 12 in their urban compatriots -this will reflect the significant number of 'village halls' in the sector (Section 2.2). Whereas, the most deprived[5] 30 per cent of local authorities contained an average of 15 assets in community ownership. This compared to an average of 20 in less deprived authorities.

However, there are a few notable exceptions, for example Liverpool, Manchester, Birmingham and Southwark. These more urban and deprived authorities have bucked the trend, most likely due to creating an environment conducive to the community ownership of assets.

[4] See the technical report this is the combined number of assets identified as almost certainly in community ownership and 66 per cent of the likely number of assets to be in community ownership in each local authority.

[5] As assessed by the Local Authority level Index of Multiple Deprivation, 2015 **https://data.gov.uk/dataset/e86eab0e-4c31-46b4-b034-064a3cf7f46d/english-indices-of-deprivation-2015-summaries-at-local-authority-level**

Figure 1: Local authority map of assets in community ownership



The extent of community asset ownership in urban and rural localities

Analysis of the location of survey participants revealed that two-thirds of assets in community ownership were in a rural Lower Layer Super Output Area (LSOA).[6] The remaining 33 per cent were in urban LSOAs. This is the opposite trend to community business, which won't include most village halls, where 69 per cent were located in an urban postcode (Power to Change, 2018).

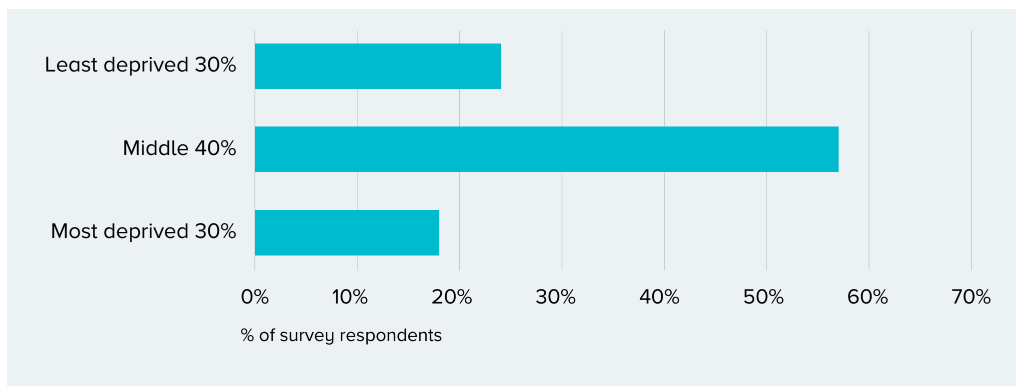
Significantly higher proportions of community-owned assets in urban areas:

- are located in the 30 per **cent most deprived LSOAs** (90 per cent)
- came into **ownership in the last 10 years** (58 per cent)
- are owned **on a long leasehold** (57 per cent)
- were **transferred from a public body at nil cost or peppercorn rent** (55 per cent)
- **have a higher revenue level** (40 per cent)
- were identified as a **'sports facility'** (55 per cent).

The extent of community asset ownership in deprived localities

Figure 2 shows the level of deprivation in the LSOA where assets are located, and highlights that assets are underrepresented in England's most deprived localities. **The 30 per cent most deprived neighbourhoods in England account for just 18 per cent of the assets in community ownership.** Assets are also underrepresented in the least deprived 30 per cent of neighbourhoods, but by a far smaller extent.

Figure 2: Location of assets in community ownership by deprivation, LSOA



Source: Survey of assets in community ownership (Base 364)

[6] Lower-Layer Super Output Areas are small geographic areas designed to be of a similar population size, with an average of approximately 1,500 residents. There are 32,844 LSOAs in England. They are sometimes referred to as 'neighbourhoods' or 'small areas'.

Similarly, detailed analysis revealed significantly higher proportions of community-owned assets in the most deprived LSOAs:

– are **located in urban areas** (50 per cent)

– **came into ownership in the last 10 years** (37 per cent)

– are owned on **a long leasehold** (33 per cent)

– were **transferred from a public body at nil cost or peppercorn rent** (35 per cent)

– have a **higher revenue level** (20 per cent).

2.3 What are the characteristics of community asset ownership?

This section uses survey responses to summarise the:

– types of assets in community ownership

– year that assets came into community ownership

– (revenue) size of the community organisations who own assets.

The types of assets in community ownership

The survey asked respondents to describe their community asset by using any of the terms they felt best matched their particular circumstances. The fact that 40 per cent of assets were identified as belonging to more than category, revealed how they are typically used to serve their communities in a variety of ways. For example, the Rotunda in Liverpool is a community hub that also provides green and open space, food and drink facilities and education.

Figure 3 shows the variety of asset types identified by respondents. 'Community hub/hall/centre' was by far the most common, accounting for over four-fifths (81 per cent) of assets. This is significantly more than the 34 per cent of community businesses that identified as a 'community hub/hall/centre' (Power to Change, 2018). However, it is broadly in line with the 86 per cent of assets that were identified as primarily being a 'community hub/hall/centre' when estimating the total population of assets.

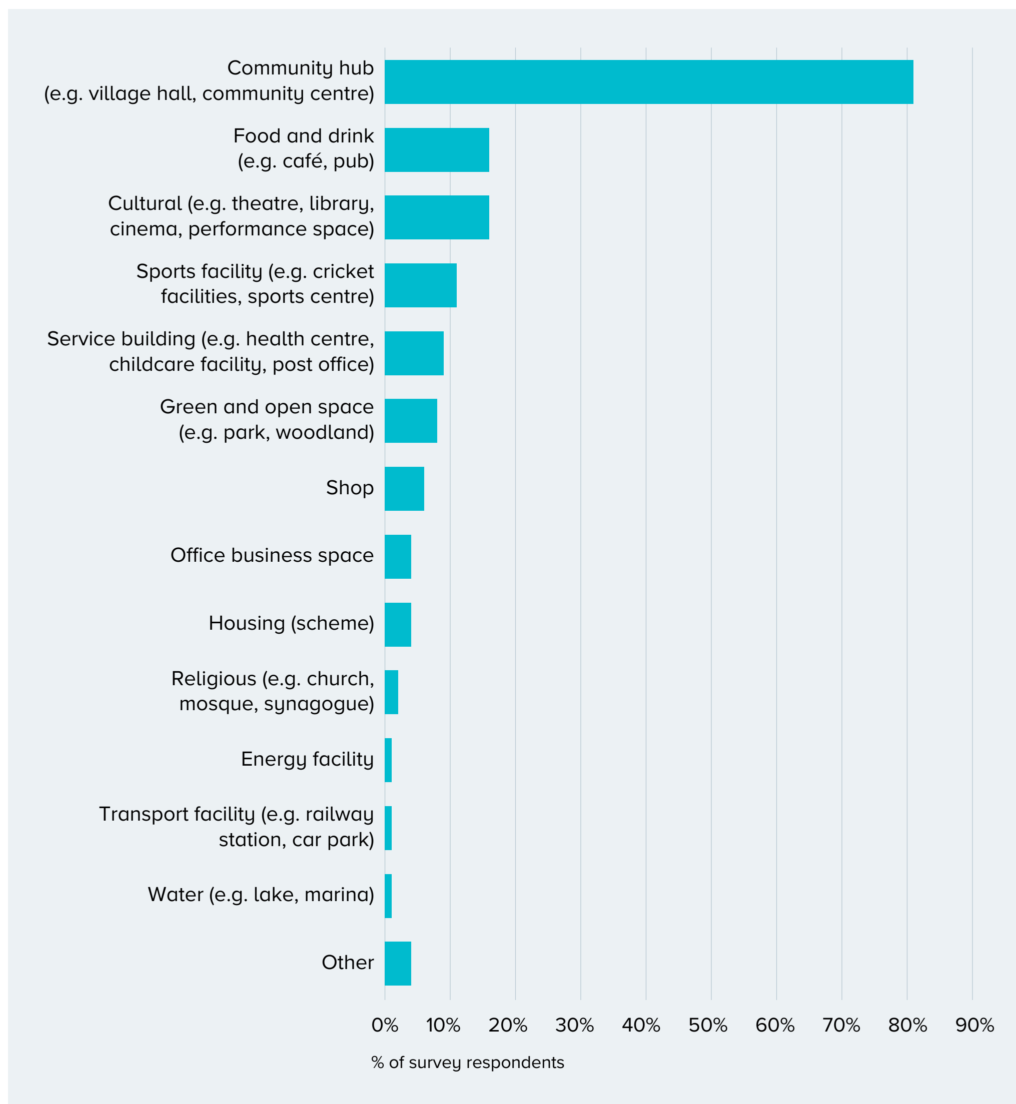
The second most common asset types were 'cultural' and 'food and drink', both at 16 per cent.

Of particular note is the prevalence of assets that provide 'office or business space'. This type emerged during analysis of responses using the 'other' category – it was not one of the 12 original listed asset types and is therefore likely to be an underestimate. This type was common in the 27 case studies.

It suggests that many community asset owners operate as second tier organisations: 'groups whose primary function is to provide support of a generalist or specialist nature to "frontline" organisations' (Wolfenden, 1978), where that support is the provision of space, facilities, or other physical resources.

While 'housing' accounted for just four per cent of assets, it is important to note that as this referred to 'schemes' – where groups of properties are located on a specific site – the number of individual properties will be far higher.

Figure 3: Types of asset in community ownership



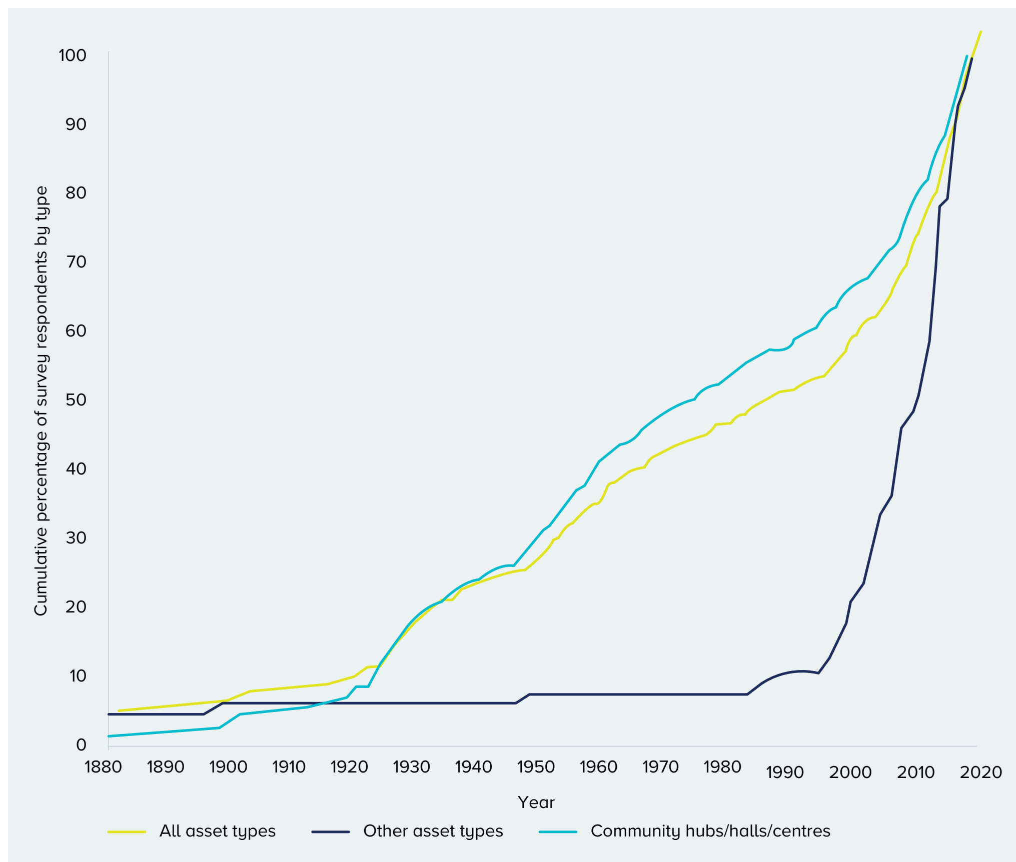
Source: Survey of assets in community ownership (Base 365)
Note: respondents were able to identify more than one asset type

When did assets come into community ownership?

Figure 4 shows that while there is a long history of community asset ownership in England, **29 per cent of current assets surveyed came into community ownership in the last 10 years.**

It is not possible to draw definitive conclusions from these percentages about the relative rate at which assets are being brought into community ownership over time, since they exclude assets no longer in community ownership. However, they suggest there has been marked increase in communities bringing assets into their ownership in the last decade, most notably when 'community hubs/halls/centres' are excluded. The analysis reveals that 52 per cent of other asset types came into ownership in the past 10 years, compared to just 23 per cent of community hubs/halls/centres, which tended to have been in community ownership considerably longer.

Figure 4: Year asset came into community ownership



Source: Survey of assets in community ownership (Base 340)

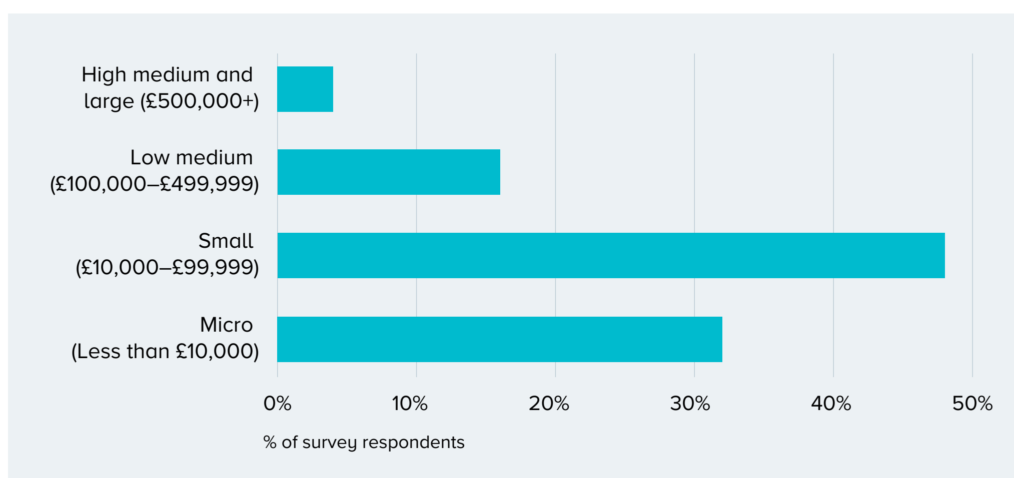
The revenue size of assets in community ownership

Figure 5 shows the size of assets in community ownership, defined by their operational revenue – 80 per cent were classified as 'micro'[7] (32 per cent) or 'small'[8] (48 per cent) on the standard classification used for voluntary, community and social enterprise (VCSE) organisations. Just four per cent had an income of £500,000 or more. The average operating revenue of assets in community ownership was just over £90,000, whereas the median operating revenue was just under £18,000. This is considerably lower than the £107,000 median income of community business (Power to Change, 2018).

Significantly higher proportions of community-owned assets with 'micro' operating revenue:

- are located in **rural areas** (40 per cent)
- are in **less deprived areas** (35 per cent)
- are where the **freehold is held** (37 per cent)
- were **not identified as a 'service building'** (36 per cent)
- were **not identified as a 'food and drink'** asset (37 per cent)
- were **not identified as a 'sports facility'** (34 per cent).

Figure 5: Size of assets in community ownership by operational revenue



Source: Survey of assets in community ownership (Base 341)

[7] An operating revenue of less than £10,000 per annum
[8] An operating revenue of between £10,000 and £99,999 per annum

2.4 Summary

This chapter considered the state of community asset ownership in England. Detailed mapping identified at least 6,325 assets, with the majority located in rural and less deprived areas. The sector is dominated by community hubs/halls/centres – of which rural village halls form a large number – and most assets provide a small operating revenue. There has been a marked increase in community asset ownership over the last 10 years, with much of the growth accounted for by non-community hub/hall/centre assets.

The next chapter looks at reasons for seeking community ownership of assets and the process through which they were brought into community hands.

3. How do assets come into community ownership?

This chapter addresses the second part of Objective 1 – to understand how and why assets came into community ownership.

Key findings:

- the main motivations for community asset ownership relate to:
  - the desire to preserve or improve an asset deemed to be of local value, for example to prevent the asset falling into disrepair or closing, and to protect it from privatisation
  - provide benefits for the community, for example to ensure services meet local needs, to secure funds that enable greater benefit for users, and maximise the potential for reinvestment of surpluses
- a significant proportion of assets came into community ownership from a private source (41 per cent) and around 30 per cent came from a public body
- the conversion rate of ACVs into community ownership is very low – approximately 15 out of every 1,000 assets listed
- just under half of assets came into community ownership through a transfer from a public body (25 per cent) or donation (24 per cent) at nil cost or peppercorn rent
- decision-making, resources and external support emerged as being vital to both the acquisition and transfer of assets into community ownership
- the community asset transfer process was highlighted as being very complex – it requires significant time and resources from both communities and local authorities, and a lack of the specialist skills required can frustrate efforts

3.1 Why did assets come into community ownership?

Two overarching themes emerged from analysing qualitative data from the case studies:

- the **desire to preserve or improve a specific asset deemed to be of local value**
- to provide **benefits for the community.**

Several, more specific motives drove community owners to acquire and manage their assets directly:

To prevent the asset falling into disrepair or closing

This included those who sought community ownership to:

– prevent their asset becoming a source of anti-social behaviour:

'It would have likely become derelict and a location for drug use'

Acts of Random Caring, Wolverhampton

– protect public assets from being sold or closed down, for example due to local authority austerity measures. This explains some of the marked increase in asset ownership in the last 10 years which was supported by opportunities created by the Localism Act.

– respond to a market failure, e.g. The Peterborough Arms, a community-owned pub in Wiltshire which, prior to 2014, had struggled to remain profitable. The desire among local residents to retain the asset as a functioning pub, and fears that their village would lose its 'heart', led to more than 300 people providing loan finance to a local charity to keep it going.

– remain rooted in a specific area. The Katherine Low Settlement, a community hub in Wandsworth, highlighted how the perceived value of 'the Settlement' to local people had ensured they remained wedded to the asset:

'We have had discussion with trustees when looking at redeveloping the building. One of the options was to sell up and move away, to buy something that was purpose built. That would suit our needs, our current needs, but no there was a unanimous decision our roots are here, the trust and reputation of KLS is here, and we would have to start all over again'

Katherine Low Settlement, Wandsworth

To protect assets from privatisation

The threat to community buildings from new housing schemes was frequently highlighted in both urban and rural, and deprived and less deprived, contexts. For example in Wolverhampton, three of the five cases noted how this had been a major motivating factor for pursuing community-ownership. Other community groups aimed to repurpose private land for community benefit in the form of community-led housing. In Lincolnshire the acute housing need in rural areas, and failure of other housing providers to meet this need, led to intense efforts to acquire land from different parties to build affordable housing.

To ensure services and facilities match local need

Other rationales for community ownership emerged through the desire to better meet local community needs. For example community ownership for The Eldonians (a multi asset owner in Liverpool that provides housing and other

community facilities) gave them powers to tailor their services and facilities to what the community needed, instead of having to meet commercial imperatives or the requirements of government and other stakeholders. These motives were tied up with a sense that private asset ownership and associated provision of services was failing in some areas, and that community ownership was the remedy.

‘We are that rock in the community, a community anchor. People know we are here and people can decide when they want to use us . By having an asset, having a freehold, we can continue thinking like that and continue to be part of lives of local people because we have the asset.’

Katherine Low Settlement, Wandsworth

To secure funds to create benefits

Certain case studies saw new forms of ownership as a means to secure additional funding, or better financial terms, which could in turn enhance local services and facilities. This was the case for ETNA, a multi-use community centre in Wandsworth. By negotiating a longer lease, as an alternative to their previous rolling annual lease, they were able to access substantially more grant funding. This enabled them to fund renovations to the building, including putting in a new disabled toilet and renovating a community kitchen.

Similarly, in Mareham le Fen in southern Lincolnshire, a relatively new charitable trust was set up to address the problem of an old village hall which was not fit for purpose. By pursuing the development of a new community centre (rather than refurbishment of the old village hall) it gave the group access to significantly more funds. It also led to improvements in the scale and quality of community facilities and activities.

To maximise community benefits and potential for reinvestment

A number of case studies saw community ownership as a means to meet specific community needs, whilst also generating surpluses which could be reinvested for wider community benefit. Varying models and forms of ownership were devised:

- In Lincolnshire, community land trusts (such as Wilsford CLT and Pinchbeck CLT) were using surpluses generated through the leasing of land for housing to reinvest in non-housing projects.
- Belchford Community Solar Co-operative (Lincolnshire) generated revenues from energy feed-in tariffs to support other local causes through a small community fund.

However, particularly amongst community hubs, this aim was tempered by the desire to keep the price of their services low. For instance, Squash Nutrition (a community building, café and arts centre in Liverpool) and Coningsby Community Hall (in Lincolnshire) were acutely aware of the tension between generating revenue for reinvestment, and setting prices that are unaffordable to local residents and users.

3.2 How did assets come into community ownership?

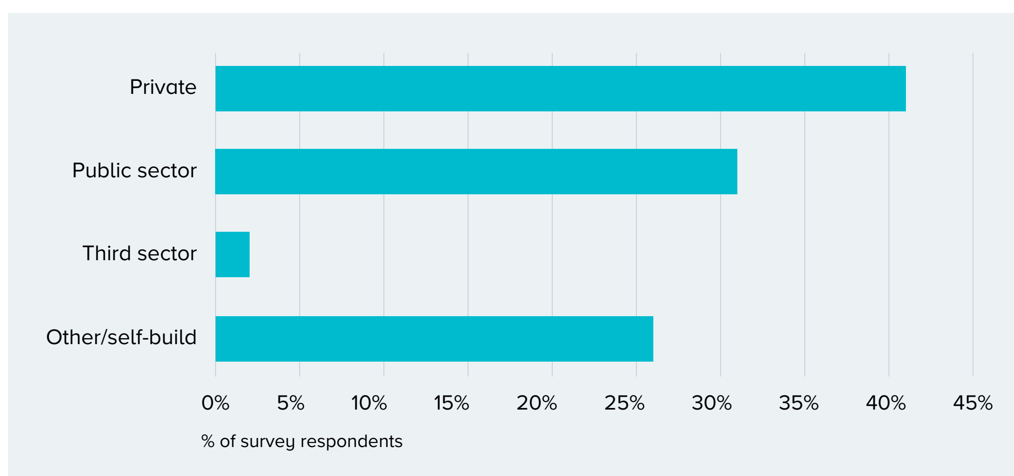
This section assesses:

- the previous owner of assets taken into community ownership
- the extent that ACV provisions have been used as a route to community ownership
- the nature of the transfer into community ownership
- the nature of asset ownership.

The previous owner of assets taken into community ownership

Figure 6 shows that the just over two-fifths of assets (41 per cent) came into community ownership from a private source, 31 per cent came from a public body and two per cent from a third sector organisation. Purpose-built assets and instances where the respondent did not know the original source account for the scale of 'other' (26 per cent).

Figure 6: Owner before the asset came into community ownership



Source: Survey of assets in community ownership (Base 340)

Significantly higher proportions of the assets taken into community ownership from a public body were:

- in **urban areas** (49 per cent)
- located in the **most deprived LSOAs** (53 per cent)
- owned on **a long leasehold** (58 per cent)
- assets that had come into community **ownership in the last 10 years** (43 per cent); this is likely to relate to the impact of the Quirk Review and the impetus given to CAT in its wake.

The extent that ACVs have been used as a route to community ownership

A key regulation that emerged from the 2011 Localism Act was the right for communities to apply for an asset to be listed as an Asset of Community Value (ACV). It formed part of the Community Right to Bid process, acting as the first stage in identifying and nominating assets that can further the social wellbeing or interests of the local community. Once an asset is listed as an ACV with the local authority, the local community will be informed if it is put up for sale within the five-year listing period. At this point it can claim the Community Right to Bid, which gives it a moratorium period of six months to determine if it can raise the finance to purchase the asset.

There is currently no nationally available information about the number of assets that were listed as an ACV and have subsequently come into community ownership. However, we have attempted to establish the conversion rate by comparing the population of potential assets in community ownership against the listing of current and previous ACVs identified on MySociety's Keep it in the Community database at keepitinthecommunity.org.

In total, **90 assets are identified as being an ACV and then a likely asset in community ownership**[9], i.e. there was a good level of certainty that they featured on both listings. This gives a conversion rate of 15 assets making it into community ownership for every 1,000 assets listed as an ACV.

In reality, several factors affect the precise validity of this figure. For example:

- Potential ACVs that subsequently became assets in community ownership were identified through postcode matches and a very basic description of the asset, therefore some of the potential matches may not be the same asset.
- Some of the matched assets may not meet the community ownership definition used in this study, i.e. the asset was identified from a source where there is less clarity of community ownership.

[9] Ninety ACVs were identified as either an asset where there is a good level of certainty or high likelihood that they are an asset in community ownership. However, only 66 per cent of the latter group are likely to meet the study's definition of an asset in community ownership.

- The Keep it in the Community database does not include all assets that have been listed as an ACV, only those currently or recently listed, therefore the true number may be higher.

However, despite these cautions it is still clear that the conversion of ACVs into community ownership is low. Potential reasons are highlighted in Section 3.3, which discusses the struggles that even successful communities have faced in bringing assets into community ownership.

We received a survey response for 12 of the 90 assets that had 'converted' from ACV listing to community ownership. Responses revealed:

- eight identified as a 'community hub/hall/centre'
- five identified as a 'food and drink' asset
- five came into community ownership at market price
- six came into community ownership from a private sector source
- four came into community ownership from a public sector source, all as a transfer at nil cost or peppercorn rent
- seven were located in rural LSOAs
- only two were located in the most deprived 30 per cent of LSOAs.

The nature of the transfer into community ownership

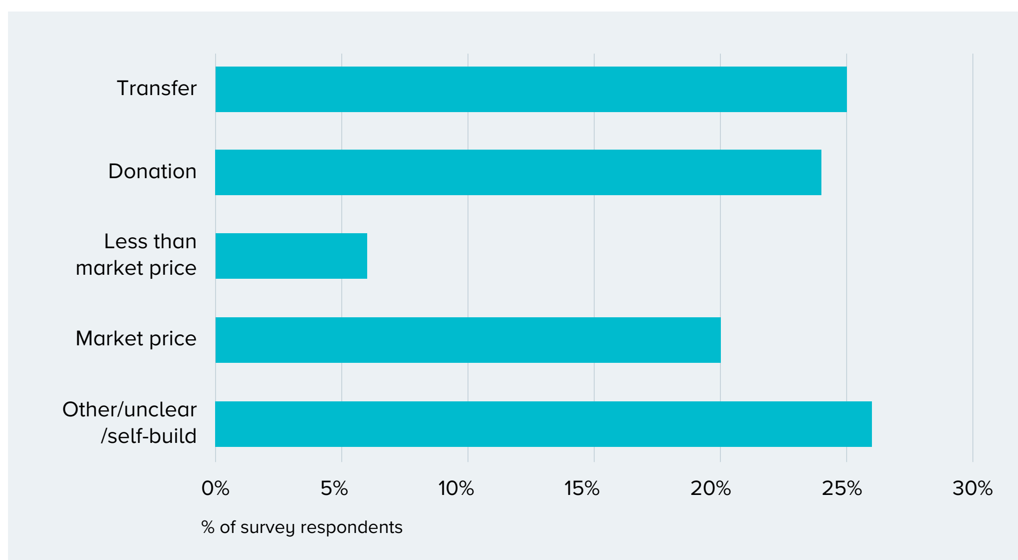
A quarter of assets came into community ownership through a community asset transfer (25 per cent) (Figure 7). In addition 24 per cent were donated at no cost or peppercorn rent and six per cent came into community ownership at less than market value. Approximately one in five assets came into community ownership at market value.

There were the following statistically significant differences:

- Assets located in the most deprived 30 per cent of LSOAs were more likely to have come into community ownership as a transfer, compared to those in less deprived areas, where assets were more likely to have come into community ownership through a donation.
- Assets that came into community ownership in the last 10 years were more likely to have done so through a transfer compared to assets that came into community ownership before this time. The converse is true when donation is considered.

– A higher proportion of assets with a freehold came into community ownership via a donation or at market value, compared to assets where ownership is on a long leasehold.
– 56 per cent of assets where ownership is on a long leasehold came into community ownership via a transfer from a public sector source at nil cost or peppercorn rent amount. This is lower than the proportion where the freehold is held (11 per cent).

Figure 7: How the asset came into community ownership



Source: Survey of assets in community ownership (Base 340)

The nature of asset ownership

The majority of respondents held the freehold to their asset (70 per cent), compared to 30 per cent who had a leasehold agreement of 25 years or more from the start of the lease. However, a number of survey respondents reported having shorter leases or other arrangements such as licences. Section 1.5 discusses the reasons for limiting this study to assets with a freehold or leasehold of 25 years or more. Were the definition extended to include sub-25 year arrangements, the number of assets in community ownership would increase by 13 per cent, equivalent to an additional 830 assets in community ownership.

3.3 What can be learned about the process of bringing assets into community ownership?

The case studies provided important insights about the process of acquisition and transfer of assets. Broadly speaking, decision-making, resources and external support emerged as vital to both processes. A detailed understanding of these factors is important, not least for funders and infrastructure bodies who want to provide support to projects which are sustainable in the long term.

The following two subsections provide detailed learning from the case studies about the key factors playing a central role in decisions and processes affecting acquisition and transfer.

Decisions and processes affecting acquisition

The capacities, knowledge and skills within the group

Acquiring an asset often demands intensive investment of time by volunteers. The Devizes Canoe Club, a group based in Wiltshire that had acquired land and buildings to create an office, club room, gym and storage facility, exemplified this. Interviewees involved in this organisation noted the need to plan for the 'few people vs much work syndrome' and the importance of succession strategies to engage new people throughout the acquisition process.

Alongside engaging volunteers were challenges in securing the right skills from within the local community to handle an acquisition. Required skills included fundraising, financial planning, negotiating, accountancy, company and employment law, working with local government, and applying for grants/loans. However, perhaps the most important requirement was securing the involvement of people who were able to balance these specific skills (for example in business, planning and commerce) with a focus on the needs of the local community.

In general the case studies had found ways to secure the required skills from within their respective communities. This may be one of the key factors explaining their success, while others had failed. However, there were instances where this had proven more problematic. For example Squash Nutrition, which is located in Toxteth – one of the most deprived areas of Liverpool – reported difficulties in bringing in steering group members from the local community with the necessary legal, marketing and business skills.

The importance of external support and technical advice

Individual case studies highlighted how asset transfer processes can become complex and demand specialist support from local advisors. The development of the Mareham le Fen Community Centre was facilitated by ongoing support from consultants specialising in fundraising and managing building projects. The continuity of this support was important, as they drafted the grant application for the redevelopment funding, and eventually project-managed the construction of the new centre.

Critically, support during acquisition is extremely variable, not only by geography – as the presence and quality of advisors varies at local levels – but also in terms of the support available to different asset types in the acquisition process. The infrastructure of support for certain types of assets is clearly more developed than others.

Decisions and processes affecting the asset transfer process

The case studies revealed the importance of several significant decisions and processes affecting the asset transfer process.

The role of nominations for ACV

While offering no formal means of forcing the disposal of an asset, the mechanism of nominating buildings or land as an ACV had proven beneficial. For example, Lover Community Trust acquired an old school to develop into a community hub, by first nominating it as an ACV. This gave the community trust a 'right' to preserve the asset for community benefit, and bought time to make this possible. Without the ACV mechanism, interviewees suggested the site would likely have been sold to a developer for housing. This would have had further repercussions for the attached village green and pre-school hosted on that site.

Despite these advantages, ACVs were infrequently mentioned and other community rights were not something the case studies appeared particularly engaged with. Whilst these case studies represent a small sample of community-owned assets -many of which were acquired prior to the Localism Act 2011 – the limited discussion (positive or negative) about community rights potentially reveals a lack of awareness about them.

The role of public bodies

The case studies revealed multiple examples of public bodies transferring assets to community organisations at nil or sub-market value. We've already noted that some local authorities and other public bodies have embraced this agenda more fully than others. For instance:

– three of the case studies in Wolverhampton were examples of transfers from the City Council
– in Lincolnshire there were examples of parish councils playing a vital enabling role with their own land-holdings
– in Liverpool, although processes for individual asset transfers seemed challenging, the City Council had supported groups with revenue grants while assets were being acquired or transferred from other parties.

However, other local authorities focused on leasing their buildings to retain a long-term interest in the property. In Wandsworth, for example, interviewees suggested there was limited policy, support or promotion of asset transfers.

The time that transfer processes can take

We found evidence that the transfer process can move at such a slow speed as to seriously jeopardise community ownership. For Acts of Random Caring, who sought to transfer a community centre, play area and woodland from Wolverhampton City Council, this process was arduous, with significant delays leaving those involved feeling 'left in the dark'. Similar delays were described by those from Kensington Fields Community Association (KFCA) involved in transferring Kensington Library in Liverpool, which is still ongoing after two years.

Complexity and delays were not only a headache for the prospective community owner. Interviewees from Bilston FC, a Wolverhampton-based charity which owns a football ground, highlighted problems for the local authority as they lacked the resources to cancel the lease with the previous lessee.

The importance of external support and technical advice

Individual case studies highlight how asset transfer processes can become complex and demand specialist skills. Dedicated support from local advisors to handle the transfer of their asset was critical for Big Venture, who own and manage a community centre in Wolverhampton. However, few others had received similar levels of guidance and support. It is clear that while the potential community asset owner needs the right skills to be available to negotiate and plan for a transfer, this can come at prohibitive cost.

Understanding the transfer process

Getting the right information about what is involved in a transfer process was difficult for several of the case study organisations. Acts of Random Caring (Wolverhampton) stressed the need for better communication about what was involved in the asset transfer process, highlighting the need for better guidance when negotiating terms.

Although infrastructure bodies such as Locality and Sport England provide documents explaining the transfer process and requirements at various stages, our studies suggest that knowledge and take-up of these resources is partial at best.

Internal processes and the shortage of capacity

Challenges in the transfer process resulted from a general lack of experience in handling transfers, and in the lack of systems for initiating and managing these – within both community organisations and public authorities. Such problems were often compounded by a lack of capacity within public bodies, as was the case with Bilston FC's asset leasing struggles in Wolverhampton.

The London Borough of Wandsworth provides an interesting example of enhanced support and capacity arising through sharing staff with Richmond upon Thames. This combined resource is supporting community and voluntary sector activity in its broadest sense. While it is not yet known if this will increase the rate of asset transfers, it highlights how important individual local authority officers can be – Big Venture's asset transfer process, for example, speeded up markedly when key personnel changed.

3.4 Summary

This chapter has shown how desires to preserve and protect assets or provide community benefit are the main motivations for community asset ownership. The transfer process was identified as being particularly complex and not always fully understood at the outset. The lack of necessary specialist skills frequently frustrate efforts to transfer assets. As a result, external support and technical advice is invaluable.

The next chapter considers the financial health of assets in community ownership.

4. What is the financial health of assets in community ownership?

This chapter assesses the financial health of assets in community ownership, responding to Objective 2.

Key findings:

- around three-quarters (76 per cent) reported their asset to be in 'very good' or 'good' financial health and almost half reported improved health over the last three years
- despite this positivity, close analysis reveals some less healthy indicators:
  - just over one in five assets made an operating loss of 10 per cent or more of their revenue in their latest financial year – equivalent to 1,300 assets
  - up to a fifth (equivalent to 1,300) were likely to have insufficient reserves to meet a modest unexpected expense or income shock. A significant number of this group are also likely to be operating at a loss.
  - controlling expenses was an issue for many. A third of survey respondents did not agree that their asset's expenses were regular and predictable and 56 per cent did not feel that their expenses adjusted in line with revenues.
  - as assets are increasingly moving towards loan funding it is a concern that 28 per cent did not agree that their asset's debts are under control.
- a measure of excellence was developed to account for the multi-faceted nature of financial health
  - 31 per cent of assets were assessed as having excellent financial health

4.1 Defining and measuring financial health

Financial health is a fairly broad term used to describe the general state of an asset's financial situation. This can include a range of hard financial metrics such as profit ratios, as well as perceptions. Financial health is fundamental to an asset's continuing existence. A sound financial health means that an asset is able to pay its expenses and operate successfully. It also lays the foundation to a stable and secure future.

This study has chosen to measure overall financial health through owner perceptions. Doing so enables the study to reflect the dichotomous position of assets in community ownership. They need to maintain profitability, but maximising community benefits is their primary concern. It is therefore important to adopt different standards to those usually applied to commercial enterprises.

The chapter starts by presenting the overall perceived financial health of assets in community ownership. It then considers more specific aspects relating to their financial health to highlight strengths and weakness in the financial models being used.

4.2 What is the perceived financial health of assets in community ownership?

The survey asked respondents to gauge the current overall financial health of their asset, as well as how this has changed over the last three years and how they expect it to change over the next three years.

What is the current financial health of assets in community ownership?

The responses painted a positive picture of the current financial health of the sector: **76 per cent of assets were in 'very good' or 'good' financial health.**

Conversely, only five per cent stated their asset was in 'poor' or 'very poor' financial health.

A more detailed analysis identified significantly **higher proportions of assets in rural (83 per cent) and less deprived (81 per cent) LSOAs reported 'very good' or 'good' financial health** – compared to those in urban (62 per cent) and more deprived (53 per cent) LSOAs.

How has the financial health of assets in community ownership changed over the last three years?

Almost half of respondents reported their asset's financial health had improved over the last three years – despite continuing local and national pressures on public spending: **financial health 'improved' or 'improved a lot' for 48 per cent of assets over the last three years.**

Whereas, only seven per cent reported that their asset's financial health had worsened over the last three years.

Significantly higher proportions of assets that reported their financial health had 'improved' or 'improved a lot' over the last three years:

- **had higher revenue levels** (59 per cent)
- **came into ownership in the last ten years** (64 per cent)
- **identified as 'food and drink' asset** (70 per cent), **'service building'** (69 per cent), **'sports facility'** (68 per cent), and **'cultural' asset** (63 per cent).

How is the financial health of assets in community ownership expected to change over the next three years?

In the face of current economic and political uncertainty, respondents provided a more cautious picture when considering the future financial health of their assets: **33 per cent thought their asset's financial health would 'improve' or 'improve a lot' over the next three years.**

By far the largest group, 62 per cent of respondents, thought their asset's financial health would stay about the same. Whereas only four per cent thought that their financial health would 'worsen' or 'worsen a lot' over the next three years.

Significantly higher proportions of the assets that thought their financial health will 'improve' or 'improve a lot' over the next three years:

- **had higher revenue levels** (41 per cent)
- **came into ownership in the last ten years** (58 per cent)
- **were located in the most deprived LSOAs** (59 per cent)
- **were located in urban LSOAs** (51 per cent)
- **identified as a 'food or drink' asset** (65 per cent)
- **were on a long leasehold** (47 per cent)
- **came into community ownership via a transfer from a public body** (47 per cent).

These associations present a more complicated picture when projecting future financial health. Again, existing revenues and the timing of acquisition are important, but additional factors seem relevant, for instance the extent of local deprivation and nature of ownership. This may reflect future economic worries and threats to local incomes and spending, upon which revenues are reliant.

4.3 How do assets fare on more specific aspects of financial health?

This section assesses more specific aspects of assets in community ownership's financial health.

- How profitable are assets in community ownership?
- Do assets have enough reserves to protect themselves against shocks?
- Are revenues and expenditures regular and predictable?
- Can assets fund ongoing maintenance and improvements?
- Are debts under control?

How profitable are assets in community ownership?

The survey collected data to enable an assessment of profitability using financial metrics and owner perception. These are considered in turn.

First the survey asked respondents to report their operating revenue and operating costs (including overhead and staffing costs) from the asset in their most recent financial year – this was generally 2017/18. Responses to these questions were used to calculate an operating profit ratio for each asset.[10] A negative proportion means an operating loss was made. In contrast, positive values indicate greater profitability.

Analysis of operating profit ratios reveals **66 per cent of assets made an operating profit in their most recent financial year.**

The third (34 per cent) that had not made an operating profit in their previous financial year includes **21 per cent of assets which made an operating loss of 10 per cent or more of their operating revenue.** Based on the 6,325 assets thought to be in community ownership this suggests 2,100 assets did not make a profit, including 1,300 assets that made an operating loss of 10 per cent or more of their revenue.

Significantly higher proportions of assets that had made an operating profit ratio loss of 10 per cent or more in their most recent financial year:

– **identified as a 'community hub/hall/centre'** (24 per cent)

– **had a micro revenue level** (31 per cent)

– **did not identify as a 'sports facility'** (22 per cent).

Respondents were also asked to provide a subjective assessment based on whether they agreed that the asset's revenue usually covers its full costs (including fixed overheads and profits). This qualitative reflection about what 'usually' happens is an important counter reflection to the financial analysis above and takes into account the fact that the most recent financial year may not have been typical. For example it may be that an asset purposely ran a deficit in their most recent financial year to realign reserve levels with reserve policy. **Figure 8** shows that 75 per cent of respondents either 'agreed' or 'strongly agreed' that their asset's revenue usually covers its full costs. Eighteen per cent 'disagreed' or 'strongly disagreed' that this was the case.

[10] Operating profit (the difference between operating revenue and operating expenditure) as a proportion of operating revenue

Based on the two assessments it is likely that between one in five and one in six assets are making regular operating losses – equivalent to between approximately 1,050 and 1,250 assets. A sizable number of assets are therefore running losses and could be considered to be at financial risk, especially if this were to continue.

Do assets have enough reserves to protect themselves against shocks?

Based on responses to the survey, a comparison of reported reserves to operating expenses in the latest financial year reveals **79 per cent of assets had sufficient reserves to cover three months' worth of operating expenses.**

Included in this proportion are 69 per cent that had sufficient reserves to cover six or more months' worth of operating expenses. A healthy majority of assets in community ownership therefore meet the standard good practice levels of reserves to enable them to stand up to shocks. Albeit this is slightly lower than the more qualitative assessment presented in Figure 8. This shows that 86 per cent of respondents 'agreed' or 'strongly agreed' that they had sufficient reserves to cover at least three months' of their asset's expenses.

Just over a fifth of assets did not have the recommended level of reserves[11] to meet shocks. Worryingly, 43 per cent of the assets without at least three months' worth of reserves did not make an operating profit in the latest financial year. This suggests there is a group of assets where multiple financial indicators suggest they are at risk of financial difficulties.

It is also important to consider the absolute level of reserves held. This indicates whether respondents had sufficient available money to meet modest costs. Analysis reveals that 11 per cent of respondents had less than £2,000 in reserves and 20 per cent had less than £5,000.

Based on the information here, probably up to a fifth of assets (around 1,300) have insufficient reserves to meet a modest unexpected expense or income shock. A significant number in this group are also likely to be running operating losses.

[11] Sufficient reserves to cover at least three months' worth of operating expenses.

Are revenues and expenditures for asset's regular and predictable?

Regular and predictable revenues and expenditures are important in providing confidence in an asset's financial standing. Uncertainty makes it harder to invest in either the asset or community benefits. Unpredictability can also cause major stress for the communities involved in managing the asset, as they seek to ensure revenues cover expenses. Figure 8 includes three statements which consider the extent to which respondents to the survey agreed that:

- revenue from their asset is regular and predictable
- expenses for their asset are regular and predictable
- the asset's expenses adjust in line with its revenues.

The responses reveal **75 per cent of respondents 'agreed' or 'strongly agreed' that the revenue from their asset is regular and predictable.** Just 10 per cent of respondents 'disagreed' or 'strongly disagreed'.

Respondents were noticeably less confident about controlling expenses. Figure 8 shows that:

- **67 per cent of respondents 'agreed' or 'strongly agreed' that the operating expenses for their asset are regular and predictable**
- **Less than half (44 per cent) of respondents 'agreed' or 'strongly agreed' that their expenses adjust in line with revenues.**

Can assets fund ongoing maintenance and improvements?

Being able to fund maintenance and improvements to assets is important to:

- maintain and improve the quality of the asset – evidence from the case studies suggests that the age and structure of many assets means ongoing maintenance costs can be substantial
- ensure the asset responds to community needs, and therefore delivers in line with key motivations for community ownership
- maximise the revenue potential, while also minimising costs.

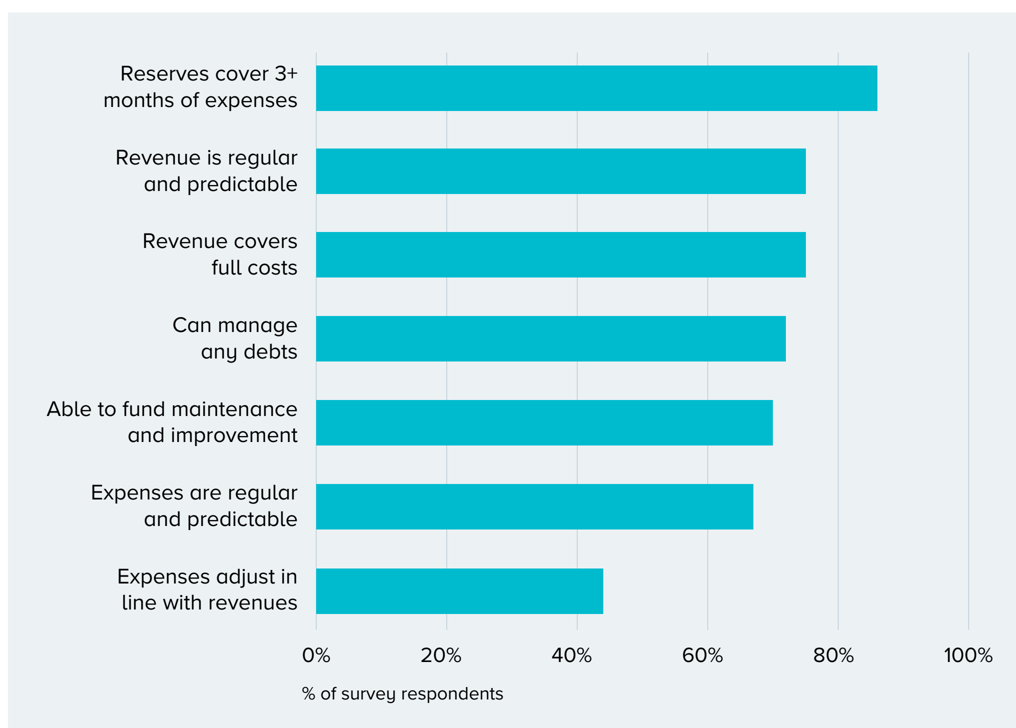
Figure 8 reveals **70 per cent of respondents 'agreed' or 'strongly agreed' that they were able to fund ongoing maintenance and improvements to their asset.** This high percentage runs counter to evidence from the case studies, where discussions about maintenance and improvement revealed dilemmas about whether, and how, these costs should be met (see Section 4.3).

Are debts under control?

The existence of debts for asset owners is not necessarily a bad thing. These can facilitate growth or help meet unexpected costs. However, debts become an issue if their repayment is not under control. The importance of controlling debt is becoming increasingly pertinent to the sector's asset owners and funders are increasingly moving away from grant-funding models.

Figure 8 shows **72 per cent of respondents 'agreed' or 'strongly agreed' that their asset's debts were under control,** while six per cent either 'disagreed' or 'strongly disagreed'. This suggests that a small but nonetheless important proportion of asset owners are worried about their debt levels.

Figure 8: Proportion agreeing with statements about their asset in community ownership



Source: Survey of assets in community ownership (Base 341-355)

4.4 Reflecting on the assessment of financial health and developing a measure of excellent financial health

Our survey findings are consistent with evidence from the case studies.

1. It is important to recognise that asset owners will self-define 'good' financial health differently from commercial businesses. Their assessment reflects that financial health/maximising profits is not their primary concern, but rather providing community benefit. The case studies generally viewed good financial health to be when operating income covers operating expenses. However, the longevity of many assets shows that, despite a more limited consideration of what constitutes financial health, they have survived. Partly this is because assets in community ownership can draw on their community and access grant-funding when faced with challenges.
2. Some of the case studies were optimistic about their financial health even in the face of difficulties. This was rooted in the determination and commitment of the community to do whatever it takes to maintain the asset. As a respondent from The Lover Trust said, 'nothing will break it…things may just slow us down'. There is an implicit recognition that community ownership provides additional options to deal with financial challenges. This includes raising what can be quite significant amounts of money from community sources.
3. The positive reflection about improving financial health over the past three years seems aligned with a general shift in the sector towards becoming more strategic, with more balanced income streams and a shift away from grant dependency. For example the Katherine Low Settlement in Wandsworth reported a conscious shift about six years ago in both its leadership and strategic financial model. This saw it seek multiple income sources – including a move away from government funding – greater diversity in grants and a better use of its asset's space to generate more earned income. Central to this change was an increased unrestricted revenue stream that could be used to pay for staff salaries, asset maintenance and to cover core costs.

Developing a measure of excellent financial health

As the multi-faceted nature of financial health can make it hard to draw conclusions, we created a novel measure of 'excellent financial health' to provide a balanced indicator which combines overall perceptions with more specific aspects of financial health. 'Excellent financial health' is said to exist when:

- the respondent perceives current financial health to be 'very good' or 'good'
- the asset has a positive operating profit ratio
- reserves can cover three months' of expenditure
- respondents agree with more than five of the statements in Figure 8.

Applying this measure to the community-owned assets we studied reveals that **31 per cent of assets in community ownership have excellent financial health.**

This equates to approximately 1,950 assets in community ownership. Section 5.2 presents the results from statistical modelling to identify factors that are associated with excellent financial health.

Further analysis reveals five per cent of assets did not meet any of the criteria used to assess excellent financial health. Based on the estimated population, this suggests 300 assets in community ownership are likely to be in extremely poor financial health.

4.5 Summary

Most assets were in good financial health, including just under a third which were considered to have excellent financial health. A very small number were assessed to be in extremely poor financial health. The next chapter considers the factors that affect financial health.

5. What affects the financial health of assets in community ownership?

This chapter considers factors that have an impact on the financial health of assets in community ownership.

Key findings:

- the cost of maintenance is by far the most common factor reported to have affected the financial health of community-owed assets in the last three years – other common factors included: expenses, poor revenue, inability to recruit a full volunteer base and limited access to grants
- having a lower operating income, being a community hub/hall/centre and being located in a 30 per cent most derived LSOA were typically negatively associated with excellent financial health
- seven critical factors enable an asset to maintain its financial health:
  - symbolic value of an asset and local 'buy-in' to the asset
  - external environment for asset ownership
  - scale and nature of income
  - management of costs
  - form of ownership
  - internal skills and capacity
  - external skills and support

5.1 What factors have had a negative effect on the financial health of assets?

This section considers survey responses about factors negatively affecting the financial health of assets over the last three years (see Figure 9 for a summary). **It is notable that 29 per cent reported no factors that had negatively affected their asset over the last three years.** This is encouraging, especially in light of the challenging contexts in which most were operating, and is a further sign of the improved financial health that many had experienced over the last three years (Section 4). Assets located in rural LSOAs were statistically more likely to have experienced no factors that had negatively affected their asset over the last three years, compared to assets in urban LSOAs – 33 per cent and 20 per cent respectively.

Factors directly relating to costs and income dominated the responses:

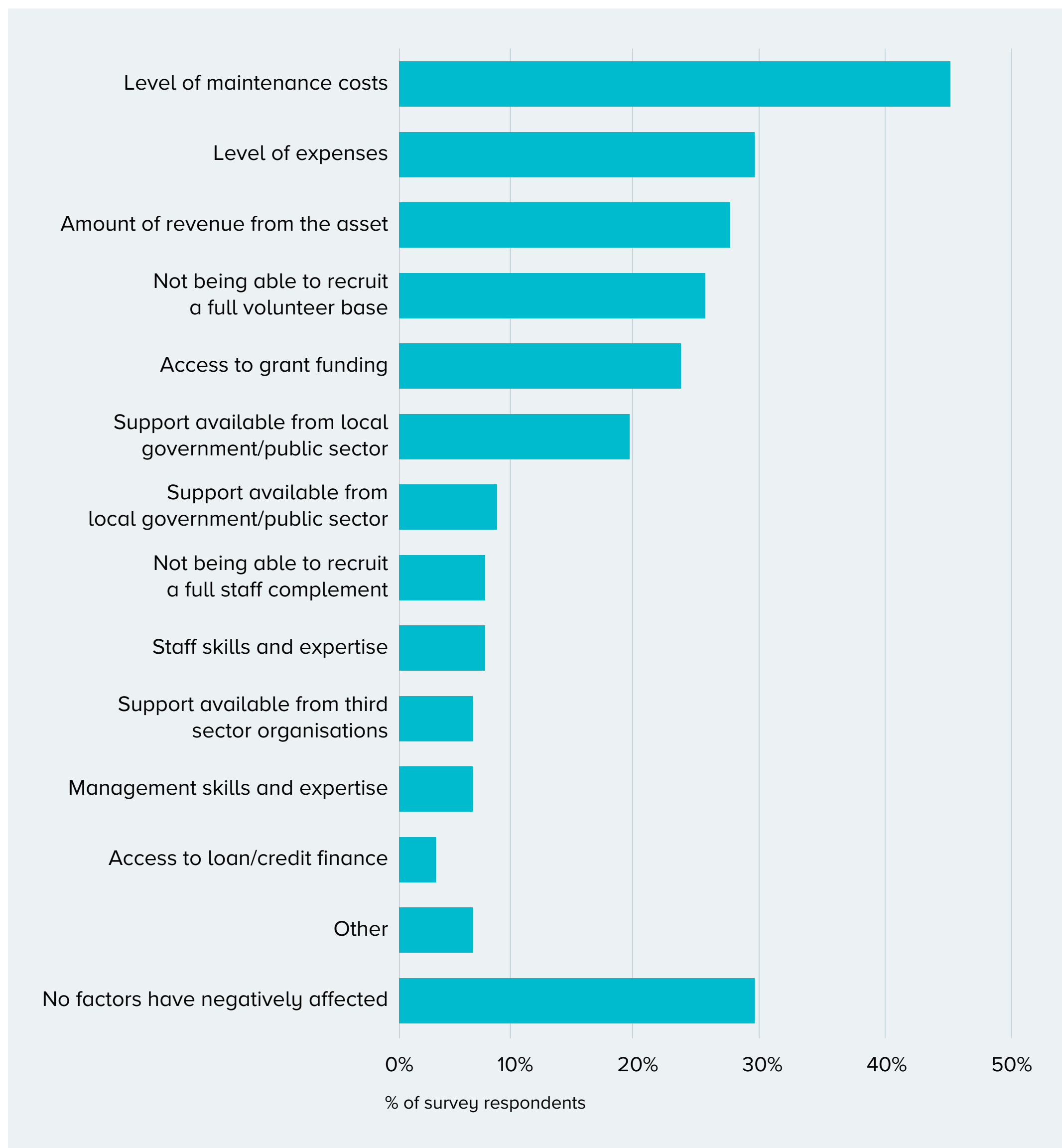
- **The level of maintenance costs was by far the most common factor** (46 per cent). Assets that identified as a 'community hub/hall/centre' (48 per cent) were statistically more likely to have been affected by this factor than others (33 per cent).
- **28 per cent had been affected by the level of expenses for their asset.** This is likely to relate to the findings in Section 4.3, where 33 per cent did not report predictable expenses and 56 per cent reported that their expenses did not change in line with revenue. The level of expenses negatively affected the financial health of a higher proportion of assets:
  - located in urban LSOAs (37 per cent) compared to assets located in rural LSOAs (25 per cent)
  - that came into community ownership in the last 10 years (36 per cent) compared to those that came into community ownership before 2010 (25 per cent).
- **27 per cent of respondents had been negatively affected by insufficient or unreliable revenue from their asset.**
- **23 per cent had been negatively affected by their access to grant funding.**

Statistically significantly higher proportions of assets that had been negatively affected by access to grant funding:

- **were located in an urban LSOA** (35 per cent)
- **were located in a deprived LSOA** (40 per cent)
- **came into community ownership through a transfer at nil cost or peppercorn rent from a public body** (32 per cent)
- **came into community ownership in the last 10 years** (31 per cent)
- **were owned on a long leasehold** (31 per cent)
- **identify as a 'sports facility'** (44 per cent).

Two other factors, not directly related to costs and income, were also cited by more than one in six assets – not being able to recruit a full volunteer base (25 per cent) and support available from local government/public sector (19 per cent).

Figure 9: Factors negatively affecting the financial health of assets in community ownership over the past three years



Source: Survey of assets in community ownership (Base 350)

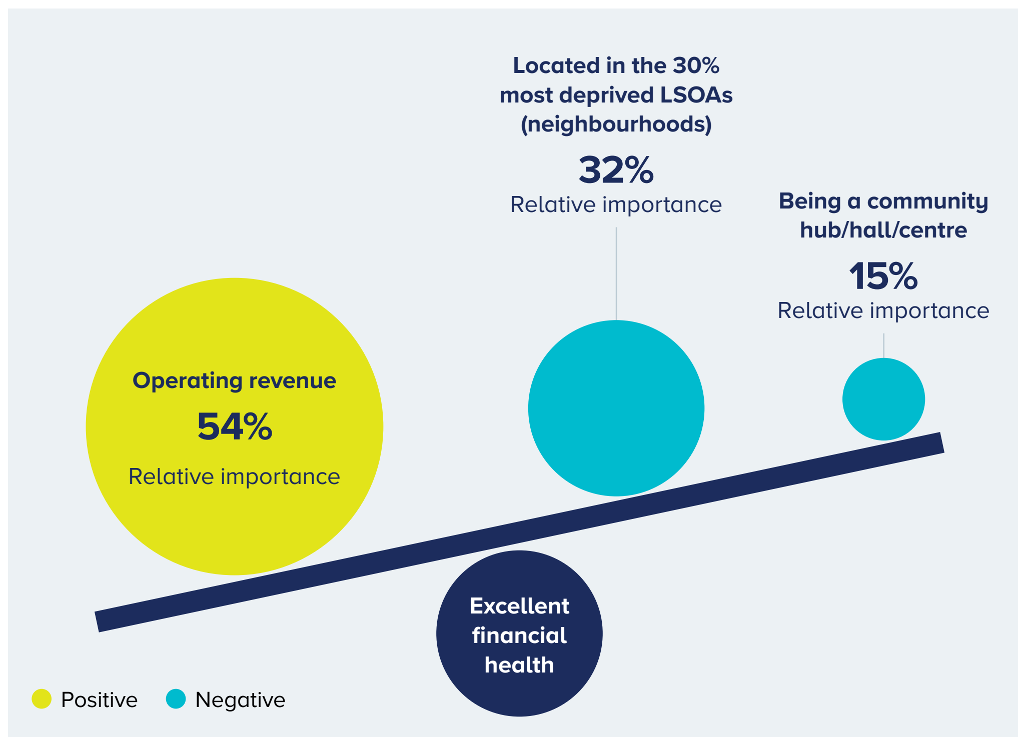
5.2 What characteristics are associated with excellent financial health?

We used statistical modelling (see the accompanying technical report for more detail) to identify characteristics of assets in community ownership that are associated with excellent financial health. The technique enables us to quantify the effect of a given characteristic while holding all other characteristics in the model constant. This helps us understand whether a particular characteristic, such as revenue size, was an important predictor of financial health after taking into account other asset characteristics such as time in community ownership, transfer method and asset type.

The analysis tested for statistically significant relationships between 25 factors (derived in the survey) and the measure of 'excellent financial health' we developed. Figure 10 presents the characteristics that were identified as being statistically significant 'predictors' of 'excellent financial health'. In summary:

- **Operating income/revenue** – assets with a higher income were more likely to have excellent financial health. Likelihood of excellent financial health therefore increases with scale of operations.
- Being a **community hub/hall/centre** is negatively associated with excellent financial health compared to non-community hubs/halls/centres. This is consistent with the finding below that many of the case study community hubs/hall/centres were 'running on a shoe string' – setting prices to cover basic running costs. This is alarming because four-fifths of assets identified as community hub/hall/centre.
- Being **located in one of the 30 per cent most deprived LSOAs in England** is negatively associated with excellent financial health, compared to being located in a less deprived LSOA. Several case studies highlighted the challenges of operating in a deprived area, for example Squash Nutrition in Liverpool. Furthermore, assets in deprived areas appear more dependent on grants to provide a buffer to keep them afloat.

Figure 10: Characteristics associated with 'excellent financial health'



Source: Survey of assets in community ownership (Base 303).

5.3 What factors are important in ensuring the financial health of assets in community ownership?

The 27 case studies provided insights into the factors affecting the financial health of assets in community ownership. In many cases, the key challenges faced were not principally financial. Instead they were often tied up with other issues concerning ownership, and the effective use and management of that asset. For instance ETNA, a multi-use community centre in Wandsworth, was offered a shorter lease than desirable. This issue, primarily considered one of ownership and control, had other implications in terms of their ability to secure grants, raise finance and improve revenue through long term investment in the asset.

The case studies revealed seven critical inter-related factors.

1. The symbolic value of an asset

The desire to retain a building or community space because of its symbolic value proved to be an incredibly powerful motivator for community ownership. However this neither guarantees the financial viability of that asset, nor that the asset will create community benefits. This demands effective financial planning, a talent for generating income and reducing costs, and a focus on what communities want and need. Despite this, local attachments to an asset were seen to be an important contributor to financial health. In some instances community ownership had made those assets more viable than they were in private or public hands. Community ownership not only helped generate funds locally to acquire and develop those assets, but also fostered a desire locally to use those assets more than previously e.g. the Peterborough Arms. Hence practitioners and those supporting the sector need to assess whether the symbolic value attached to an asset is blinding groups to likely financial challenges, or whether it could be a key enabler in achieving financial sustainability.

Relying on local attachments and the symbolic value attributed to assets may be risky in the long term. As noted by those involved in the Lover Community Trust, who acquired an old school building in Wiltshire to create community hub,

'People are emotionally attached to the school; they may have gone there themselves; so there's a sense of inertia and good faith at the moment. In the future, who knows if that will still be around.'

The Lover Community Trust, Wiltshire

These should clearly inform a group's thinking about whether to acquire an asset, and the future financial value of 'good faith'.

2. The external environment for asset ownership

An array of national policy and funding programmes had affected the financial stability of the case studies. These were often specific to the asset's type or sector:

- The threat of losing housing assets via the Right to Buy programme – which allows most local authority tenants to buy their home at a discount – was an issue faced by The Eldonians, a community-based housing association in Liverpool.
- The proposed cap on ground rents being considered by the UK government threatens the future revenues of CLTs like Wilsford and Pinchbeck CLT. Based in rural Lincolnshire, these community owners have developed business models premised on generating revenue from the leasing of land and buildings. Unpredicted shifts in policy may therefore impact significantly on their capacity to create community benefits.

- The Feed-In Tariff (FIT) was central to the development of cases like the Belchford Community Solar Co-operative in Lincolnshire. The FIT enabled this group to raise the capital to install a community-owned solar panel array, from which surpluses are generated for community benefit. However the ending of the FIT scheme in April 2019 was highlighted as a major barrier to future community-owned energy assets.
- The finances of community transport organisations may well suffer from changes being advocated by commercial providers. TISBUS (a community-owned transport service based in Wiltshire) and Richmond and Kingston Accessible Transport (RaKAT) (which runs minibuses across these two London boroughs), highlighted how larger commercial transport providers were lobbying for increased restrictions, for example through the licensing of drivers. New case law and legislation, arising from claims that community transport models create an unfair competitive advantage, could therefore increase future administrative burdens and running costs.

In addition to these specific factors, national political and policy changes were also having an impact at a local level. For example:

- Issues arising from Brexit were starting to affect The Rotunda in Liverpool – a community hub offering education and training programmes for those not in education or employment. European funding was being used to cover the costs of delivering such programmes and those involved were unsure if this would continue, or be replaced.
- The reduction in grants – often reflecting wider financial challenges in local government from cuts in central government funding – created problems for many:

'... always be prepared that it will be taken away from you. A significant amount of our funding comes from this source ... it has reduced by about 50 per cent over the years'

TISBUS, Wiltshire

3. The scale and nature of income

Almost by definition the scale and nature of income is important to the financial health of assets in community ownership, and we learned six key things from the case studies:

- The route to acquisition and stage of development affects a community's ability to understand and plan its income (and expenditure). The scope is greatest where assets have been in community ownership for longer, or the asset has been transferred or acquired from a similar commercial or public operation.

- Core income sources underpinned the financial health of many. These were generally provided from rents, bookings, sales or service provision, or through member contributions. While some of that income was very predictable, for instance revenue from ground rents or feed-in tariffs, other sources were more variable. The Well in Wolverhampton, which owns a number of vehicles that deliver food parcels to the local community, generally relied on donations and, while income was seen to be growing, it was difficult to predict when donations would arrive.
- Although several case studies were actively seeking to reduce their reliance on grants, most assets were drawing on important sources of grant funding to fulfil different purposes. This meant, for instance, drawing on Homes and Communities Agency grants to acquire land and develop affordable housing, mixing debt finance with local authority revenue grants, and securing revenue grant funding from charitable sources to cover running costs.
- Fears that increasing income through inflating charges (rather than grants) would lead to reduced benefits was a central concern for some, including The Landmark Arts Centre community hub in Richmond upon Thames, and the multi-use Coningsby Community Hall, in Lincolnshire.
- Financial health for a few of the case studies was the result of innovations in fundraising. ETNA conducted a crowdfunding event with the Mayor of London which raised £100,000 and built awareness and support from the local population. Ashton Keynes Community Shop had raised nearly £10,000 through shares taken up by 135 members. Local community members loaned £225,000 to acquire the Peterborough Arms. However, there is limited evidence that groups were securing blended finance in the form of combined grants and loans. One exception was Alt Valley who, working with the Adventure Capital Fund, accessed £30,000 in grant funding alongside mortgage finance to purchase the asset. This finance was combined with a yearly grant from their local authority, and borrowing from Big Issue Invests Social Enterprise Investment Fund.
- The case studies were not generally using the value in their asset to lever in additional capital for improvements or investments. Some exceptions were those that had a larger portfolio of assets, or organisations that were actively investing. But even with assets traditionally financed through mortgage debt, such as CLT developing housing, the cases studied had not needed to access this type of finance in light of a development model where the financial risks were taken by partners. This poses important questions about the current structure of loans and their repayment terms, as well as the extent to which loans present a viable option to community owners. Dedicated

research concerning debt finance for community-led housing has raised similar questions (Archer et al., 2018). Further research may help understand the potential role that finance, and particularly social finance, could play in supporting community-owned assets, and how this could be structured for maximum impact.

4. Management of costs

Alongside a focus on income, the case studies adopted different strategies for managing costs. Key learning emerged regarding the dependency of income on capital cost, planning for cyclical maintenance and improvement, and susceptibility to emergency repairs.

Income for some assets depended on significant improvements to buildings, to make them fit for purpose and physically more accessible. For ETNA and Katherine Low Settlement, both community hubs located in Wandsworth, large capital costs for acquisition, refurbishment or development had proved a major barrier to their community ownership.

There was significant variety in how the case studies planned cyclical maintenance and improvements. The best, such as ASAN in Wolverhampton which provides meeting space, serviced offices, and a nursery, had developed a building plan to ensure that they would create resources to reinvest in their assets over the long term.

In contrast, many of the village halls and community centres studied were susceptible to emergency repair costs. These set prices just to cover basic running costs, with little revenue left to set aside or reinvest for community benefit. Coningsby Community Hall set their financial model to cover basic running costs, in order to ensure the minimum charges possible to their community. When, in the past, key features such as the boiler, dishwasher or roof needed replacing, local grant funders had been asked to help meet the costs. Bilston Community Football Club in Wolverhampton faced large capital costs associated with maintaining a football ground. Without substantial reserves the club struggled in the face of unforeseen maintenance costs.

5. The form of ownership

The nature and form of asset ownership has important implications for current and future financial health. For instance, ETNA described the challenge of previously existing with one-year rolling contracts and leases. This affected their sense of ownership of the building and its sustainability, which in turn affected their willingness to invest. Now they have a longer lease in place, they feel they have the stability and opportunity to plan more strategically and for the long term. Nonetheless, they still reported concerns about the sale of the freehold, as the site is in an area with high land values.

For the Katherine Low Settlement 'having the freehold makes it more economically sustainable', and those involved stressed how owning the building gives them a much longer term view for the asset.

Others were made financially viable through non-physical assets. The Richmond Parishes Land Charity owns housing and community buildings in Richmond upon Thames, alongside non-physical assets such as a large endowment which it has invested. This provided a critical financial resource to maintain and develop new assets, and to ensure longer term community benefits were secured.

6. Internal skills and capacity

The case studies show how financial health has benefited from the capacity, capabilities and skills of those involved, particularly leaders and managers. However this also creates dependency on key individuals, challenges to engaging new members of the community and a lack of community capacity that constrains growth.

An impressive array of skills were held and developed by case study volunteers. Many were repurposing their previous commercial experience, including construction, project management, bookkeeping and administrative support. The capacity of 'inexperienced' individuals to grasp financial and technical challenges of developing community energy projects, such as in the Belchford Solar Co-operative, reveals the potential of latent skills in communities.

For many, the critical capabilities were in securing resources and advice at little cost:

'Our Chairman … I don't know how he does it but he is very good at getting people to do things. We got the conveyancing and legal advice free … one of the reasons we've been able to do so much with a limited budget is that he gets local and national suppliers to give us stuff or give us a discount. You have to be quite hard-nosed and persistent on some of these things.'

The Lover Community Trust, Wiltshire

While the contribution of volunteers and their skills cannot be underestimated, depending on them can make an asset vulnerable. The loss of key volunteers can have profound effects, particularly for village halls and community buildings, where sustainability seemed vested in the continued hard work of one or two volunteers. In Mareham le Fen, for example, the founder trustees had played a key role in securing funding for the development of a new community centre, guiding the construction process and dealing with post-development issues. As the building was completed the same members became the caretakers, gardeners and handypersons, while also leading efforts to market

the space and handle bookings and enquiries. The demands on volunteers, and their centrality to sustainable management, was best summed by those involved in St. John's Place, a former church in Salisbury that was brought into community ownership for a community centre:

'… you need people who are willing to give serious amounts of time … multiple days a week sometimes … and they need to be dependable.'

St. John's Place, Wiltshire

This heavy reliance on volunteers informs a repeated concern, expressed in multiple interviews – assets struggle to engage 'fresh blood' (particularly younger people) to get involved in governance and management:

'… over the years, getting new and perhaps younger volunteers (between 35 to 55 years) has been a challenge. Most of the current volunteers are aging and have been involved for years, it is a worry to find more volunteers for the long run with not many interested sign-ups to volunteer from the community'

Landmark Arts Centre, Richmond upon Thames

The capacity and skills of staff members can become a more pressing concern as asset-owning organisations expand. For Squash Nutrition (Liverpool), acquiring their asset had prompted growth in the team, but they found their capacity to grow had been limited by their ability to involve people with specialist skills from their community.

7. External skills and support

External advisors and supporters had played a significant role in ensuring the financial health of some assets. Valuable support had been provided by national organisations such as the National Community Land Trust Network, the Plunkett Foundation and Locality (which, in several cases, had provided both advice and funding). However interviewees tended to focus on the role of local advisors and supporters. For instance, a local infrastructure organisation in Wolverhampton, Community Action and Training Services (CAATS), had played a major role in helping Big Venture bid for funding – something those involved felt they did not have the skills to handle on their own.

National organisations had been used as sources of more generic support. For example many of the village halls studied had valued general support provided by Action with Communities in Rural England (ACRE). Whereas local organisations such as Community Lincs had provided more specific support, for example, on governance and constitutional issues, and more practical matters like building maintenance and organisational finances.

Similarly, for CLTs such as those in Wilsford and Pinchbeck in Lincolnshire, interviewees referred to the critical enabling support provided by a local umbrella CLT. The role of Lincolnshire CLT (now East Midlands Community-led Housing) was highlighted repeatedly, revealing how they had helped both Wilsford and Pinchbeck CLT navigate the complexities of site negotiations, and form development partnerships with housing associations and private developers.

Despite evidence of strong, local, enabling support and how important it was to the development and management of assets, there were signs of variability in such support, depending on asset type. Those who developed the community energy co-op in Belchford noted that 'there was very little help to make it easier ... [we needed] a mentor ... there's nobody to advise you'. Advice was sought from peers who had developed similar community-led schemes, but this was neither formalised nor funded. This highlights pro bono advice and guidance as an important source of support, for example in resolving leasing issues underpinning current ownership for ETNA.

5.4 Summary

Maintenance costs and expenses were the factors most commonly affecting an asset's financial health. Excellent financial health was positively associated with operating size, whereas assets in deprived areas and community hubs/halls/centres were least likely to be in the best financial health. The skills and capacity of those involved, a strong core income, managing costs, and access to national and local support were among the factors promoting financial health.

The next chapter considers the cost and benefits of community asset ownership.

6. What are the costs and benefits of community asset ownership?

This chapter explores the economic and social benefits of assets in community ownership, which form part of Objective 2.

Key findings:

- the total expected cost of an asset over a 10 year period is £1,757,000, in today's prices – including average (mean) ongoing annual revenue (£81,000) and capital costs (£32,000)
- the estimated 6,325 assets in community ownership in England provided:
  - £216,819,000 worth of net additional[12] GVA to the economy per annum – equivalent to £1.39 of every £10,000 in nationally-produced GVA
  - £147,733,000 per annum in net additional expenditure into local communities
  - 7,000 net additional FTE jobs, providing £15,753,000 in fiscal benefit saving per annum
  - 151,000 net additional volunteer hours per week. The wellbeing benefit of which is equivalent to £131,926,000 in additional income.
- the costs and benefits for individual assets varied considerably – by type, revenue size, locality-related factors and when and how the assets came into community ownership
- detailed cost-benefit case studies are required to improve the evidence base for community asset ownership – quantifying the most commonly cited social, health and wellbeing benefits from assets in community ownership, as well as asset-specific costs and benefits

6.1 Assessing the costs and benefits of assets in community ownership

Understanding, measuring and communicating the cost-benefits of community ownership is important for the sector to sustain and attract support from stakeholders. These include funders, infrastructure bodies, asset owners and communities interested in taking over asset ownership. This study undertook exploratory work to assess the potential for a full cost-benefit analysis of community asset ownership, which is consistent with the principles set out in the Treasury's Green and Magenta Books (HM Treasury, 2003; 2011).

[12] Net additional implies over and above what would have occurred in the absence of community-owned assets.
[13] Net additional implies over and above what would have occurred in the absence of community-owned assets.

The evidence highlights three key challenges in providing a generalised analysis of costs and benefits of assets in community ownership:

1. The evidence base about the costs and benefits is underdeveloped for the purpose of a cost-benefit analysis. Assets were only able to provide the necessary quantitative evidence to support the inclusion of a limited set of economic and financial impacts. However, discussions with the case studies identified social, health and wellbeing benefits as being the most common impacts from their assets.
2. The costs and benefits of assets in community ownership vary significantly. As a result it is not practical to include more specific costs and benefits (such as the CO_2 saved from a given community energy project) in a generalised cost-benefit assessment of assets in community ownership. This variability also means there is limited reliability in applying the identified average costs and benefits to a specific given asset.
3. Additional detailed work is needed to assess both the additionality of benefits and the range of alternative options that are considered alongside community asset ownership.

Given these challenges and their implications on the evidence collected, this study stops short of providing a cost-benefit calculation. However the remaining sections do provide the available evidence on costs and benefit, as well as providing recommendations to develop the evidence base.

6.2 What are the costs of assets in community ownership?

This section considers the following costs of community asset ownership, which would be required for a cost-benefit analysis:

- the market price of the asset when it came into community ownership
- additional costs incurred to bring the asset into community ownership
- ongoing capital costs to cover major maintenance and investments in the asset
- ongoing revenue costs faced while delivering services and activities.

The market value of assets when they came into community ownership

The average (mean) market value of assets when they came into community ownership has been estimated from the survey. This is based on the purchase price of assets that came into community ownership at market value or were purpose built. To improve the reliability of the estimate only assets that came into community ownership from the year 2000 onwards were considered. The purchase prices have also been put into today's prices (March 2019) using GDP deflators.

The average market value of an asset when it comes into community ownership is estimated to be £621,000, in today's prices.

Unsurprisingly, this average market value hides considerable variation in actual prices. The average is pushed upwards by a relatively small number of very high value assets. Consequently, 52 per cent of the assets included in the analysis had a market value of less than £250,000, in today's prices.

When only assets that identified as a 'community hub/hall/centre' were considered, the average market value is slightly higher: £714,000. This is partly due to a smaller proportion of 'community hubs/halls/centres' having a low market value (e.g. less than £100,000) compared to other asset types.

Additional costs incurred to bring the asset into community ownership

The study was unable to access detailed information about the range of additional costs borne by those involved in bringing assets into community ownership. These costs will be faced by both the community gaining ownership as well as the stakeholder selling or transferring the asset. They will include: legal expenses, searches and administration fees and costs of financial advice.

In some instances communities were able to access the required support from within their community or via pro bono sources. This means the additional cost incurred will have featured as in-kind costs.

Ongoing capital costs

Ongoing capital costs of assets in community ownership have been calculated using evidence from the financial accounts of the case studies. Up to three years of capital expenditure, categorised as either 'improvements to the building/asset' or 'fixtures and fittings', was collated for 14 of the 28 case studies[14].

Analysis reveals **the average ongoing capital costs for assets in community ownership was £32,000 per annum, in today's prices.**

However, this average is influenced by a few assets with a high level of capital expenditure. Half of the 14 assets considered had an average capital expenditure of £13,000 per annum or less, in today's prices. This included two case study assets where no additional capital expenditure was recorded in the three years.

[14] Where this information was not available for case studies it was because the asset was too new to be reported in accounts or the owning organisation did not produce detailed accounts

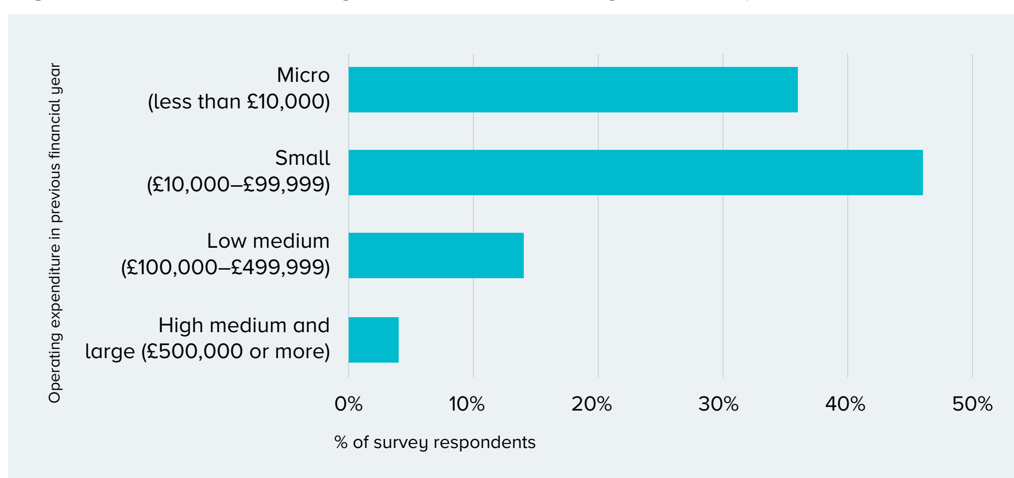
These average costs provide an indication of the expected longer term ongoing capital costs of asset ownership. It is, though, important to acknowledge that significant capital investments are often required following the transfer of an asset into community ownership. These are necessary to complete building repairs and improvements to modernise and reconfigure the asset to make it fit for purpose and respond to the community's needs. For example, Alt Valley invested just under three-quarters of a million between 2009 and 2017 to improve the building and its fixtures and fittings. This has enabled the asset to better serve the community, providing more modern and better quality equipment and facilities as well as additional services such as a children's play area, wellbeing rooms (spa treatments) and an activity room.

Ongoing revenue costs faced while delivering services and activities

The survey asked respondents to report their asset's operational and overhead expenses, including staffing, in the most recent financial year. Responses to this question revealed that **assets had an average revenue cost of £81,000 per annum.**

Again this average masked significant differences between assets. Figure 11 shows that 36 per cent of survey respondents had a revenue expenditure of less than £10,000 in the previous year. Conversely, four per cent of assets had a revenue expenditure of £500,000 or more in the previous year. Some of this variation can be explained by differences between asset types.

Figure 11: Revenue costs by assets in community ownership



Summary

This section has considered the average costs of assets in community ownership, which are summarised in Table 2. However, considerable variation was revealed between assets. As a result there will be a low level of reliability

in applying these values to the appraisal or evaluation of a specific asset. In such cases an asset-level assessment should be undertaken which can take into account specific asset-level considerations such as type, location and level of works required.

Table 2: Illustrative costs of assets in community ownership (£)

	Unit cost	Cost over 10 years
Market value	621,000	621,000
Other purchase costs	unknown	unknown
Ongoing capital costs	32,000	323,000
Revenue costs	81,000	813,000
Total		**£1,757,000**

6.3 What are the benefits from assets in community ownership?

This section considers the benefits that result from assets in community ownership.

Requirements for including benefits in a cost-benefit model

A full analysis should consider all of the benefits (including 'negative' benefits) that result for different groups, including the economy, the government, the community and users. Given the nature of assets in community ownership, users of assets will include both direct and indirect beneficiaries. Indirect beneficiaries are particularly relevant for community hubs/halls/centres and assets providing space, where the asset provides space for a third party organisation or group to provide services for beneficiaries.

For benefits to be included in the cost-benefit analysis they need to be quantified and monetised. Therefore if 'improved community cohesion' is a key benefit, it would require, first, quantification of the number of beneficiaries who changed from, say, not feeling part of their local community to feeling part of their local community. And then second, it would need to be monetised, for example by the effect of feeling part of the community on life satisfaction.

Four types of benefit met these criteria, based on the evidence collected from the survey and case study research:

- Gross Value Added
- local expenditure
- full-time equivalent jobs
- volunteer places.

This range of benefits is limited due to the availability of hard quantifiable evidence about benefits. The monetised benefits presented are therefore a significant underestimation of the true extent of benefits that assets in community ownership provide. Many of the excluded benefits relate to social benefits. These are considered in Section 6.4.

Measuring additionality

The analysis of benefits also needs to take into account additionality -adjustment for benefits that would have occurred even in the absence of the asset being in community ownership. For example, the additionality of benefits is likely to be small if a community-owned shop operated in an isolated village where there was another shop selling exactly the same items at the same prices and provided the same range of additional service. In this example the benefits of community ownership will mostly displace those that the other shop would have provided.

Unfortunately, the evidence collected did not enable a rigorous assessment of additionality. This would have required additional detailed information about the (likely) level of benefits if the asset had not come into community ownership. Therefore the study has applied a standard gross to net level of additionality taken from the Department for Business Innovation and Skills work to improve the assessment of additionality (BIS, 2009). This paper computed that 51 per cent of gross benefits from 'regeneration through physical infrastructure'[15] can be considered to be net additional; that is, they would have been provided had the asset not been in community ownership.

[15] Regeneration through physical infrastructure included capital projects, improvements to the public realm, transport and promoting image/culture.

The applicability of this gross to net additionality measure to assets in community ownership is open to debate. However, the reflection of the case studies is that additionality of community ownership is likely to be high for the following reasons:

- The assets commonly came into community ownership to respond to a lack or removal of provision in the given community, either due to market failure or austerity.
- Several of the case study assets were purpose-built and in that sense were additional.
- Many case studies reflected that if the asset had not come into community ownership it would have been sold and subject to a change in use.
- Several of the case studies reflected that even though their asset duplicated or replaced what was available in the local area, community ownership meant that the service provided was better so would produce more benefits. In practice these marginal gains may always be hard to qualify.

The remainder of this section considers the benefits from assets in community ownership.

Gross Value Added to the economy

Gross Value Added (GVA) is the additional value that – in this case – assets in community ownership add to their inputs (the goods and services purchased) which contribute to the national economy. It can be estimated by adding operational profit and staff costs.

Evidence from the survey suggests that on average assets in community ownership provide £67,000 in GVA to the economy per annum. Based on this average, the estimated 6,325 assets in community ownership in England provide £425,134,000 worth of added value to the economy per annum. This is equivalent to £2.70 of every £10,000 in GVA produced nationally. Applying the standard additionality ratio (51 per cent) to this amount, it is estimated that: **in total assets in community ownership provide £216,819,000 worth of net additional GVA to the economy per annum. This is equivalent to £1.39 of every £10,000 produced nationally.**

The estimated average GVA per asset can be applied to the typical number of assets in a local authority with a low, medium or high population of assets in community ownership. The resultant amounts demonstrate the (gross) gains to a local authority's GVA if they were able to promote an increase in community asset ownership to the higher level. This analysis finds that assets in community ownership in a local authority with:

– five assets in community ownership provide £336,000 in GVA per annum
– 19 assets in community ownership provide £1,277,000 in GVA per annum
– 48 assets in community ownership provide £20,406,000 in GVA per annum.

A comparison of average GVA (before adjusting for additionality) across asset types reveals that assets which identify as 'food and drink' assets, 'service buildings' and 'sports facilities' on average provided the highest levels of GVA per annum. Whereas cultural and community hubs/halls/centres provided the lowest average levels of GVA. Detailed analysis also revealed that average GVA per annum is higher for assets:

– located in the most deprived 30 per cent of LSOAs (£153,000 per annum) compared to those located in less deprived LSOAs (£49,000 per annum)
– located in an urban LSOA (£138,000 per annum) compared to rural LSOA (£32,000 per annum)
– that came into ownership by a transfer (£112,000 per annum) compared to those that did not (£53,000 per annum)
– owned on a long leasehold (£110,000 per annum) compared to a freehold (£49,000 per annum)
– that came into community ownership in the last 10 years (£81,000 per annum) compared to those that came into community ownership prior to 2010 (£66,000 per annum).

Expenditure going into the local economy.

As well as considering the GVA contribution of the sector to the economy it is possible to consider the gross and net direct expenditure of assets in community ownership into their local economies. Gross expenditure is defined here as the total amount of operational expenditure by assets in community ownership regardless of where goods and services were purchased.

Based on evidence from the survey it is calculated that the average operational expenditure by assets in community ownership was just over £81,000 per annum. Therefore, the total gross expenditure by the estimated 6,325 assets in community ownership in England is £514,278,000 per annum. Applying the

standard additionality ratio – 51 per cent – to this amount, it is estimated that assets in community ownership on average provide £262,282,000 worth of net additional gross expenditure per annum.

In order to establish **expenditure into the assets' local economies**, gross expenditures have been adjusted by deducting leakages which do not create an impact for local economies. To do this, the survey asked a question to establish an approximate level of gross operational expenditure that was on goods and services sourced in the respective local community. Analysis of responses revealed that 56 per cent of gross operational expenditure went into local economies.

The average expenditure of assets in community ownership into their local communities is just under £46,000 per annum. Grossing this figure up, it is estimated that operational expenditure worth £289,672,000 per annum went into local economies from assets in community ownership. Applying the standard additionality ratio – 51 per cent – to this amount it is estimated that: **the total net additional expenditure of assets in community ownership into their local communities is £147,733,000 per annum.**

Applying the estimated gross average expenditure into the local economies to the typical number of assets in a local authority with a low, medium or high population of assets in community ownership reveals a local authority with:

– five assets in community ownership provides £229,000 in gross local expenditure per annum
– 19 assets in community ownership provides £870,000 in gross local expenditure per annum
– 48 assets in community ownership provides £2.198 million in gross local expenditure per annum.

A comparison of average expenditure into local communities (before adjusting for additionality) across asset types, reveals that assets which identify as 'food and drink', 'green and open space' and service buildings on average provided the highest levels expenditure into their local communities. 'Community hubs/halls/centres' and 'cultural' assets provided the lowest average levels of local expenditure. More detailed analysis revealed that average expenditure into local communities is higher for assets:

– located in the most deprived 30 per cent of LSOAs (£128,000 per annum) compared to those located in a LSOA with a lower level of deprivation (£29,000 per annum)

- located in an urban LSOA (£102,000 per annum) compared to a rural LSOA (£19,000 per annum)
- that came into ownership by a transfer (£77,000 per annum) compared to those that did not (£38,000 per annum)
- held on a leasehold basis (£78,000 per annum) compared to a freehold (£33,000 per annum)
- that came into community ownership in the last 10 years (£54,000 per annum) compared to those that came into community ownership prior to 2010 (£45,000 per annum).

Full-time equivalent (FTE) jobs provided

Figure 12 presents a breakdown of assets in community ownership by the number of FTE employees that they employ. This reveals that three-fifths of assets (60 per cent) had no employees. A further 32 per cent employed five or fewer FTE employees.

The responses to the survey reveal that on average assets in community ownership employed just under 2.1 FTE employees. Based on the estimated 6,325 assets thought to be in community ownership, this suggests the sector employed 13,000 FTE employees. Applying the standard additionality ratio (51 per cent) it is estimated that **in total, assets in community ownership provide 7,000 net additional FTE jobs.**

A follow-up question in the survey asked how many of their FTE employees came from their (self-defined) local community. Responses to this question suggest that on average 79 per cent of all FTE employees came from the respective asset's local community – equivalent to 1.6 FTEs per asset.

The public value benefit from the income earned from these jobs is included within the expenditure figures above. However, it is possible to estimate the additional public value benefit from the expected health improvement, as well as the fiscal benefits from reduced benefit payments and expected reductions in health service cost.

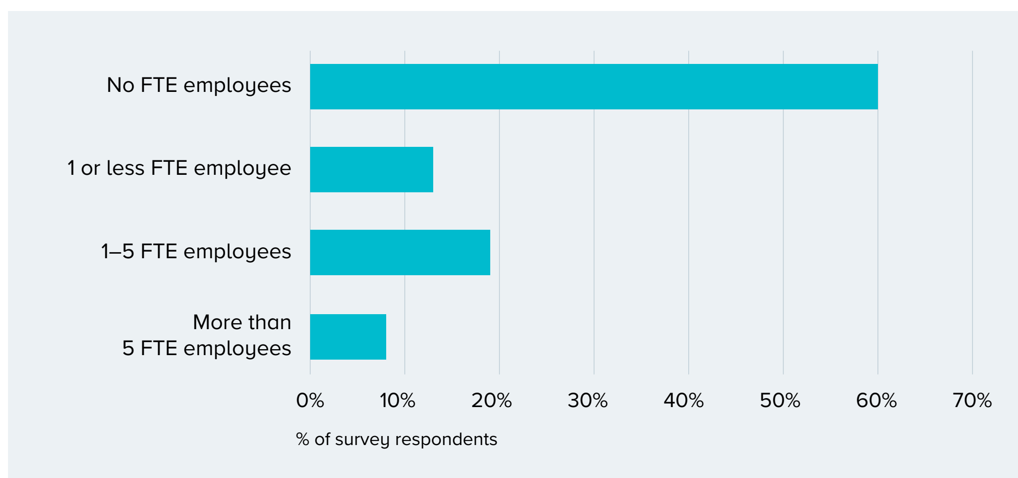
To compute these benefits it is necessary to make assumptions about the proportion of net additional jobs which are taken by people who were previously unemployed. This will vary considerably by asset and job role. For example Rotunda in Liverpool makes an active effort to employ disadvantaged people from their community. Reflecting the likely variation it has been cautiously assumed that 20 per cent of net additional jobs have gone to someone who was previously unemployed. It has also been assumed that one FTE job equates to 1.13 employee jobs, which is the England average[16].

[16] Based on responses to the 2018 Annual Survey of Hours and Earnings (ASHE).

Based on these assumptions it is estimated that **the jobs provided by assets in community ownership provide:**

- **£15,753,000 in fiscal benefit saving per annum**
- **£966,000 in fiscal saving to the NHS per annum**
- **£966,000 in public value benefit due to better health per annum.**[17]

Figure 12: Number of FTE staff employed by assets in community ownership



Source: Survey of assets in community ownership (Base 335)

Using the average **number of FTE jobs provided by assets** to estimate the total number of FTE jobs provided in local authorities with a low, medium or high population of community-owned assets reveals that, before adjusting for additionality:

- a local authority with a five assets in community ownership provides 10.4 FTE jobs
- a local authority with 19 assets in community ownership provides 39.4 FTE jobs
- a local authority with 48 assets in community ownership provides 99.6 FTE jobs.

[17] The fiscal savings to the NHS are calculated using data from the study's surveys and case studies, in conjunction with the **New Economy's Unit Cost Database**. The savings arise from a take-up of additional jobs by individuals who were previously unemployed, leading to savings from reduced usage in various health services.

A comparison of FTE jobs provided by assets in community ownership (before adjusting for additionality) reveals that assets that identified as 'food and drink' (5.8 FTE jobs) and 'service building' (5.0 FTE jobs) on average provided the highest numbers of FTE jobs. 'Cultural' assets (1.4 FTE jobs) and 'community hubs/halls/ centres' (1.9 FTE jobs) provided the lowest average numbers of FTE jobs.

Further analysis reveals that a higher average number of FTE jobs were provided by assets:

- located in the most deprived 30 per cent of LSOAs (5.1 FTE jobs) compared to those located a less deprived LSOA (1.4 FTE jobs)
- located in urban LSOAs (4.5 FTE jobs) compared to a rural LSOA (0.9 FTE jobs)
- that came into ownership by a transfer (3.9 FTE jobs) compared to those that did not (1.5 FTE jobs)
- held on a leasehold basis (3.8 FTE jobs) compared to a freehold (1.3 FTE jobs)
- that came into community ownership in the last 10 years (2.6 FTE jobs) compared to those that came into community ownership prior to 2010 (2.0 FTE jobs).

Volunteer hours provided

Respondents to the survey were asked to state the average **number of hours that volunteers contributed to their asset per week**. The responses reveal that half of assets in community ownership relied on 20 or more volunteer hours per week (Figure 13). This proportion included just over one in eight assets (13 per cent) that relied on 100 hours per week or more.

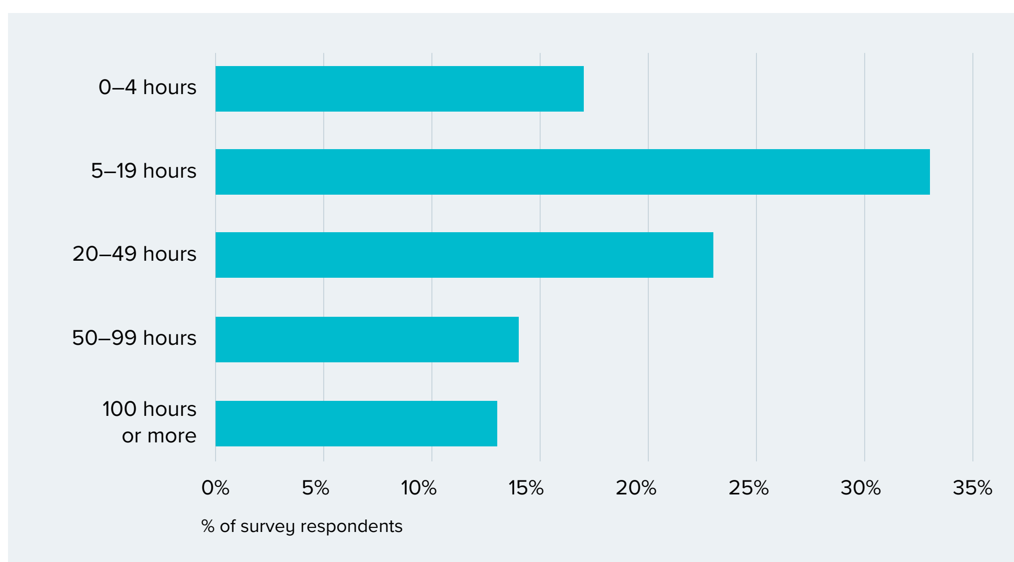
On average assets in community ownership provide 47 volunteer hours per week. Of which, 92 per cent were provided by volunteers from their local (self-defined) community. Grossing this average number up to the estimated population of assets in community ownership suggests the sector provides 296,000 volunteer hours per week.

Applying the standard additionality ratio – 51 per cent – to this number it is estimated that **in total, assets in community ownership provided 151,000 net additional volunteer hours per week.**

It is possible to estimate the social benefit of these volunteering opportunities by considering their impact on the life satisfaction of volunteers. Fujiwara et al. (2014) found that volunteering increased life satisfaction to an equivalent amount of £2,357 in additional household income per annum, on average. Using NVCO's estimate that an average volunteer provides 2.7 hours of volunteering per week (NCVO, 2017) it is estimated that 56,000 net additional volunteers

were taking up volunteering positions at the 6,325 assets thought to be in community ownership. It is therefore calculated that **the wellbeing benefit from the net additional volunteering opportunities provided by assets in community ownership is equivalent to £131,926,000 in additional income.**

Figure 13: Number of volunteer hours per week



Source: Survey of assets in community ownership (Base 325)

The average **number of volunteering hours provided by assets** can be applied to the typical number of assets in a local authority with a low, medium or high population of assets in community ownership. This analysis reveals that a local authority with:

– five assets in community ownership provides 234 volunteer hours per week – the associated net additional public value benefit is £104,000 per annum
– 19 assets in community ownership provides 890 volunteer hours per week – the associated net additional public value benefit is £396,000 per annum
– 48 assets in community ownership provides 2,249 volunteer hours per week – the associated net additional public value benefit is £1,001,000 per annum.

Assets which identified as a ‘food and drink’ asset (83 volunteer hours) and a ‘green and open space’ (80 volunteer hours) on average provided the highest numbers of volunteer hours per week. ‘Cultural’ assets (37 volunteer hours) and ‘community hubs/halls/centres’ (48 volunteer hours) provided the lowest average numbers of volunteer hours per week. Further analysis reveals that a higher average number of volunteer hours were provided by assets:

- located in the most deprived 30 per cent of LSOAs (106 volunteer hours) compared to those located in LSOA with a lower level of deprivation (34 volunteer hours)
- located in an urban LSOAs (84 volunteer hours) compared to a rural LSOA (29 volunteer hours)
- that came into ownership by a transfer (71 volunteer hours) compared to those that did not (40 volunteer hours)
- held on a leasehold basis (63 volunteer hours) compared to a freehold (40 volunteer hours)
- assets that came into community ownership in the last 10 years (97 volunteer hours) compared to those that came into community ownership prior to 2010 (30 volunteer hours).

Summary

Our analysis estimates the:

- public value benefits of community asset ownership from increases in GVA, local expenditure and the wellbeing benefits from volunteering
- fiscal benefits to government from reduced expenditure on benefit and health services.

Table 3 summarises the average estimates from this analysis, as well as the illustrative benefits from an asset that came into community ownership, and has been fully operational at a consistent level for 10 years.

Table 3: Illustrative benefits from assets in community ownership (£)

	Unit benefit		Benefits over 10 years	
	Public benefit	Fiscal benefit	Public benefit	Fiscal benefit
GVA	34,000		343,000	
Local expenditure	23,000		234,000	
Jobs	200	3,000	2,000	26,000
Volunteering	21,000		209,000	
Total	**£78,200**	**£3,000**	**£788,000**	**£26,000**

These averages are useful for providing a generalised assessment of benefits at a population level. However the analysis of benefits has revealed significant variation by asset types. For example the following assets types are associated with larger expected benefits:

– assets that identify as a 'food and drink' asset
– assets that identify 'green and open space'
– assets located in the most deprived 30 per cent of LSOAs
– assets located in an urban LSOAs
– assets that came into ownership by a transfer
– assets owned on a leasehold
– and, to a slightly lesser extent, assets that came into community ownership in the last 10 years.

As a result, an asset-level assessment is required when appraising or evaluating a specific asset. This can take into account particular asset level considerations, such as type, location, and ownership.

6.4 Developing the evidence base on the costs and benefits of community asset ownership

This chapter has attempted to provide a cost-benefit analysis of assets in community ownership. However, what has been achieved is very much a partial assessment. This section provides recommendations to develop the evidence base on the costs and benefits of community asset ownership:

The need for in-depth case study research focused on an in-depth understanding of costs and net additional benefits

It is complicated, and perhaps unrealistic, to attempt a reliable and comprehensive sector-wide cost-benefit calculation given the variability within the sector. The analysis presented in this chapter provides generalised cost and benefit, however, the sector is very specific and individualised. The different types of asset in community ownership – e.g. village halls, community pubs and shops, community energy facilities, sports and wellbeing centres and community housing projects -create a level of variation that is difficult to generalise across. In these organisations, costs will vary significantly, as well as their range and magnitude of benefits.

While the computed values provide some insight at a sector-wide level, these are limited in their scope and not reliable when considering a specific asset. To take the analysis forward, and provide a meaningful and robust analysis, requires a case study approach to be adopted, and one dedicated to an in-depth understanding of costs and net additional benefits.

The additional benefits that need to be included in a cost-benefit analysis

Limitations in quantifiable data that was readily available from survey and the case studies – in order to evidence the benefits that their assets provide – meant the analysis of benefits has remained partial. Again, a case study approach would provide the best route to overcome this evidence gap. Such an approach with significant resource would be able to collate the necessary primary evidence to quantify and monetise the benefits from community asset ownership.

Responses to the survey and discussions with the case studies provided important pointers to the additional benefits that need to be included in the cost-benefit analysis. These can be broken down into two broad categories:

- common benefits that were generally identified across all asset types
- more specific benefits that are more dependent on the type of asset.

In terms of more general benefits the case studies were asked to identify the key benefits that their asset provides to their local community. Table 4 summarises their responses, examples of these benefits, and indicative average public value benefits where possible. This highlights a dominance of social and health benefits over economic ones. It is therefore not surprising that the cost-benefit analysis presented above identified meagre public value benefit from assets in community ownership when the most commonly recognised benefits were excluded.

Table 4: Case study reflections on the benefits from assets in community ownership

	Proportion of case studies identifying the benefit	Examples	Indicative public value benefit
Improve health and wellbeing for local people	**91 per cent**	The Well (Wolverhampton) is tackling food poverty by delivering nutritionally-balanced emergency food parcels to 100 households per week Coningsby Village Hall (Lincolnshire) provides vital space for people to engage in activities with positive health benefits such as: yoga, pilates, bowls, Taekwondo, cheerleading classes, slimming groups	£3,537 per annum per beneficiary. (2013) (a) Take up of exercise that does not noticeably change your breathing or make you sweat at least once a week for at least two months.
Reduce social isolation	**87 per cent**	Alt Valley (Liverpool) has an objective to get more people active – this helps reduce social isolation and builds relationships for socially and marginally isolated communities The Lover Community Trust (Wiltshire) brings the community together in fundraising and community events RaKAT (Richmond) provides vital community transport services to socially isolated users. If RaKAT didn't exist 'Some people wouldn't see the outside world'	£15,500 per annum per beneficiary. (2008) (b) Increased contact with family and friends.
Provide volunteering opportunities	**83 per cent**	Ashton Keynes Village Shop (Wiltshire) provides volunteer opportunities for six community residents	

	Proportion of case studies identifying the benefit	Examples	Indicative public value benefit
Greater community cohesion	**78 per cent**	Kensington Fields Community Association (Liverpool) – its library provides somewhere for the community to get together St John Place (Wiltshire) uses its hall to provide a range of community events to bring the community together The Eldonians (Liverpool) – the affordable housing they provide supports strong generational links for families living in the area, maintaining community cohesion ETNA (Wandsworth) prides itself as being open and supporting everyone in the community – by bringing people together they break down barriers between different groups for a common purpose	£3,753 per annum per beneficiary. (2016) (a) Improvement in feeling like you belong to the neighbourhood

	Proportion of case studies identifying the benefit	Examples	Indicative public value benefit
Greater community pride and empowerment	**78 per cent**	Acts of Random Caring (Wolverhampton) reports acting as a voice for local people Landmark Arts Centre (Wandsworth) provides 'a bridge for the community to experience the artistic freedom that is sometimes missed in the regular day-to-day life' – in doing so it generates a community pride among those who know and use it The Belchford Community Solar Co-op (Lincolnshire) – the project has anchored the community, giving a sense of pride and attachment to place	£1,747 per annum per beneficiary. (2016) (a Improvement in overall thinking your neighbourhood is a good place to live.
Provide jobs	**52 per cent**	The Rotunda (Liverpool) prides itself on creating real jobs for the community, with 80 per cent of its staff coming from the North Liverpool area The Peterborough Arms (Wiltshire) employs 12 people, all of whom are local residents	£12,034 per annum per beneficiary. (2016) (a) Gained full time employment that is perceived to be secure
Improve access to services	**52 per cent**	Big Venture community centre (Wolverhampton) provide a location where a variety of activities and services are delivered TISBUS (Wiltshire) enable people with mobility problems to access to local centres	£2,457 per annum per beneficiary. (2016) (a) Improvement in thinking that if you needed advice about something you could go to someone in your neighbourhood

	Proportion of case studies identifying the benefit	Examples	Indicative public value benefit
Provide economic regeneration/ boost the local economy	**48 per cent**	ASAN (Wolverhampton) provides affordable office space and hire rooms for the charities and groups as well as providing support for start-ups ETNA (Wandsworth) describes its role as being 'an incubator to help support those organisations with low income to set up'	£14,433 per annum per beneficiary. (2016) (a) Gained Full time employment
Improve the local environment	**48 per cent**	Wilton CLT (Wiltshire) aim to improve the public realm and local environment. This has included river clearance projects with local volunteers.	£6,500 per annum per beneficiary. (2013) (a) Live in an area that has benefited from regeneration.
Increase employability of the community	**43 per cent**	Squash Nutrition (Liverpool) has trained more than 50 local women in food entrepreneurial skills	£1,124 per annum per beneficiary. (2016) (a) Completed vocational training

Source: (a) Community investment values from the Social Value Bank (socialvaluebank.org) Creative Commons Attribution-NonCommercial-NoDerivatives license (creativecommons.org/licenses/by-nc-nd/4.0/deed.en_GB) (b) Nattavudh Powdthavee (2008) Putting a price tag on friends, relatives, and neighbours, Journal of Socio-Economics

Other benefits were quantified in the case studies on a variety of metrics. However because they were unique to the asset, they could not be included in the generalised cost-benefit model provided above. These benefits included:

– The Belchford Community Solar Co-operative predicts a saving of 480 tonnes of CO2 over 20 years. This has a value of £6,000, based on the 2018 BEIS carbon values for policy appraisal.

- TISBUS provided 807 trips in the previous year, transporting just under 8,400 passengers. In addition to more common social benefit (such as reduced social isolation) this activity would have provided financial cost-saving for users and increased expenditure into the local economy by TISBUS users.
- Pinchbeck CLT provided 14 affordable units to enable benefiting households to remain in the local area. These units will have provided financial cost saving from reduced rents as well as saving from being near to support networks in the community.
- The Eldonians reported spending of £56,885 on community activities in 2017/18.
- The Well provides food packages to 100 homes a week that are in vulnerable positions and that have been referred through a range of agencies.
- Richmond Parish Lands Charity (Richmond) – 90 organisations who received grant support from RPLT as part of the charitable activities in 2017/18

These additional benefits, alongside the social and wellbeing benefits identified above, suggest that community-owned assets are creating significant, and unquantified, impacts at a local level. This reasserts the need for further research to refine the calculations we have presented.

6.5 Summary

This chapter has considered the costs and benefits of community asset ownership. The sector is shown to provide a sizable net additional benefit to the wider economy, in the form of GVA, expenditure and jobs. The volunteering opportunities also support the wellbeing of volunteers. However, the costs and benefits for individual assets varied considerably – by type, revenue size, locality-related factors and when and how the assets came into community ownership.

Limitations in the evidence base meant a full cost-benefit analysis was not possible. Therefore detailed cost-benefit case studies are required to understand more about the most commonly cited social, health and wellbeing benefits from assets in community ownership.

The next chapter provides concluding points and recommendations.

7. Conclusions

7.1 Introduction

This chapter presents key findings from the study and sets out some of the implications for those seeking to support assets in community ownership.

The study has built from a working definition of 'community-owned assets' which focuses on land, buildings and large physical structures. The definition has targeted those community organisations that are controlled by local residents, and where long-term property rights are held. Using this definition, a range of research methods have been employed to understand the nature and scale of community ownership in England. In addition, primary research has been undertaken to capture quantitative and qualitative data on the development, financial health and cost-benefits related to such assets.

7.2 The nature and extent of community-owned assets in England

Our analysis suggests that there are 6,325 assets in England that are highly likely to meet our definition of community ownership. There may be significantly more assets that do not meet the definition, but which operate a form of community ownership that produces important social, economic and environmental benefits. The majority of assets in our database are classified as a community hub/hall/centre; though evidence suggests that these assets often perform multiple functions. For example, the Rotunda in Liverpool is a community hub that also provides green and open space, food and drink facilities as well as educational provision.

Geographical analysis suggests that assets are unevenly distributed across England. On average, local authorities contained 19 assets in community ownership. However, the actual number varied considerably with 47 local authorities (14 per cent) containing three or fewer assets. At the other extreme, three local authorities had more than 100 assets in community ownership: Cornwall, Wiltshire and Shropshire.

Two thirds of identified assets were located in rural Lower Super Output Areas (LSOAs), with the other third located in urban LSOAs. This is the opposite trend to community businesses, where 69 per cent are located in an urban postcode area (Power to Change, 2018). In addition the 30 per most deprived neighbourhoods contain just 18 per cent of assets in community ownership. And yet these areas are likely to feel the most pressing effect of economic, political and social problems which community ownership could help address.

Applying our definition of community ownership reveals important findings about the homogeneity of the sector generally. Despite attempts to develop a simple definition, the variation in asset types, operational and governance models, and the contexts in which assets are located means that the sector is a compound of very different entities. This presents challenges for policymakers and funders who wish to support community ownership in a general sense. This research provides a basis for more targeted support, ensuring the unique challenges and risks to assets in certain locations, of specific types, or with specific business models, are better understood.

7.3 Developing and supporting the sector

The case studies revealed two categories of motivation for community asset ownership. The first related to a desire **to preserve (or improve) an asset deemed to be of local value.** Communities wanted to:

- prevent the asset from falling into disrepair and a source of anti-social behaviour
- prevent the asset being closed down, for example due to local government austerity measures or a market failure in the provision of activities or services
- protect the asset from privatisation, including sale to private developers.

The second was **to provide sought-after community benefits:**

- ensuring that services and facilities meet local needs
- to secure funds (e.g. grants) that enable (improve) benefits for the community
- to maximise the potential for reinvestment in their community.

Assets came into community ownership in various ways and the evidence suggested the sector had seen marked growth in the last 10 years. However, the process for bringing assets into community ownership was far from simple. This study identified that:

- nominating a building, land or other resource as an Asset of Community Value (ACV) was valuable, buying groups time to prepare a bid for that asset. Despite this, few assets had come into community ownership in this way – an estimated **15 assets in every 1,000 nominated for an ACV had come into community ownership**
- asset transfer processes can be complex and demand specialist skills, with significant variation in the availability of these skills at local level
- some local authorities struggled both with technical processes and having the capacity to support community ownership and transfer schemes

- where available, and accessed, the support from infrastructure bodies significantly helped communities overcome challenges – support from local advisors was highly valued
- those involved in asset transfer reported significant delays and feeling 'left in the dark' about progress - standardising the 'transfer journey' and improving communication would be welcome developments
- asset owners had benefited from revenue grants that were secured through the acquisition process, and alongside other funds for capital expenditure.

Improving processes and the policy framework

The case studies suggested that the asset transfer process is, for many, far from smooth. Ensuring good public information about roles, responsibilities and steps in the process would help, in addition to clearer local policy frameworks. This could entail making it obligatory for all local authorities to have an asset transfer policy, with this predicated on a fuller programme of peer learning for local authorities. Government may wish to review the functioning of community rights, and assess whether they are as effective as they could be, and whether there is potential to learn from other jurisdictions in the UK for example Scotland.

Enhancing the provision of support and business planning

As community development and neighbourhood management functions in local authorities have reduced, there is arguably a deficit in support and capacity-building for community organisations. Certain types of assets would benefit from enhanced support, which intensifies at different points in the development journey. The value of skilled support during the asset transfer process was clearly shown in the case studies. Enabling groups to secure support at an early stage (prior to acquisition of an asset) is likely to improve financial planning and negotiations around the asset. This should include support for business plans that include cyclical repairs, renovation and improvement. Plans should also cover skills and capacity requirements. Funders could improve access to support while ensuring business planning processes take future investment into account.

7.4 Assessing the financial health of the sector

Community asset owners were on the whole positive about their asset's financial health, with 76 per cent reporting their asset to be in 'very good' or 'good' financial health, and almost half experiencing improved health over the last three years. However, only a third were confident of improvement over the next three years. This perhaps reflects current economic and political uncertainties.

Good financial health for community-owned assets is clearly different from that of commercial businesses. Maximising surpluses was not the primary concern for many and generally 'good' was deemed to be an operating income that covered operating expenses. This meant that many assets were operating on a shoestring, particularly 'community hubs/halls/centres'. Providing community 'benefit' is the primary goal, which has often meant minimising charges to use the asset.

It was little surprise that more detailed analysis was less encouraging:

– around one in five assets made an operating loss of 10 per cent or more of their revenue in their latest financial year – equivalent to 1,300 assets
– a similar proportion were likely to have insufficient reserves to meet a modest unexpected expense or income shock and a significant number of these are also likely to be operating at a loss
– controlling expenses was an issue for many, with a third of respondents not agreeing that their expenses were regular and predictable, and 56 per cent did not feel their expenses adjusted in line with revenues
– as assets are increasingly taking up loans, it is concerning that 28 per cent did not consider that their asset's debts were under control.

Agreeing measures of good financial health

Given these variations, a financial health standard needs to be developed, which all assets could use to maintain financial wellbeing and growth. This should incorporate operating profit levels, future business planning, asset management plans (including ongoing maintenance and capital investment) and human resources. Any assessment against the standard should take account of economic and social benefits, and reflect local context.

Improving funding and finance

Examples of potential improvements in financial support for community owners:

- Funders can pool their investments in this field – ensuring they co-ordinate their grants and loans to recipients.
- Given the size, capacity and financial fragility of many community-owned assets there is a continuing role for grants from central and local government, but more could be done by public bodies to provide low cost finance where appropriate (e.g. by using the Public Works Loan Board).
- Funders could explore more blended finance or low cost loan options, although some 'market-making' would be required to build demand from those small asset owners who have to date shown little appetite in this area, and who might benefit from support to build understanding and internal capacity to manage the implications.
- There are also opportunities to enhance the protections for community-owned assets that face financial difficulties – both in terms of funding but also the administrative processes of regulation and compliance. Stronger protections could also be provided against other threats to ownership, like privatisation e.g. the Right to Buy housing and leasehold enfranchisement. Excluding community asset owners from the proposed caps to ground rents could also protect revenues.

7.5 What contributes to the financial health of the sector

The study considered the factors that had an effect on the financial health of community-owned assets, particularly where that was negative, and developed a composite indictor of 'excellent financial health' to help find associations with other variables.

Maintenance costs were considered the most common factor affecting assets' financial health in the last three years, cited by 46 per cent of respondents. Other common factors included expenses, poor revenue, inability to recruit a full complement of volunteers and limited access to grant-funding. One in five also cited a lack of support from local government or the broader public sector.

Various factors were particularly associated with 'excellent financial health', like higher operating incomes, irrespective of underlying surpluses. Being a community hub/village hall was comparatively negatively associated with excellent financial health along with location in a more deprived LSOA

(neighbourhood). These are important findings, if community asset ownership is being promoted as a response to those current social and economic challenges which are disproportionally affecting deprived neighbourhoods.

We identified factors that were critical to an organisation's capacity to maintain the financial health of its asset:

1. The external environment, including national policy and funding programmes.
2. The scale and nature of income – achieving a stable core income to meet costs and enable investment – and a strategic move from grant dependency.
3. The management of costs and the financial planning of maintenance and improvements.
4. The form of ownership and local 'buy-in' to the asset.
5. Internal skills and capacity, including leadership and the role and capability of community volunteers.
6. The external skills and support provided by advisors, supporters and infrastructure bodies.

7.6 What are the costs and benefits of community asset ownership?

The cost and benefits of community asset ownership were considered as part of an assessment of the potential for a cost-benefit analysis of the sector. Several key findings provided a general picture of the costs and net additional benefits of community asset ownership, and the contribution this made to the wider economy:

- The total expected cost of an asset over a 10 year period is £1,757,000, in today's prices. This included average ongoing revenue and capital costs of £81,000 per annum and £32,000 per annum respectively.
- The estimated 6,325 assets in community ownership in England provided:
  - £216,819,000 worth of net additional GVA to the economy per annum. This is equivalent to £1.39 of every £10,000 in GVA produced nationally.
  - £147,733,000 per annum in net additional expenditure into their local communities.
  - 7,000 net additional FTE jobs, providing £15,753,000 in fiscal benefit saving per annum.
  - 151,000 net additional volunteer hours per week. The wellbeing benefit of which is equivalent to £131,926,000 in additional income
- The costs and benefits for individual assets varied considerably: by type, revenue size, locality-related factors and when and how the assets came into community ownership.

Enhancing the evidence on costs and benefits

Our assessment was unable to include the most commonly cited social, health and wellbeing benefits from assets in community ownership. Undertaking detailed cost-benefit case studies will help remedy this, enabling a more rounded perspective on cost-benefits to be developed.

Furthermore, detailed analysis of the variation in costs and benefits between different assets has revealed considerable disparities. Therefore, further work is required to understand these differences at the level of individual assets, taking into account distinguishing characteristics like type, location, and form of ownership.

In conclusion, this research has provided new insights into the variegated, growing field of community-owned assets. The drive to acquire and protect assets for community benefit shows little sign of abating, and yet there is much still to learn about the development of these initiatives and their true costs, benefits and impacts on communities. For those wishing to nurture this sector, there are critical lessons to take from this research. Applying this will help enhance policymaking, improve practices within asset-owning and support organisations, and strengthen the current system of funding and finance.

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