

A COMMON INTEREST

THE ROLE OF ASSET TRANSFER IN DEVELOPING THE COMMUNITY BUSINESS MARKET



NLGN RECOMMENDATIONS AND ACTIONS

'We have to trust the people who elect us and, ultimately, who pay for our existence. We need to start to celebrate the things we helped make happen, not the things we did.'

Interviewee, Councillor

The post-2008 public expenditure reality means that the state needs to find new ways to ensure community needs are met, and become more proactive to ensure local resilience for the future. Asset based approaches seek to do this by creating systems or spaces which allow people and communities to harness the influence and creativity they already possess. As the operating context of local government shifts in response to budget cuts, rising service user demand, and demographic change, so too will the concentration of power within places. Councils cannot only use traditional means to achieve social outcomes. They increasingly need to find new opportunities to allocate and utilise existing assets and resources using the networks of their locality. This has the potential to drive community-developed and owned solutions to local challenges.

In future then, councils may play not only the role of provider or commissioner, but also as a platform: helping to raise those with good ideas up, enabling them to deliver change which is bespoke, and place-based. The community business market, on which our latest report [A Common Interest](#), commissioned by Power to Change, focuses, is one place in which these good ideas may be found. When at their best, community businesses are people-led; responsive to service user needs; and financially independent, achieving objectives around localism, service user empowerment, and making savings to capital and revenue budgets. The question today is how to ensure that these proactive, longer-term ambitions do not take a backseat as cuts to local authority budgets place new pressures on asset management. Rather than finding ways to create more self-reliant places over the long term, asset departments are expected to fill holes in revenue spending budgets to meet immediate demands.

Understanding the implications of this conflict – between asset management strategies which yield revenues immediately, and those that generate social value over time, is critical given the ability of community businesses to respond to several key drivers of public service transformation. With this in mind we conducted a research project to explore how austerity and the new policy environment is changing local authority attitudes to asset transfer; and identify what makes for success in community organisations who have received local authority assets.¹

¹ To deliver this, we conducted interviews with 16 policy makers and practitioners, and surveyed council officers holding responsibility for asset transfer, achieving 58 responses. We also hosted a roundtable which brought into conversation representatives of the community business market and local authorities, and carried out five in-depth case studies.

RECOMMENDATION 1

For Community Asset Transfer (CAT) to unlock a new relationship between council and community, asset transfer policies and processes should be clear and transparent.

We found that many authorities recognise the potential of CAT to achieve their objectives, with leading motivations for asset transfer seen as: reducing the cost of service provision (85%); protecting a service that would otherwise be lost (81%); and improving service user engagement (81%). However, we also found that CAT remains largely reactive rather than proactive. Only half of the officers surveyed reported that their authority actively pursues opportunities to transfer assets into community ownership, and many asset transfers have taken place without the local authority having an explicit policy. This can create confusion and a feeling within communities that the process lacks fairness and transparency.

Demonstrating little change from The Quirk Review in 2007, which looked at the potential of community asset transfer to unleash a

new wave of civic entrepreneurialism, a perceived need to generate capital sales receipts remains a key barrier, according to 88% of respondents. This is exacerbated by the fact that members who hold responsibility for asset transfer have concerns about justifying the loss of capital sales receipts at a time of financial constraint. Another barrier to community asset transfer could be devolution. As all combined authority areas now have strategic asset management boards, decisions made about asset disposal are drawn up to a more strategic economic level. 50% of officers surveyed for this research suggested that the scaling up of asset management responsibilities to programmes such as the One Public Estate may be a barrier to asset transfer.

Our case studies found that a strong trusting relationship between council and community is critical to making asset transfer a success. For councils who wish to use asset transfer as a means to transform their local public service offer and unleash the creativity of their communities, a transparent approach is needed.

ACTIONS

- Asset Transfer policies should clearly state the council's objectives for asset transfer, and explain how these relate to wider strategies for third sector development, community empowerment, asset management, service transformation, and local economic development. Where used as a set of criteria by which to measure applications, this can enable community organisations to make more targeted and specific proposals, and empower members holding responsibility for capital receipts to justify and defend their decisions.
- There is currently a risk presented by devolution that decisions about assets are scaled up, and moved further from community control and influence. In combined authorities which have Strategic Asset Management Boards, community asset transfer should be identified as a strategic consideration of the One Public Estate Programme, with strategies to increase community engagement in decision making explored as much as possible.

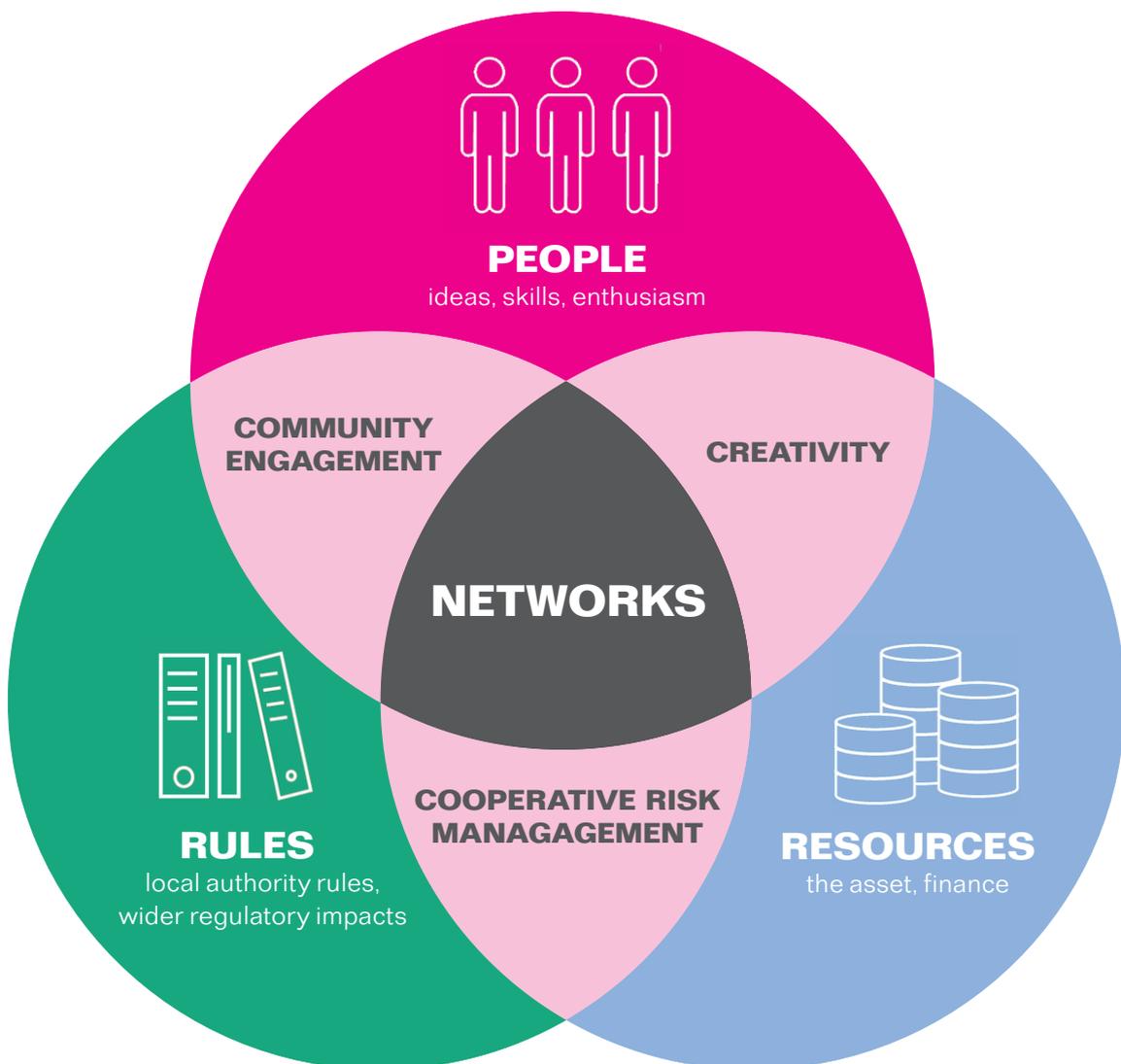
RECOMMENDATION 2

Local Authorities should adopt strategies which help to manage risk when seeking to support the development the community business market.

A leading concern of councils about asset transfer surrounds their confidence in the ability of community businesses to successfully manage the asset. Our case studies revealed that people, rules and resources all shape the opportunities for success and risks of failure for community businesses, both in securing the asset and

surviving the period immediately after this. Critical to ensuring a healthy relationship between these factors are the networks of a community business. Networks are central to ensuring success, because they allow community businesses to:

- develop and maintain a vision which has community support through processes of **community engagement**;
- engage in partnerships which allow for **cooperative risk management**
- to find new solutions to financial models of local public services, using peoples **creativity**



Councils must understand how to support community businesses, both by being part of their network, and by helping community business to grow their networks. This means knowing when to step in, and when to step back. Having council staff, either designated CAT officers or often, councillors, within the network of a community business enables community organisations to ‘speak in the right language’ when navigating the formal and informal rules surrounding asset transfer. This is currently a challenge in many authorities given that our survey respondents

reported that a lack of human resources (84%) is a leading barrier to asset transfer.

Councils were also found to influence the risk of community businesses failing to complete the transfer, or failing financially shortly after, because of poor up-front provision of information about the asset. Further, the case studies demonstrated that authorities can manage the risk presented by partnerships between community businesses and other parties, by ensuring that all parties involved share ethos and support a common vision.

ACTIONS

- Local authorities can support community businesses by helping them to expand their networks. This may involve councillors championing schemes which align with the authority’s corporate objectives; providing facilities for public consultations; offering human resource support in developing bids for after transfer, providing advice on good governance; or directly funding staff members for umbrella organisations. As dedicated members of staff accrue knowledge and understanding of asset transfer over time, authorities may also consider supporting a shared role between multiple authorities.
- Local authorities can help to reduce risk in new community business ventures by reducing uncertainty during the development of business plans. This may involve providing support in the

form of information such as a breakdown of running costs, inspection reports, lease information and clarification about whether or not they hold the legal title.

- Community businesses have the most productive partnerships with other local actors when those parties share their vision. Local authorities can help to ensure these partnerships are based on a common understanding by facilitating meetings in a neutral environment between community businesses and potential development partners. Seed funding is essential to the success of community businesses who are starting from scratch, and where councils cannot provide it directly, they can play a role in helping make sure it is secured. For instance, councils could create a list of local businesses who are looking to invest in community projects as part of their local corporate social responsibility programme.

RECOMMENDATION 3

Opportunities for community asset transfer should be widened across the public estate, and uncertainty surrounding legal possibilities for asset transfer should be reduced.

The case studies demonstrate that for large, strategic projects over multiple sites, poor communication between different public sector land owners can lead to community businesses missing opportunities to grow according to need. If communicating asset disposals to communities is under developed in local government, it is currently absent

across the wider public estate.

Finally, we found that confusion exists between and within local authorities about what is possible in asset transfer with respect to State Aid rules. While some authorities are happy to make land transfers to community enterprises, and provide them with innovative forms of seed funding, others can be hesitant to do this. This can lead to lags in the process of approving projects, and differences in approach within a locality depending on changes in management – leading to costs for community businesses and time waste for authorities.

ACTIONS

- The One Public Estate Programme should be treated as an opportunity to create more systematic opportunities for community asset transfer across public sector landowners, to ensure that wherever disposals are being considered, so too are community solutions.
- A lack of agreement upon the implications of State Aid rules for asset

transfer to, and financial assistance of, beneficiaries can lead to uncertainty within councils about the appropriate approach. To mitigate the impact of this uncertainty on community businesses, a clearer understanding should be achieved. This may involve the creation of clearer statutory guidance, or a shared learning network allowing councils to better understand what is possible by learning from each other.

To fully achieve the full potential of community asset ownership, the process cannot be driven by motivations to make savings in the short term. There are a number of examples which demonstrate how effective collaboration between councils and asset-based community businesses can find innovative solutions to local problems. As local authorities struggle to balance their books in line with funding cuts, the future of public services relies upon councils and communities working together to spread power out locally. Such an approach – one which seeks to use public resources to empower communities to meet their common needs – demonstrates how boundaries between council and community may become blurred in the future.