

Manchester City Council Report for Information

Report to: Communities and Equalities Scrutiny Committee – 11 October 2018

Subject: Community Asset Transfer

Report of: Strategic Director (Development), Head of Corporate Estates and Facilities, Strategic Lead - Parks, Leisure & Events, Strategic Lead - Neighbourhoods (South) and Community Asset Transfer Manager

Summary

This paper provides the Scrutiny Committee with information on the Community Asset Transfer activity during 2017/18, provides a background to the scheme and the process for progressing a Community Asset Transfer (CAT), and the support that is provided to groups by the Council.

The paper also provides Communities and Equalities Scrutiny with case studies on community groups that have successfully progressed a Community Asset Transfer and those that haven't been successful.

The paper provides a full list of organisations that have completed the Community Asset Transfer process and information on the transfer.

Recommendations

The Committee are requested to:

- Note the process and programme of support that is in place to help local communities who wish to progress a Community Asset Transfer;
 - Note the key issues that face communities who wish to progress a Community Asset Transfer;
 - Note the cases where a Community Asset Transfer has been completed, where a transfer has failed or been abandoned and the current ongoing caseload of transfer 'in progress'.
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Wards Affected: All

Alignment to the Our Manchester Strategy Outcomes (if applicable)

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive	

economy that creates jobs and opportunities	
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Community Asset Transfers support local communities through the provision and use of Council buildings for them to deliver services to their local communities.
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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Background documents (available for public inspection):

None

1.0 Background

- 1.1 Community Asset Transfer presents local communities with the opportunity to breathe new life into public buildings, to preserve valuable community resources or develop exciting new services for local communities. Since the adoption of the Voluntary Community Sector (VCS) Lettings policy (attached at **Appendix A**) the council has been able to provide leases to community organisations at less than market rent.
- 1.2 It is recognised that managing and maintaining a community facility can be complicated and expensive, particularly where a group has little knowledge or understanding of the potential costs and associated responsibilities. With this in mind, the council has developed a process to work with community organisations that may be interested in taking over a council-owned building, to help them analyse the feasibility of taking over a building. This involves the creation of a business plan that demonstrates how much the building will cost to run and how the organisation will generate sufficient income to meet those costs.
- 1.3 Since the formal launch of the scheme the Council has progressed 21 successful community asset transfers with local community groups, with a further 28 cases are currently in progress. **Appendix B** provides the details of all of the cases that have been progressed, abandoned/unsuccessful cases and those cases which are currently in progress.
- 1.4 Many groups that initially express interest in asset transfer lack the skills or experience to create a business plan, to run an asset or to pursue larger funding opportunities. In order to bridge this potential knowledge gap, an asset transfer training programme has been developed to provide organisations with training and support before they then start considering an asset transfer, full armed with the knowledge and understanding of what is involved.
- 1.5 The training programme, Manchester Community Assets Pilot (MCAP), is delivered in partnership with Macc, the support organisation for the voluntary, community and social enterprise sector in Manchester.

2.0 What is the difference between a Community Asset Transfer and a long lease?

- 2.1 Community Asset Transfer was introduced with the Localism Act 2011 along with the community right to build, the community right to bid and the community right to challenge.
- 2.2 Unlike the other community rights however, there is no prescribed process for CAT. Each local authority has the discretion to pursue asset transfer and create a process that meets local requirements.
- 2.3 In Manchester a process has been implemented that uses modified commercial leases with a peppercorn or low rent (depending upon whether an

organisation is delivering commissioned services for the authority), over a timescale that balances supporting a VCS organisation to attract external investment against managing the risk of a longer-term agreement.

- 2.4 Not-for-profit organisations that have leases in place pre-dating the CAT process are systematically being transferred to leases that meet the VCS lettings policy.

3.0 Programme of Support

- 3.1 There are a number of scenarios in which asset transfer is typically explored.

- A group that occupies and manages a council-owned facility (and may have done for many years), but with wither no formal agreement or a fully commercial lease in place. An asset transfer will create a lease that provides the group with some security (which funders are increasingly looking for).
- A group that occupies a council-owned facility, possibly alongside council-services, but has played no role in managing the site. In these situations, council services may be in the process of leaving the building. An asset transfer secures the site for the group and maintains a community facility for the area.
- A group that is interested in taking over a building that is non-operational and is either unoccupied or will shortly become unoccupied. An asset transfer will present development opportunities for the group as well as provide new community facilities to the local area.
- An asset is sat unused with no obvious interest from a community group. A public exercise will be undertaken that invites local groups to submit expressions of interest in the site. Working closely with the Neighbourhoods team and local members, an organisation will be invited to explore asset transfer.

- 3.2 Each of these scenarios expose organisations to additional risk. Taking on management of a site can be expensive and time-consuming. Inexperienced organisations often believe that not paying a rent equates to a “free” building and lack awareness of the reality of managing a site.

- 3.3 Taking a lease on a site however presents organisations with the opportunity to access sources of funding that the Council is unable to access, and presents them with the opportunity to undergo a rigorous development process that can help them generate significant additional income.

- 3.4 Those groups that express an interest are asked to complete an initial questionnaire that establishes the legal status and capacity of the organisation and, amongst other things, what policies and service-user safeguards are already in place.

- 3.5 This is used as a basis for a development programme designed to quantify the full cost of managing an asset and produce a business plan that details how an organisation would meet those costs. Organisations are then supported to apply for funding to pay for the various steps involved. This funding has typically come from a dedicated community asset transfer fund administered by the Social Investment Business, however other sources of funding such as Awards for All have been used.
- 3.6 More recently however, funding streams used to support organisations through asset transfer have begun to dry up. This has had an impact on organisations being able to undertake condition surveys on assets.
- 3.7 Macc, the support organisation for the voluntary, community and social enterprise sector in Manchester, play an integral role in supporting organisations through the CAT process through their capacity building service and through a bespoke set of training courses designed specifically around asset management. These are:
- **0.5-day Introduction to CAT training:** This training is designed for groups who fairly new to CAT and want to know if it is worth exploring. It is also designed to weed out any groups for whom CAT would be highly unsuitable. Training is run quarterly.
 - **2-day training:** This training builds on the half-day Introduction to Community Asset Transfer. Groups can expect to understand better how asset transfer fits with their own organisational purpose and objects and what is involved in managing a building and the process of asset transfer. This training is run subject to demand and funding.
 - **5-day Manchester Community Asset training:** This training runs over a 3-6 month period and is for groups who are seriously considering a specific asset transfer, can demonstrate that they are suitably ready to explore CAT and are already in conversation with the City Council. This detailed training supports groups to understand the key areas of consideration for asset transfer and how this applies to their own situation.
- 3.8 A number of other locally-based consultants and VCS organisations, such as 4CT, also provide support to organisations considering asset transfer and continue to be a source of referrals into the programme.

4.0 Assessing an organisation's readiness for asset transfer

- 4.1 There are three key areas of development when looking at asset transfer:
- Is the organisation ready for asset transfer?
 - Has an appropriate asset been identified and has the organisation gained a full understanding of the requirements of running and maintaining an appropriate building?
 - Does the organisation have a plan for how it will generate enough income to meet the running costs of the asset?

- 4.2 Only when all of these points have been addressed will an organisation be encouraged to make a decision on whether to submit a formal request for an asset transfer.
- 4.3 At the outset, it is stressed to organisations that exploring these issues does not constitute a binding agreement and either they or the city council can decline to proceed at the end of the process if it is judged that the risks involved are too high.

5.0 Is the organisation ready for Community asset transfer?

- 5.1 Managing an asset can be expensive and time-consuming. It can also involve developing a range of new services to generate additional income to meet the costs associated with the asset.
- 5.2 For many organisations it is therefore important to look at how the organisation is structured and governed to develop and deliver an expanded range of services, as well as the extra burden of asset management.
- 5.3 When considering whether to pursue an asset transfer, an organisation will be guided/advised to ask itself the following questions:
- Is the committee an elected body of local people that is accountable to its members?
 - Does the organisation have a clear and agreed mission, aims and objectives that have been defined through consultation with the local community and evidence of need?
 - Does the governing structure prevent personal profit being made by members of the Board and are any surpluses generated re-invested back into the organisation?
 - Are there written financial procedures for subscriptions, book-keeping, expenses and petty-cash with checks and balances to avoid misuse of funds?
 - Has the organisation developed links with key agencies/stakeholder organisations in the local community/neighbourhood?
 - Do paid-staff and volunteers have clearly defined roles and responsibilities?
 - Are there plans for replacing paid-staff and volunteers people as they leave?
 - Is the organisation aware of the range of skills its volunteers could provide if called upon?
 - Is there experience of managing a facility and an understanding of the requirements and legal undertaking?
 - Are there sufficient operating reserves to cover legal fees and any start-up costs required for a facility?
- 5.4 A capacity-building worker from Macc will assess how many of these questions an organisation can answer by carrying out an organisational health-check. This will establish which of the above points an organisation already meets and where further advice and support may be necessary.

- 5.5 A development plan will be agreed that maps out how an organisation will develop in preparation for an asset transfer.

6.0 Identifying an asset and gaining an understanding of the requirements of the asset?

- 6.1 When a VCS organisation contacts the Estates team, an officer will discuss the requirements of the organisation, gather some background information on the services provided by the organisation and then search for an appropriate property.
- 6.2 Demand for property fluctuates across the city. The Estates Team typically receive a lot of requests for properties in the central wards of the city. Consequently there may be nothing available in the area requested at the time that the query is raised. Organisations are encouraged to consider other parts of the city and their details are kept on file for when a suitable property becomes available.
- 6.3 Organisations are also asked if they'd be interested in working with other local organisations to manage a larger asset than their own organisation would require by itself. This enables smaller organisations to find a base without necessarily undertaking the burden of managing the asset alone.
- 6.4 For some organisations that enquire about asset transfer it is simply not practical for them to pursue for a variety of reasons. The Estates Team and Macc endeavour to try and find appropriate space for organisations within existing facilities. A web service is available to support this through the Macc website.
- 6.5 Once an appropriate asset has been identified, the organisation will need to consider the costs associated with bringing the asset into use and keeping the asset operational.
- 6.6 Understanding how much it costs to keep a building running (both in terms of financial cost and staff time), knowing what the current state of repair is within the building form a critical part of piecing together a business plan and helping an organisation understand how feasible it would be for them to run their own asset.
- 6.7 The Estates Team provide some basic information about the running costs of a property. Organisations are advised to have their own condition survey carried out however and the Estates Team and Macc work together to find funding to have this carried out.

7.0 Creating the business plan

- 7.1 As the previous steps are completed, a business plan is created that brings together the development plan for the organisation, the details of the asset in questions and evidence that the organisation understands the cost of taking on an asset

- 7.2 The business plan is the focal point of the work on asset transfer – it will help the organisation explore the risks of asset transfer, the costs associated and how the organisation will meet those costs.

8.0 Preparing and submitting a proposal

- 8.1 After completing their business plan, an organisation's management group should have enough information to determine whether it wishes to proceed with an asset transfer or not.
- 8.2 If the management group decides it wishes to accept the risks identified through the process a formal request for a transfer is made to the Estates Team. The Estates Team will then seek the views of the Neighbourhoods Teams, local councillors and any other relevant council service before making a recommendation to the head of the Property Development team.
- 8.3 If the decision is a positive one, the organisation will be invited to negotiate a lease. The organisation will require independent legal advice at this point in order for the lease to be agreed.
- 8.4 If the management group of the VCS organisation or the Head of Property Development decides they cannot accept the risks associated with asset transfer, the Estates Team will continue to work with the organisation to see if specific concerns can be addressed and an alternative solution found.

9.0 Case Studies

- 9.1 **Communities on Solid Ground** - Communities on Solid Ground (CSG) is a registered charity delivering services to young people within the Whalley Range area. CSG works in cooperation with a range of other agencies to deliver educational, social, and sports activities to help young people build resilience and choose positive constructive lifestyles.
- 9.2 Discussions about CSG taking a lease on the former play centre in Manley Park began in 2013, prior to the adoption of the VCS lettings policy and the appointment of an officer to oversee development of the programme. Formal discussions regarding a potential CAT began in early 2014. From the organisations perspective however, they had been negotiating a lease for close to three years at the point that the lease was agreed.
- 9.3 Ultimately the group was offered a lease with a reduced, but not peppercorn, rent attached with a lengthy rent free period in recognition of the work to be undertaken by the group on the building. The VCS lettings policy states that organisations delivering commissioned services could not be offered a peppercorn rent due to procurement regulations on providing subsidies.
- 9.4 However, given the blurred lines between many grant agreements and service provision contracts, this delineation can prove difficult for organisations to understand and can seem unfair. In this case it presented a significant barrier

to negotiating the terms of the lease and ultimately the negotiation took approximately 14 months to conclude.

- 9.5 A lack of information about the condition of the building also proved to be a barrier to progress as it necessitated fundraising to have a condition survey carried out.
- 9.6 Since the transfer completed however the group have continued to flourish and the lease provided allowed the group to successfully apply for additional funds from the BBC to improve the asset.
- 9.7 **Levenshulme Old Library Group** - The Levenshulme Old Library (LOL) group formed as a means for local residents to explore ways of re-opening and using the former library following the development of a new joint library and leisure centre in the Arcadia Building.
- 9.8 LOL aspires to develop the building to “be a centre for community art and culture and to act as a catalyst for community activities and groups”. It has a very strong, active trustee board and provides a base for local community radio station All FM to operate from.
- 9.9 The group began forming in 2015 but work on an asset transfer formally began in early 2016. As the group developed over 2016, it considered various governance options, began to piece together a business plan and identified All FM as a key partner to make the site viable.
- 9.10 Issues with the condition of the building soon emerged however and the diagnosis and treatment of dry rot over the summer and autumn of 2017 cast doubt over the viability of the project.
- 9.11 An interim lease was agreed with the group in December 2017 that allowed them to take possession of the site but further disrepair in the form of a crack in the brickwork threw the viability of the project into doubt again until a survey could be carried out and an appropriate course of treatment identified.
- 9.12 Due to the need to observe issues like this over an extended period of time, this issue remains unresolved (though a timeline for further observations and remedying the issue has been agreed) and the group has to work around the temporary props supporting an archway.
- 9.13 Despite a positive working relationship with the council, a lack of information about the heating, water and alarm systems in the building proved time-consuming to unravel and presented a barrier to the group applying for external funds.
- 9.14 **London Road Skateboard Park** - Projekts MCR is a not-for-profit Community Benefit Society aiming to help people through the use of skateboarding and other skatepark-type activities.

- 9.15 The group operates the Pumpcage Skatepark under the Mancunian Way flyover on London Road, delivering over 25 schools sessions a week in and around Manchester.
- 9.16 The group were initially consulted in 2015 regarding the asset transfer. A recommendation to grant a lease was accepted in September 2016 but the lease negotiation took almost another 2 years to complete. Some of this delay was due to difficulties in establishing the precise dimensions of the demise (due to the Mancunian way overhead and the support pillars that run through the site) but equally a protracted legal negotiation meant the process was particularly slow.
- 9.17 **Longsight Youth Centre** – The Wesley Furniture Project provides furniture and appliances at a greatly reduced cost to people on low incomes, leaving care or prison.
- 9.18 Based in Hulme, very high demand meant that the group had outgrown their current base and larger premises to operate from were needed.
- 9.19 The former Longsight Youth Centre was identified as a potentially suitable location and the group underwent training and developed a business plan for the site.
- 9.20 Their proposal was approved and while a lease was being negotiated the group began putting together a detailed work schedule to bring the building back into use.
- 9.21 The group struggled to find contractors able and willing to undertake the work and after several months the council's Capital Programmes team was asked to produce the work schedule.
- 9.22 The resulting work schedule identified a number of significant jobs that the groups own contractors had missed when providing quotes in the earlier stages of the process. The nature of the additional jobs meant that management of the schedule became quite complex.
- 9.23 The organisation determined that while it may have had the resources to carry out the renovations required, the management of the schedule had become too complex for them and presented too much of a risk on top of the job of moving and setting up the new service.

10.0 Key Issues

- 10.1 A lack of up-front information on the condition of buildings and associated fixtures and fittings for prospective tenants has proved a barrier and a source of delays in a number of cases.
- 10.2 This has often lead to work being delayed or abandoned if a significant issue was uncovered that required more investment than a group could manage or could realistically attract from external sources.

- 10.3 Identifying and pursuing properties for asset transfer is often done on an ad-hoc basis. While there is a list of surplus properties, many cases start with organisations enquiring about specific sites that are not currently declared surplus but that we have no plans for.
- 10.4 The reactive nature of this approach exacerbates the problem of having little information up front and adds additional pressure to finding resources quickly to respond to opportunities.
- 10.5 The requirement to charge a restricted rent to organisations delivering commissioned services creates a disincentive to organisations that may be investing large sums in an MCC asset. Since the policy was initially drawn up, the law regarding subsidies to organisations delivering commissioned work has changed and this requirement may no longer be relevant.
- 10.6 Most of the support work for CAT ends up being capacity building by nature; this is very resource intensive and can mean groups are supported for 2+years which impacts heavily on the VCS infrastructure support service that Macc deliver.
- 10.7 The CAT training programmes are outside the scope of the infrastructure contract so obtaining resources to pay for these courses remains an ongoing challenge, making it difficult to plan support for organisations. More training may help manage the demand on capacity-building.

11.0 Potential Future Improvements

- 11.1 It is recognised that the creation of a property information pack for those buildings where groups are considering a CAT would be beneficial. It is the intention to introduce this in the coming year and the service will be aiming to provide the following information to groups considering a CAT:
- up to date information on the condition of the site
 - Typical utility usage and average maintenance costs from the last 3 years of use (where possible).