

Community Asset Transfer Policy

Report by Director Corporate Resources

1. Introduction

- 1.1** This paper explains the concept of Community Asset Transfer (CAT) and proposes a policy to assist both the Council and Non Profit Distributing Voluntary Organisations (NPDVOs) which may seek to take over certain existing Council community assets. The proposed 'Midlothian Council Community Asset Transfer Policy' forms Appendix 1 to this report.

2. Background

- 2.1** Voluntary community organisations are now being encouraged by Scottish Government to seek the transfer of ownership of Council owned assets to the community. CAT is the process of handing over control of those assets to NPDVOs who are then to be responsible for the administration, financing and management of those assets.
- 2.2** There is, for financial reasons, increasing pressure on the Council to provide both a range of services and the space to accommodate them, whilst at the same time rationalising the provision of that accommodation. Accordingly, there may well be a rise in requests from NPDVOs for asset transfer so that communities can continue to have a base for their activities. In that context, it is essential that the Council has an appropriate framework to consider and evaluate these requests. Transfer can remove asset control from the democratic process unless appropriate safeguards are in place. Key concerns to be addressed before an asset is considered for transfer are;
- will the asset continue to be used primarily to support the delivery of services to the community?
 - does transfer align with the Council's strategic and service delivery aims?
 - will the NPDVOs be viable in the long term taking into account their management capacity, financial stability and sustainability; and are they able to provide confidence that there will be a continued community based context to their operations?
- 2.3** The proposed CAT policy sets out a strategic framework that promotes the need for the development of appropriate systems to consider and assess transfer requests in a fair and consistent manner.
- 2.4** **Benefits of Transfer** - the transfer of asset ownership can, if undertaken correctly, benefit both the Council and local communities through the development of the NPDVO vehicle, by:
- a) providing opportunities for improving relationships and new partnerships, between the Communities, the Council and Community Planning Partners;

- b) supporting Single Midlothian Plan and Community Planning priorities;
- c) leveraging in external funding to invest in assets in a way not available to the Council;
- d) safeguarding the future of local facilities and delivery of social, economic and environmental benefits; and
- e) reducing building management issues and lowering ongoing costs.

The policy document at Appendix 1 expands in more detail (part 3) on the benefits to the Community, NPDVOs, and the Council.

- 2.5** Not all Council properties will qualify as being appropriate for transfer consideration (e.g. schools and offices and those properties required to fulfil a statutory function or where the Council derives an investment income). Equally not all community groups will be in a position to take on community assets due to issues of, for example, capacity and financial stability.
- 2.6** Where an application to transfer an asset is brought forward by a NPDVO, the Council will need to evaluate the application on a consistent basis. This will involve requiring the NPDVO to demonstrate that they have a financially robust and sustainable business plan which has majority community support and accords with the objectives of the Single Midlothian Plan, and other Community Planning priorities.
- 2.7** The Community Asset Transfer Policy supports the Council's developing strategic vision, service delivery and asset rationalisation policies. It cannot be introduced in isolation and to be effective needs to be linked to a prioritised service delivery strategy. This in turn will allow the development of an Asset Disposal Policy against which requests for assets to be transferred to NPDVO's can be considered.
- 2.8** **Assessment** - the framework policy seeks to provide a basis for a transparent process for the rigorous assessment of individual asset transfer applications. The policy recognises that asset transfer can be a catalyst to encourage local people to regenerate their communities.
- 2.9** These regeneration and community benefits are not always wholly financial and a standardised assessment model for considering applications will need to be developed in order to assess these benefits and express them financially.
- 2.10** **Governance** - there is currently no obvious route by which asset transfer might be considered by officers who can assess not only property but community and service/co-production opportunities for recommendation and approval. The cross cutting nature of likely applications suggests that these matters would best be dealt with through an Asset Management Board, or similar vehicle, as proposed in the Corporate Asset Management Plan, and proposals and recommendations reported to an appropriate internal Council body for final approval/refusal.

3.0 Report Implications

3.1 Resource

In order to properly support the asset transfer process as set out in the policy the Council will need to have appropriate structures and support provision to deliver effective asset transfer, including:

a) a single point of contact to co-ordinate and manage all asset transfer requests;

It is essential that transfer requests are coordinated so that so that there is a 'single point of awareness' in relation to all applications, ensuring a consistency of process and dialogue with the requesting bodies.

b) a system and resource to assess, report and advise on the suitability of the applications received;

A key aspect of the proposed assessment process will involve a review of the business case for each individual application. Given the range of potential services and business models which might come forward consideration might be given to the development of a framework agreement with an appropriate service provider to undertake the appropriate rigorous review of business cases submitted. This will ensure independence, flexibility, and access to expertise which the Council may currently struggle to resource internally.

c) appropriate levels of support for the communities to develop community capacity;

The levels of support will depend on specific circumstances .The Council may be required to make financial contributions or provide expert assistance with the development of proposals. The level of financial and human resource required will vary from project to project and therefore cannot be quantified. The resource demand is likely to be intensive depending on the scale of the project, existing community capacity, construction or building complexity. The Council will in transacting the transfer be expected to sufficiently and appropriately resource to specific project needs.

Whilst this may involve the reprioritisation of existing resources , once established the process should become immediately effective in supporting community co-production and capacity building.

3.2 Risk

- Service Prioritisation; a clear service prioritisation strategy with the customer at the centre of the service, is essential to mitigate this risk of ad-hoc, in-consistent and un-coordinated asset transfer.
- Service flexibility and consistency; fragmenting of property ownership will reduce the Council's flexibility to deliver services. By promoting and maintaining strategic partnerships this risk to service flexibility can be mitigated, and consistency of alignment of NPDVO and Council objectives can be maintained.

- Capacity; for CAT to be effective the Council needs to ensure that appropriate resources are in place to support the asset transfer process (3.1 above).
- Representation; only groups representative of the Community shall be eligible for transfer consideration.
- Sustainability; applicants must demonstrate capability to manage and fund the running of the asset and delivery of proposed services. This should include provision for long term repair (including ultimate replacement). This applies equally to new built assets as well as to existing assets.

A risk log has been established to detail some of the more common risks encountered in asset transfer and measures which should be put in place to mitigate them.

In order to ensure that the various risks are considered and addressed as part of an overall transfer assessment process a review and scoring framework might be adopted similar to that detailed in Annex B of the Policy. This framework which is based on a model developed by Birmingham Council provides a basis for a rigorous assessment for competing bids taking into account both financial and non financial issues.

Whilst every effort must be made to support and sustain any NPDVO which embarks on an asset transfer it should be acknowledged that there will remain a latent risk that the NPDVO may fail resulting in pressure being applied on the Council to take back the asset with all the incumbent costs this might involve.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

3.4 Impact on Performance and Outcomes

Effectively implemented asset transfer can reduce the burden of maintaining a diverse asset base, resulting in potential improvements in asset performance and the potential removal of backlog maintenance requirements as they relate to the current property portfolio. The effective transfer of an asset can deliver improved community capacity enhancing community resilience and independence.

3.5 Adopting a Preventative Approach

The transfer of asset ownership can:

- support Community Planning priorities and therefore assist local communities to become more resilient.
- improve opportunities for investment into local communities and community assets, through access to external funding not available to local authorities.

- provide an opportunity for safeguarding local facilities and the delivery of social, economic and environmental benefits at a local level.
- by transferring assets out of the Council, the authorities asset base will be reduced allowing future revenue and capital investment to be focussed on better planned and preventative maintenance of the retained asset base and extending effective asset life.

3.6 Involving Communities and Other Stakeholders

Communities and Wellbeing (Regeneration) and Corporate Resources (Economic Development, Estates, Property and Facilities) have been consulted in the development of the proposed policy. Advice has also been sought from the Development Trust Association as to best practice in relation to CAT. A key element in the evaluation of any proposed transfer will be the need for the requesting NPDVO to evidence community support for the proposal and demonstrate the financial, managerial and administrative community capacity to sustain the operation of the asset and services proposed in the short, medium and longer term.

3.7 Ensuring Equalities

An equalities impact assessment has been undertaken and accompanies this report at Appendix 2.

3.8 Supporting Sustainable Development

Asset transfer can mean that assets which the Council is not able to sustain are transferred to community ownership. Appropriately and effectively undertaken this can bring positive benefits to communities with important community assets being retained, enhanced and developed. This can enhance the built environment, strengthen community cohesiveness and resilience and therefore contribute to sustainable development at a community level. Strategic environmental authorities have raised no concerns about the draft policy.

3.9 IT Issues

None

4. Summary

The Community Asset Transfer policy seeks to support the Council and Community Partners in seeking alternative innovative ways of delivering services within an existing policy framework in a way in which can, in appropriate circumstances, encourage and develop community resilience and bring a wide range of benefits for all. The policy does carry with it challenges, as there is always the potential for failure of NPDVOs resulting in calls from the community for the asset to be transferred back to the Council. Whilst this can be mitigated this is a risk which carries with it potential financial burdens.

5. Recommendation

5.1 Council is recommended:

- to approve the proposed Community Asset Transfer policy as set out in Appendix 1 to this report;

- ii) agree the completed Equalities Impact Assessment at Appendix 2 to this report is adequate; and
- iii) note that to implement the Policy:-
 - a. there is a need to develop a framework methodology for assessment and rigorous financial assessment of asset transfer applications in order to 'score' the application in a transparent and standardised way;
 - b. core data on individual building performance (particularly backlog repairs, and full life cycle costs) will be required by groups and services seeking to assess the financial viability of transfer;
 - c. existing staff resources will need to be reprioritised to assess individual applications and accompanying business plans for their suitability and robustness; and
 - d. that the draft assessment model set out at Annex B of the Policy be developed and adopted by the Council's Corporate Management Team as the means of assessing and scoring the viability of proposals brought forward by NPVDOs.

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