

## Guidance No. 5 – The Basics of Asset Transfer

### FINANCING THE ASSET TRANSFER, SUSTAINABILITY AND FINANCIAL RISKS

#### Financing the Asset Transfer

There are various ways where a community group taking on an asset, can finance their asset transfer initiative before or after asset transfer.

During the negotiation period, funding to pay for professional fees such as Business Planning, surveying, legal and the like are hard to come by. Government grants are not always available for community groups to access at this period, and the majority of groups rely on donations, personal money of trustees, or pro-bono help from various organisations and consultants, to help them get the ball rolling. Some even attempt to do it themselves with a bit of help from national and/or local support organisations.

Currently, there are some sources of funding that community groups can access **during the negotiation period**. The following are the major source.

#### **My Community Rights**

In August 2012, the Government released over £36M funding to support community groups, in taking on an asset or service delivery from public bodies. The programme will be running for 3 years. Groups can apply for up to £10,000 **Pre-feasibility grant**, to build their internal capacity to prepare to take receipt of an asset transfer or, else, a bid to buy land and buildings of community value. Organisations that are successful in delivering their Pre-feasibility project, can also apply for **Feasibility grant** of up to £100,000 to develop investment proposals, and carry out feasibility studies equipping them to take ownership of assets, through discounted transfer or, else, bid to buy land and buildings of community value. <http://mycommunityrights.org.uk>

#### **Pro-bono support from various organisations such as Pro-help**

Pro-help programme of Business in the Community, offers pro-bono support from professionals from various established commercial companies. The programme acts as a broker between the community group and the professionals. For more information: <http://www.bitc.org.uk/east-midlands/what-we-offer/prohelp/lincolnshire>

Also check **Guidance No. 7** for list of organisations that could provide pro-bono support.

## Sources of Funding After Successfully Taking on the Asset

### **My Community Rights**

Capital funding is also available under the My Community Rights programme. See above.

### **Communitybuilders**

This is a rolling programme administered by The Social Investment Business. Capital and revenue funding is available to community enterprises that have operated for at least 12 months, and are looking to build their long term financial viability, and increase their ability to deliver significant social impact in their communities. Communitybuilders is offering capital funding. Communitybuilders is primarily a loan fund, and investments will have a minimum 80% loan element. An interest rate of 5% is charged on the loan. For more info: <http://www.communitybuildersfund.org.uk/>

### **Reaching Communities**

Supports projects that improve or replace existing buildings where a wide range of community activities take place. Reaching Communities funds projects that help people and communities who are most in need. To support this aim, Reaching Communities buildings will only support buildings, or sites, based in the most deprived 'Lower Super Output Areas' in England. For more information: [www.biglotteryfund.org.uk/prog\\_reaching\\_communities](http://www.biglotteryfund.org.uk/prog_reaching_communities)

### **Awards for All**

Awards for All offers small grants and aims to improve local communities and the lives of people most in need. For more info: [www.awardsforall.org.uk/](http://www.awardsforall.org.uk/)

### **Funding Central**

It is a useful online guide to over 4,000 grants, contracts and loans. For more information: [www.fundingcentral.org.uk/](http://www.fundingcentral.org.uk/)

### **Coastal Communities Fund**

This is rolling programme administered by the Big Lottery fund for coastal areas including estuaries only. The programme may also fund capital project. For more info: <http://www.biglotteryfund.org.uk/global-content/programmes/uk-wide/coastal-communities>

### **Community Grants from District Councils**

Some District Councils distribute a small amount of community grants, and this could be used for small capital projects. Check your District Council's website for more information.

Note:

Please check the criteria of the funding source for the eligibility of your project, before applying. A lot of funders can give advice on whether the project

activity or item for which you are applying for funding, can be funded by them. This will save you time in completing cumbersome grant application forms.

### **Utilising the Asset to Develop the Sustainability of the Asset Transfer Initiative**

Community groups taking on an asset, whether it is land, or building, use the asset not just as a vehicle to deliver their social objectives to the community, but also as a means of generating their own income for their sustainability. This activity is called social enterprise.

It is ethical to charge users for the service that they receive, otherwise the community group cannot pay the bills associated in delivering the service, including the running and maintenance of the asset. Some community groups have difficulty with this approach. This is the reason why people with business acumen are important to have within the management committee, to ensure that the asset transfer project is run as a business as well as a charity.

The most common enterprising activities relating to asset management are:

- Hire of rooms for meetings, conferences, activities, etc.
- Lettings of office units to start-ups and other voluntary and community groups.
- Use of the facility to deliver activities gained relating to public service contracts e.g. nursery and day care provision.
- Use of the facility to run a social enterprise business e.g. recycling
- Café
- Bar
- Restaurant and/or catering facilities
- Allotment programme
- Sport facilities (indoor and outdoor)
- Outdoor activities (for open space)

Before an organisation can start negotiating for the asset transfer from their Local Authority, they need to undertake a feasibility study to determine the feasibility of the enterprising activity/ies that are going to be delivered using the asset.

The income that the community group can generate from its enterprising activities, and other funding sources, need to be compared with the expenditure associated with running the whole organisation and its project(s), as well as the maintenance of the asset, in order to determine the viability of the asset transfer. It is advisable for community groups to set aside at least 20% of their surplus (depending on size and nature of asset) to a sinking fund. This fund would be for the on-going maintenance of the asset. This also needs to be factored in the yearly cash flow forecast when doing the business plan for the project.

## Financial Risks Associated with Owning and Managing an Asset

Barry Quirk, Lewisham Council's Chief Executive, quoted in his report, Making Assets Work (2007) ***“there are risks involve in owning and managing an asset but these risks can be mitigated”***.

One of the risks identified by Quirk in his report is the danger of transferred property becoming a liability, and no asset at all. This could be because the cost of running and maintaining the asset is greater than the income of the organisation.

The report also suggested, “the need for investment at all points of the community management and ownership spectrum is immense. Neither government nor any other single source of funding can meet the need – **a plurality of sources is essential**. This is particularly the case at a time when there are significant financial constraints on the public purse”.

The following are compilations of other (s) quotes from various asset transfer publicity, regarding the financial risks involve in owning and managing an asset.

*“Assets gradually becoming unworkable because of excessive refurbishment or renovation costs (Aiken et al, 2008);*

*“A lack of concentration on supporting mechanisms, including funding to extend and improve the pool of expert advisers as well as to provide organisational and individual development in this field.” (Aiken et al, 2008);*

*“Community groups having more control over their buildings is neither cost nor risk free and that ownership of buildings is also not necessarily a guarantee of sustainability” (DCLG, 2006).*

*“The tendency for public bodies to impose rules on community organisations to repay profits from revenue schemes, meaning they could not use assets to raise money for further loans. Others warn that assets may be liabilities or ‘crumbling wrecks’” (Cater, 2007).*

### Reference:

Aitken et al (2008) Community ownership and management of assets. London: JRF

Cater, N. (2007) ‘What’s the deal on community assets?’ Third Sector, July, p. 13

DCLG (2006) *Community Assets: The Benefits and Costs of Community Management and Ownership*. London: DCLG

Quirk (2007) *Making Assets Work: the community management and ownership of public assets*: Cabinet Office