Community assets: emerging learning, challenges and questions

Round-up
Reviewing the evidence

September 2011

The current political and economic climate means there may never be a better opportunity for community organisations to buy or manage assets such as buildings, parks and wind farms for local benefit. But can they make the most of this opportunity while surviving spending cuts, political pressures and commercial competition?

This paper:

- summarises the learning from six events on community assets
- draws on nine research papers and briefing documents published in 2010 and 2011
- explores the opportunities, challenges and questions arising for community organisations, funders, policy-makers and government

Key points

- Despite the loss of public funding and a gloomy economic outlook, there is an unprecedented opportunity for community organisations to own and manage local assets. Difficult circumstances could herald a renaissance of mutual and social enterprise approaches.
- This new wave of interest in community ownership has to be seen in the context of a long history and heritage of mutualism, and a rich diversity of community organisations and civil society. No single solution or set of solutions is likely to be appropriate everywhere.
- Many challenges must be overcome. Funding is scarce; assets can become liabilities; communities need time and support to develop their plans, and future success cannot be guaranteed. While government is encouraging community ownership, state support that could facilitate such ownership is under pressure.
- Key messages for government include the importance of timely and adequate support, the need to value public benefits when negotiating sales, and the need to consider the wider costs of letting assets lie neglected.
- For community organisations the central messages are to be self-aware, prepared, sufficiently skilled to manage projects and buildings, sure of local support, and ready for a long-term commitment.
- There is a danger that localist and entrepreneurial approaches will deepen divides between the poor and the not-so-poor. Capacity, skills and funding are not available equally.
- Government and community organisations need to find ways of mitigating and reducing these inequalities without snuffing out entrepreneurial energy among the pioneers of community assets. This will require new forms of partnership, facilitation, mutual aid and sharing learning.

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The series in soundbites

Seminar 1. Community and mutual ownership: what is its relevance for society today?
'History tells us that those in power have not protected the interests of co-ops and mutuals. We cannot take the ability of the community sector to thrive for granted.'
- Stephen Thake, adviser to JRF

Seminar 2: Community right to buy and right to bid
'People aren't just thwarted at the gates of the town hall – they are thwarted by a lack of capacity, lack of support and lack of funding.'
- Ben Cairns, IVAR

Seminar 3: Community resilience to climate change
'They may start very small with one solar heating panel, but whenever people start they want more. We see it as a step towards creating confident, resilient communities.'
- Nicholas Gubbins, chief executive, Community Energy Scotland

Seminar 4: Community infrastructure in new residential developments
'Community organisations are grappling with big society, localism and a host of new rights at a time when the full extent of reductions in public expenditure is revealing an ever bleaker context. Many are questioning whether the new rights will be meaningful.'
- Marilyn Taylor, consultant

Seminar 5: Finance and business models for community asset ownership
'Companies grow and thrive or decline and meet their demise because of the people involved. People invest in you, not in a spreadsheet.'
- Todd Hannula, co-founder and CEO, Shine

Seminar 6: The future for community assets
'Not everything is going to go private. But neither can we believe in a utopia where everything is going to be transferred. In a very British way we're going to muddle through. Some things will be saved and some things will go into private ownership.'
- Lord Wei, former Government adviser on Big Society

The community assets series in numbers

1%: contribution of co-operatives to UK GDP, compared with up to 15% in late nineteenth century. Housing co-ops are only 0.6% of UK housing supply.

3: number of second-hand wind turbines bought to enable the Isle of Gigha to generate its own energy.

6: number of parliamentary bills needed to provide a community right to buy in Scotland.

9: number of successful community right-to-buy purchases in Scotland by September 2010.

800: number of community energy projects in Scotland.

1,000: number of asset transfers supported by the Asset Transfer Unit.

£40,000: cost in interest and charges of a £150,000 loan for Caterham Barracks Community Trust. The trust has debts of £2m and servicing them may require the sale of assets.

£100,000: Amount invested at risk by Greater London Enterprise Board in late 1970s to get Coin Street Community Builders up and running.

£400m: portfolio managed by The Social Investment Business.

£520m: value of community assets owned by development trusts in 2010.

£3.1bn: total value of England's 10,000 village halls, nearly half of which make a surplus.

A new era

This round-up summarises learning from the Joseph Rowntree Foundation's events and research on community assets. Six seminars were held between July 2010 and June 2011, with nine accompanying reports or briefing papers.

During that period, community organisations, academics and policy watchers were coming to terms with a new agenda: on the one hand, Coalition Government ministers spoke of empowering communities and the voluntary sector through the 'Big Society', while on the other, public and voluntary services faced spending cuts unparalleled in a generation.

The shrinking of the state decreed by the Coalition's approach to the national deficit is generating an unprecedented glut of public land and buildings for sale – with encouragement from government to find new community uses for these assets. Could this be a way to weld together public spending cuts and the creation of a Big Society?

If some in government think so, few in community organisations take such an opportunist view. One reason lies in the heritage of community asset ownership. The first seminar in the series, and the accompanying report, *Community and mutual ownership: a historical overview*, showed how this history had often emerged in opposition to actions by government and business.

The report sets this history within five phases of community and mutual ownership, all characterised by tensions and struggles. These stretch from early tribal conflicts and the Peasants' Revolt in 1381, to protests against enclosures in the sixteenth and seventeenth centuries, the rise of the co-operative movement in the nineteenth century, the postwar welfare settlement and the advent of state provision as a kind of universal mutualism.

Together these have given rise to five approaches to community ownership, all of which still exist. These are common and customary (like the ancient commons); community ownership (in the narrower sense of intentional communities or concepts such as garden cities); co-operative and mutual ownership; charitable approaches; and state and municipal ownership.

Understanding this heritage is important in assessing the opportunities and risks posed by current policies. Community organisations have often arisen in resistance to powerful interests, and it was significant that Stephen Thake, adviser to the community assets programme, called at the opening seminar for a 'bill of rights' to protect them.

While some organisations find the current advocacy of community asset ownership as an alternative to state provision difficult to square with their mission and philosophy, others find it hard to fit with their capacity. Many lack financial or technical expertise, or have only recently emerged in response to a local need. Owning assets they cannot manage or borrowing money they cannot repay may be the worst of all worlds.

The final report of the series – *Community organisations controlling assets: a better understanding* – underlines this point: all community organisations are not equal and do not necessarily share the same world view, needs or capabilities. Community assets are not a magic potion to be applied indiscriminately, but a complex matrix of opportunities and risks to be weighed up in the light of an organisation's aims and abilities.

And there is an important wider context. Just as the co-operative movement had its origins in the struggles of local communities against poverty and exploitation, so the development of community assets today reflects the struggles associated with deindustrialisation and the emergence of a global economy in which the influence of local people is constantly threatened.

Land of opportunity?

While community assets are not the only way to create a culture of local self-help, they are providing a wealth of opportunities. From the 'dancing ladies' of Gigha (wind turbines providing renewable energy) to a former bank in Neilston, from the former town hall in Hebden Bridge to the Shine centre in Harehills, Leeds, assets that the public sector would not or could not use, or that the private sector had abandoned, are now offering facilities and income for local communities.

The list of assets being put to community use is already long and diverse, from woodlands and farms to libraries and parks, from allotments and growing schemes to energy installations.

But it has taken many years to get to this stage. In Scotland, legislation providing a community right to buy was implemented in 2004, following an initial consultation in 1998. Yet between 2004 and September 2010, according to a briefing paper by Heather Holmes, head of community assets at the Scottish Government, only nine successful purchases had been made under the legislation, even though 72 community organisations had submitted 124 applications in total to register a 'community interest' in land.

Asset ownership and development is generally concentrated within place-based organisations rather than among communities of interest (such as asylum seekers or victims of discrimination). It is also more likely – though not exclusively – to be found in organisations with a long history. Coin Street Community Builders, one of the most feted development trusts, has been going since 1977.

The seminars showcased three types of assets commonly acquired or developed: buildings, land and energy. They also highlighted a distinction between assets acquired because they would otherwise fall into neglect or disuse (such as Hebden Bridge Town Hall) and those developed intentionally to provide revenue for the local community (such as the Arc play area developed by Caterham Barracks Community Trust).

Of course the kinds of organisations that own or develop assets may be more significant than the types of assets themselves. The final report of the community assets programme, produced by the Institute for Voluntary Action Research (IVAR), categorises them as stewards, community developers and entrepreneurs.

Stewards tend to be small organisations, mainly run by volunteers. They often own just one asset, such as a community hall, which may have been a legacy or gift. Their role tends to be to look after and manage the asset rather than use it as a base for expansion.

Community developers tend to be medium-sized, often with several assets, and usually involved in delivering local services. They generally have paid staff, and acquire assets intentionally.

Entrepreneurs tend to be larger, expanding organisations for whom assets are developed and built for a mix of social and commercial purposes. While still community-based, they see asset management and development as part of a business model.

Challenges and obstacles

While there are opportunities and enthusiasm for community asset ownership, there are also substantial obstacles. The biggest, inevitably, is financial. Many of the most mature community organisations acquired their first land or buildings at low or no cost; doing so at open market value, even in a depressed market, is a very different matter.

Even in straitened times, there are some resources available. The Big Lottery Fund has its £200m Big Local Trust; the Community First programme will provide a £50m fund that could be used for local meeting places and facilities.

But the experience of Shine in Harehills, recounted at the fifth seminar, illustrates the fine line between a community asset and a liability. Transforming a Victorian school into a hub for the local community, with office space and meeting rooms, was a costly business and, even with £2.3m in grants from European funds and the Local Enterprise Growth Initiative, required substantial personal risks on the part of Shine's founders.

Shine faced a range of unexpected setbacks, from the discovery of dry rot which added £1m to the works bill, to the failure of aspects of its business plan. With revenue from commercial activities missing targets, Shine had to focus on financial survival before thinking about fulfilling its social mission.

Shine is not alone. Caterham Barracks Community Trust in Surrey was hit hard by the recession and in early 2010 was considering selling one of its buildings to service its debts. This was despite canny planning that ensured the Trust benefited from rising land values and could reinvest in local facilities. Trust chief executive Dick Moran voiced a common complaint when he said that the greater a community organisation's challenges, the less helpful the banks tended to be.

Such experiences illustrate why even social lenders such as the Social Investment Business place a premium on local capacity – financial planning skills, understanding balance sheets and cashflow, knowing the market and exercising strong and accountable governance. For many small or emerging organisations, such requirements could make the difference between pursuing an idea and giving up, unless help is available.

This is why time emerged as a key challenge throughout the seminar series. An organisation that can work with funders and lenders over an extended period to develop its capacity, fine-tune its business plan and respond to challenges has a far greater chance of survival and success than one that must cobble together a strategy in response to an event, such as the closure of a town hall or library.

Again, it was noticeable that the largest and most entrepreneurial organisations have taken decades to develop. The idea that many organisations could take advantage of a six-month moratorium on the sale of an asset in order to exercise the 'community right to buy' within the Localism Bill met with widespread scepticism.

This appeared to be borne out by the finding of Calum Macleod and Tim Braunholtz-Speight, in a briefing produced for the second seminar, that a significant proportion of the right-to-buy purchases in Scotland had involved the use of a provision in legislation for a 'late' submission of plans.

They report: '"Late" registrations to use the community right to buy are seen as a key "emergency" tool by community groups and the majority of successful purchases using the legislation to date have been "late". The research also confirms that the community right to buy's complex and resource-intensive administrative requirements, together with a lack of available funding to support community purchases of land, are viewed as significant barriers to greater use of the provisions.'

As well as time, technical support is essential. This was another vital lesson from the Scottish experience and one many seminar participants felt had not been given enough weight by the UK Government in its plans for new community rights. Alongside such support must sit a flexible attitude. Support from both government and financial institutions needs to reflect the likelihood that business plans will need to change over time. Asset owners may need help to meet these challenges.

Messages to government

Three key messages to government emerged from the seminars. The first, a constant theme in the accompanying research and briefing papers, is the importance of support. Andrew Stunell, junior minister at the Department of Communities and Local Government, suggested at the final seminar that this message was already hitting home.

As he put it: 'Isn't it good to have a government minister noticing it's there and assenting to the practical aspects of the research?' Such recognition, however, falls short of Stephen Thake's call at both the first and the final seminars for special protection for community organisations.

A second message, more nuanced and less high profile, was the need to think differently about value. While there was much discussion of the values of the community sector, there was less focus on how that translated into social and economic value and how this could be used to offset the cash values of land and property assets being transferred.

Marilyn Taylor, the consultant who introduced the fourth seminar, which focused on community infrastructure in new housing developments, raised the issue with her observation that land in the UK was generally overpriced. In a briefing paper she expanded on this point, observing that elsewhere in Europe land is available at prices that allow higher quality developments, while in the UK there is a tendency to try to finance community infrastructure through section 106 'planning gain' payments. In the final seminar former government adviser Lord Wei advocated reforming commissioning processes to focus on social value – although he commented: 'it remains to be seen whether it will influence the Treasury view on public accounting.'

The third message, which was particularly stressed at the fifth seminar, is that doing nothing also has a cost. If a building is not revitalised for community use, it won't necessarily be taken over by a private company: it might simply be neglected, blighting the surrounding area.

Hugh Rolo, director of innovation at Locality, stressed that community assets should be judged not just on the economic activity they generate but also on the blight they prevent. Manningham in Bradford, he argued, would not have improved if regional development agency Yorkshire Forward had not taken the risk of spending public money on the refurbishment of Manningham Mills. Shine may have been financially precarious on many occasions but it brought activity into the area that might have gone to Leeds city centre otherwise.

Messages to practitioners

As important as the warnings to government, if not more so, were the messages for community-based organisations from the seminar series.

Most significant of these was that just as policy-makers need to be aware of the richness and diversity of community organisations and their heritage, so too should organisations themselves. Self-awareness can help a community group decide where it sits among the typologies of organisations set out in the final IVAR report, and act accordingly. Asset ownership and management is not right for every group, and even where it is right a diversity of approaches will be needed.

Second, and most obviously, organisations should be prepared. They need to know what they are doing, have the right skills in terms of financial management and governance, have a clear vision and business plan, and know where to go for help. This takes time and energy, although it may be less intensive for 'steward' organisations managing legacy assets than for those acquiring and developing new ones.

Third is the importance of accountability and public support. It is relatively rare that a community organisation represents the entire community – organisations such as the Isle of Gigha Community Trust which not only owns and manages the island's housing, but is also the utility provider and economic development agency, are exceptions.

Publicity and campaigning are vital, as Neilston Development Trust found when trying to take over the Scottish town's last remaining bank for community use. Despite wide public support, the Trust only just reached the threshold of votes required to force an asset transfer – 28 per cent of the adult population turned out, with 97 per

cent voting in favour of the buyout. Since the legislation required a minimum support of 26 per cent of eligible voters, the purchase went ahead by a margin of just eight votes.

Fourth is the need to bargain and negotiate. As one of the interviewees for the IVAR research put it, 'Always look a gift horse in the mouth'. The generous gesture of a local council in parting with a landmark building for community use may prove to be a poisoned chalice.

Fifth is to realise that running community assets is a long-term business. Whether it's a case of developing local energy resources or building and managing homes via housing co-ops or community land trusts, the real value lies in the long-term benefit to the community. So it is important not to be swayed by short-term policy considerations or driven by the funding available.

This long-term business needs long-term finance. In a briefing paper for the fifth seminar, Tim Thorlby of consultants SQW warns that 'the short- to medium-term prospects for the community ownership and management of assets in the UK currently look decidedly mixed', with the withdrawal of public funding and difficult trading conditions in the wider economy. To bridge that gap, he suggests, opportunities to improve the flow of finance should be explored. These include developing enterprising models of asset management; building the market for social investment; using public sector commissioning to support asset development; and encouraging philanthropic investment.

Finally, there was a strong message about the importance of celebrating success. Most organisations owning assets for their communities have worked long and hard to attain their current achievements and have a right to be proud of what they have done. Alongside that goes the importance of retaining and sharing learning. As Marilyn Taylor pointed out at the fourth seminar, there is a risk that learning may be lost: 'I hope we're not forgetting the Egan wheel [an eight-point approach to sustainable communities] and all that learning we worked so hard for.'

An unequal localism

By the end of the series there could be no doubt that asset ownership and development offers communities a route to economic and social empowerment and sustainability that, when it works well, can be more powerful than government intervention and more responsible than most private investment.

There were examples of inspiring achievements, innovation and fresh thinking. But many organisations were hanging on in the face of funding cuts, creditors and the removal of public sector support. Others were frustrated that apparently simple ideas continued to encounter bureaucratic obstacles.

A localist policy context – despite new rights enshrined in the Localism Bill – is likely to deepen these divisions, giving more freedom to those who are successful but less support to those at risk. Some models of asset management, such as community pubs and shops, may stand more chance of success in rural villages with a high number of second homes and plenty of retired people than in depressed urban areas. Community share issues might only work in relatively affluent and highly skilled communities where people have money to invest.

It is clear that not all will have prizes. Indeed, some who are already performing vital functions within their localities may not survive. In a setting where finance is becoming harder to find and government strongly believes it should not direct or impose universal solutions, capacity and capital will be the aces to hold. Those who have accumulated assets and resources already will have a cushion; those with entrepreneurial nous or helpful connections will stand a higher chance of success.

This raises the question of what will happen to those without capital or connections, or to areas where locally-based organisations are thin on the ground. Many will struggle to respond to opportunities such as the disposal of local authority land and buildings; they will certainly be disadvantaged in comparison with private businesses. Localist, entrepreneurial approaches are likely to deepen the divides between the poor and the not-so-poor.

Organisations such as the government-funded Asset Transfer Unit, which has assisted in more than 1,000 asset transfers in the last four years, will continue to help and have been widely praised for their work. It is unlikely, though, that it will be able to keep up with the deluge of assets now coming up for disposal or help every community organisation that requests support, unless it too is given extra resources.

The dilemma for government and community organisations is to find ways of mitigating and reducing these inequalities without snuffing out the entrepreneurial spark and energy among those who are ready and able to develop asset-based approaches.

Stephen Thake remarked at the final event that despite a decade of discussion on community asset ownership, there was still no comprehensive national database, no central point of contact in government, and no national forum of community organisations. How to plug these gaps may become the most pressing question for policy-makers and leaders of community organisations. In keeping with the localist mindset, the solutions are likely to involve new forms of partnering, networking and mutual support rather than central direction or funding.

Reports and briefing papers published as part of the JRF community assets programme

These reports are all available on the Joseph Rowntree Foundation website at http://www.jrf.org.uk/events/community-assets-seminar-series

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