BRIEFING PAPER: Assets or Liabilities?

Sustaining community buildings in County Durham

Introduction

Local authorities have been struggling to respond to increasing demand for their services while their resources have continued to decline. Councils in North East England have been under more pressure than most. Over the last few years the recession and the government's austerity measures have exacerbated the region's problems and led to greater demand for public services, while these councils have also had to cope with above-average cuts in the funding support they receive from central government.

Throughout the North East, local authorities have been trying to manage the pressures and lessen the impact by delivering services in different ways. Durham County Council has particularly focused attention on developing a new approach to the provision of community buildings – with the aim of not just reducing the Council's expenditure but also securing the long term sustainability of these buildings and the services they provide.

Here, we examine how the Council has sought to transfer the responsibility for community buildings to local groups. This process of 'asset transfer' has not been simple, nor easy. But in some ways it has not been quite as difficult – or as contentious – as was initially feared. Our discussion draws out some of the lessons to be learnt from this experience – lessons which Durham now intends to use to help restructure, transform and sustain other local services.

Community buildings review and strategy

Durham County Council has responsibility for 120 community buildings, comprising 66 multi-use community centres and 54 small-scale 'communal rooms'. Most of these buildings are in the towns and villages of the former coal-mining areas of the county. Some have always been County Council buildings, while many others were inherited from the former District Councils when the unitary authority was established in 2009. A few are old mining institutes that were originally established by CISWO, the Coal Industry Social Welfare Organisation. Some are old school buildings that were turned into community centres; others were purpose-built. Some centres are very well-used, while others are effectively redundant. Altogether, these buildings have about 700 volunteers and cater for about 21,000 users.

In 2011, the Council undertook a comprehensive review of these buildings, to provide the basis for a strategic approach to their future management—and also help reduce the pressure on the Council's resources in the future. The Council's overarching aim was to create:

***'A network of susTtainable, well placed, highly valued and well used community buildings which are controlled by local people'*.**

The review indicated considerable inconsistency in the operation of these buildings. In particular, they had a variety of lease arrangements. In a few cases, local groups were already fully responsible for upkeep because they were let on 'Full Repairing and Insuring' (FR&I) leases. In most cases, however, external repairs and maintenance were the Council's responsibility, (while local groups—typically a 'Community Association'--had responsibility for internal repairs and maintenance).

It was evident that several buildings were no longer needed and could be formally closed and sold off. Some buildings were very run down, and many were old and had received little investment in recent years. A small number had difficult and expensive problems such as extensive asbestos or roofs that needed to be replaced. By contrast, some were in good condition and had been built or refurbished within the last 20 or 30 years.

The review estimated that, altogether, these community buildings would need capital investment of at least £11.25m over the next ten years to bring them up to reasonable standard. Such a large amount of investment was unlikely to be forthcoming, so it was therefore decided that the way forward would be to commit to some smaller scale investment now, linking that to asset transfer. A capital fund was earmarked, to be spent on improvements to some community buildings and, alongside that, the Council's longer term liability would be curtailed by asset transfer.

It was recognised that because resources were so limited, any investment in the Council's community buildings would need to be targeted. Consequently, the level of usage and the location of each building were considered in the review and a priority list was drawn up. The objective would be to support those which were most needed, especially in places with few other facilities and relatively high levels of deprivation.

The current condition of each building—and therefore the potential costs of refurbishment were also considered in the review. Based on these criteria, the Council ranked the 120 buildings in order of priority. That exercise identified 36 that would be eligible for investment from the new capital fund. A further 38 would be eligible for such investment only if resources became available. It was expected that 16 would close and a further 14 unused centres would have their closure confirmed. (And 16 buildings would not receive this extra investment because they were already let under Full Repairing and Insuring leases)

Under the strategy, the Council allocated a budget of £2.15m for capital investment in the 36 priority buildings. The availability of this one-off capital funding would be dependent on successful asset transfer. Local groups would have to agree to take over full responsibility from the Council for all repairs and maintenance of their building if they were to receive the investment. Most of these buildings rely solely on unpaid volunteers, but some of the larger ones have paid staff, such as a cleaner or caretaker. Following asset transfer, staffing would also be the responsibility of the community organisation.

The other buildings—the lower priority buildings—that were not earmarked for investment, would also be included in the asset transfer process and local groups would be encouraged to take full responsibility for them. In these cases there would not be the inducement of Council capital investment, but they could draw on Council support to access other sources of funding. Those buildings not taken on by local community groups could expect to receive little or no financial support from the Council in the future and could, ultimately, be closed. Local groups would therefore have to think seriously about how they might secure a future for their buildings.

This strategy was developed through a fairly wide-ranging consultation process and was generally recognised as being a realistic, pragmatic and understandable response to a difficult situation. It was appreciated that local groups, usually the existing community associations already running community centres, would need a lot of encouragement and support to take on full responsibility for the maintenance and development of buildings. Most were not geared up to undertaking such a role; they were used to managing a programme of activities, not managing the fabric of their centres. They would need to build their capacity and confidence, and would have to develop longer-term plans.

The key element in the Council's strategy was the setting up of support mechanisms to encourage and facilitate asset transfer. The Council earmarked £600,000, spread over two years, to provide that support. The major element in this support package was a team of officers brought together to work closely with community groups. This 'Community Buildings Support Team' was established for a two year period – recognition that the process would take some time, but also recognition that there had to be a time limit to make it happen. The Team's role would be to help community organisations become strong enough to go through asset transfer and be able to sustain their centres in the future. In addition to the Council's Team, some support was brought in from other external agencies in order to provide a comprehensive service for the community organisations. These external agencies were also able to offer independent advice, and provide a bridge between the Council and community organisations.

The whole strategy – essentially comprising the capital investment fund of £2.15m together with the package of support services – was agreed by the County Council's cabinet in February 2012. At that point, officers and politicians were hoping the process would work – but did not really know in any detail what problems and challenges would have to be faced and resolved.

The process

Following agreement on the strategy, the Council put in place the support package. This comprised:

- The Community Buildings Support Team. A group of seven Council officers, with expertise in areas such as community development, building/quantity surveying, and setting up training for community groups.
- Durham Rural Community Council (now called Durham Community Action). Support for community groups, particularly in relation to help with governance structures and management. Some support also provided by other local voluntary sector infrastructure organisations.
- St Chad's College, Durham University. Two consultants/researchers to help community organisations deal with the asset transfer process and become more economically sustainable.
- SkillsBridge. This regional brokerage organisation organises the provision of pro-bono support from private and public sector organisations to assist the local voluntary and community sector.
- Asset Transfer Unit. Provision of four experienced 'buddies' from other community projects to work with organisations moving towards asset transfer.
- In addition, the Council set aside a fund of up to £180,000 to help local organisations pay for professional advice. This could meet the costs of independent building surveys, for example, and the fees of solicitors engaged to advise on proposed leases.

Early on, it was clear that some community buildings could be transferred in a reasonably straightforward way, and without much further Council involvement or support. These were the 55 'communal rooms' – small scale facilities, often consisting of a house on a Council estate given over to community use. It proved possible to negotiate the transfer of most (39) of these to the existing social housing providers on these estates. Where appropriate, they would continue to be used as community facilities; in other cases they could be converted for use as housing or demolished to enhance the environment for local residents. There was also a group of buildings that already had FR&I leases, and these were given support to become more sustainable.

For all the other community buildings, however, a great deal had to be done to move them towards asset transfer.

From the start, many of these community organisations were strongly opposed to the idea of asset transfer. They did not see why they should take over the maintenance of their community buildings. They felt it was a burden they should not be expected to carry – and they considered that the Council were seeking to walk away from their responsibilities. They were angry that the Council had not maintained their buildings well, and was now offering to invest in them primarily as a way of getting them to sign up to asset transfer.

Several community organisations said it was a misnomer: this was not the transfer of an asset but, rather, transfer of a liability. And there was criticism that the Council were only prepared to offer 30 year leases, albeit it at a peppercorn rent, rather than offer the freehold. Some of the sector's local infrastructure organisations (Councils for Voluntary Service etc) agreed with these community organisations or, at least, were very suspicious of the Council and did not think that asset transfer could work.

At the start of the process, a meeting was held in Durham Town Hall for all the groups running the community buildings in July 2012. The Council's officers explained the strategy and each of the support organisations said what they hoped they could offer. Essentially, the deal was this: organisations would be helped to become stronger; they would be helped to develop a business plan; and they would sign a 30-year 'full repairing and insuring' (FR&I) lease, at peppercorn rent, taking on full responsibility for maintaining their building.

Some, those on the priority list, would be eligible for capital works, to deal with current condition issues and projected requirements for the next five years. However, only 70% of the cost of those works would be met by the Council, with the other 30% borne by the community organisation as demonstration of their capacity and commitment. Community organisations would be helped to apply for funding from charitable trusts, the Lottery and other sources to enable them to meet the 30% contribution and, in some cases, undertake other capital investment to improve their buildings and secure their longer term viability.

In the months that followed, the Council's Community Buildings Support Team and the other support organisations worked closely with the community groups, getting to know about their particular situations and hearing their views. A few were keen to take over their building – they liked the idea of being independent and felt that since the Council had not done a particularly good job of maintaining their buildings; they would be better doing it themselves. They also recognised that there were some important new opportunities. Perhaps above all, freedom from Council control would mean they could bid for resources from the Big Lottery and charitable trusts and foundations—funding not usually available to local authorities. Some were very ambitious and saw this as an opportunity to get funding to demolish and rebuild, or at least undertake major renovation and expansion work.

But most needed a lot of persuasion and moved towards asset transfer very reluctantly, recognising that they had to do this in order to secure the future of their centre because it was, simply, the 'only game in town'. Once the initial opposition had started to die down, there were only a few who said they would not even consider asset transfer—but quite a number hoped they would not have to do it.

The Council wanted to be as sure as possible that the community organisations had the governance arrangements, the capacity and skills to take over full responsibility for their centres. It soon became clear that many were not strong enough. In relation to governance, most were unincorporated, so that their management committees could be left open to claims of liability. A few were not even registered charities. Some management committees had few members or trustees, and really needed 'new blood', fresh ideas and new energy. Indeed, in some places, existing groups recognised they would not be strong enough and new committees had to be convened or new organisations formed to take things forward.

To tackle some of these issues, the Community Buildings Support Team ran a series of training sessions on a wide range of topics. These sessions covered matters such as health and safety, energy efficiency, management skills, market research, safeguarding children, and applying for funding. Both the Council officers and the other support organisations also provided a considerable amount of one-to-one help with governance and business planning. Unincorporated community organisations were taken through the process of becoming Charitable Incorporated Organisations, the recently introduced legal form of charitable incorporation that provides some of the benefits of being a company but without the burdens.

All organisations that said they would engage with asset transfer had to prepare a Business Plan. The Council's format for that was comprehensive, requiring organisations to look at their 'market', do a SWOT analysis, present a clear and practical vision for the future, and show how their centre served the community. They also had to include future arrangements for compliance with statutory requirements, policies on a range of issues, and cash flow forecasts for the next five years.

These Business Plans involved a substantial amount of work and often considerable input from the support organisations, including SkillsBridge and the University. Several of the community organisations were also able to draw on additional help from consultants funded through the government's COMA (Community

Ownership and Management of Assets) grants programme managed by Locality, the national network of community organisations. These grants were available to meet the costs of feasibility studies linked to asset transfer.

Each community organisation put forward their Expression of Interest in asset transfer. That Expression of Interest was submitted to a Council panel, together with a report summarising their Business Plan and the key features of each centre and the community organisation interested in taking responsibility for it. The panel evaluated each proposal and had to be convinced that it was viable and sustainable before agreeing to the transfer.

For the 36 priority buildings, the Council's capital investment was an important concern--in some cases of crucial importance. The Council's officer assessed each building and listed what needed to be done as part of the investment programme. That list could lead to some debate, with community organisations saying, for example, that a new boiler would be needed in the next few years, while the Council considered that the existing one would serve current requirements.

There were differences of opinion in relation to other issues as well. For example, some organisations were unhappy that the Council was insisting that capital works would have to be done by their in-house workforce – and also that 30% of the cost would need to be met by the community organisation. The Council said that they wanted their own workforce to do these works in order to ensure that they would be done to a good standard, while the community organisations felt the Council's in-house contractors were too expensive, not good value for money. In some cases, these arguments carried on for months.

Gradually, organisations moved towards asset transfer and agreement on a 30-year lease. The leases themselves sparked further challenges; some organisations said that they were too restrictive and too prescriptive. To help the organisations, the Council agreed to meet legal costs of up to £800 so they could obtain independent advice.

The Council had hoped that the process would have been largely completed, with a few exceptions, after two years. In fact, it has taken longer and the programme had to be extended for a further year, until the end of March 2015.

At the end of March 2015, 96 of the 120 buildings were still in community use – a considerable achievement, and a much larger number that many had expected. Eight buildings were being redeveloped by housing providers and 16 had been declared surplus to requirements, to be leased, sold or demolished.

Of the 96 still in community use, some 39 buildings had achieved or were working towards asset transfer to local groups. The rest had mostly been transferred to housing providers or were already on FR&I or CISWO leases. Only a few (seven buildings) remain to be asset transferred later; these have complex issues such as structural problems which will take longer to resolve.

The Council considers that the programme has been successful in sustaining the provision of community buildings and has helped to make those buildings more attractive, better used and better managed The programme has also delivered significant savings: the Council's annual revenue cost savings are estimated to amount to approximately £800,000, while potential future capital costs have been reduced by an estimated £8m.

Lessons

The asset transfer policy has not simply been about the Council off-loading responsibility for community buildings in order to save money. Without doubt, money has been a major factor. But both the policy and the process have clearly been about more than just saving money.

Asset transfer was not an entirely new departure for Durham County Council. A small number of leisure centres had previously been transferred to local groups. The transfer of community buildings, however, was on a much larger scale and involved greater political risk. There was a risk that it might generate difficulties for many elected members across the County; it therefore took some political courage to agree this policy. Moreover, it represented a departure from a well-established culture of direct local authority provision and a move towards a rather different culture where communities are being asked to do more for themselves.

While saving money was certainly an important motive, the Council's stated policy aim was much broader (and more laudable) than that. To reiterate: it was to create 'a network of sustainable, well placed, highly valued and well used community buildings which are controlled by local people'. That aim has really driven the asset transfer process. Local groups have been given support to develop their governance arrangements, consider options for their buildings, look at local needs and opportunities, and access new sources of funding. The overall intention has been to ensure that these centres serve their communities as well as they can, for the foreseeable future.

The process has built up a great deal of experience, with a considerable amount of learning for all those involved. Some of the key lessons are:

1. ***The asset transfer process is, above all, about people and relationships – and trust.***

   At the start, many of the community organisations were hostile and felt unable to trust the Council. Some of that remains, but is much reduced. That is largely because the members of the Community Buildings Support Team and those from the other support organisations listened, empathised and built relationships with the community groups. It became clear that both 'sides' had to make concessions and co-operate. The Council had to recognise that the community groups comprised volunteers who could easily be overwhelmed by the demands of asset transfer. Moreover, the Council had to appreciate that volunteers have other commitments, other calls on their time and energies.

2. ***Support for the community groups is valuable and necessary – but it can be difficult to know what is needed.***

   The Council's initial thinking was that the groups needed training to help build their skills and capacity. And they did. But most training events were not well-attended. As it turned out, the management groups of these organisations often preferred one-to-one support when the time was right for them, rather than a structured programme of training sessions. The 'buddy' idea did not work particularly well because it was too early in the process. And it soon became apparent that the University's role, initially concerned with promoting social enterprise, had to change. Instead, the University consultants acted as 'honest brokers' and 'go-betweens', developing dialogue and building trust between the Council and the community groups. It was also clear that mutual support was important: people from different centres found it helpful to exchange experiences with others going through the same process. In fact, one of the benefits of the training sessions was that they provided an opportunity for people to learn informally from each other. They could forge new contacts; such 'peer support' proved very valuable.

   Looking to the future, these community organisations will continue to need some support from the Council and others to build up income and develop their services. A key element of that is expected to be the formation of a county-wide consortium of community buildings to provide mutual support. It is intended that the voluntary sector itself will establish and sustain such a consortium.

3. ***Everything takes longer than expected.***

   The Council had hoped for some 'quick wins' early on which would have been useful in encouraging others. That did not happen. The process was drawn out for various reasons. In some cases, community groups kept up their opposition, refused to accept that they really had to engage with it, and some played for time in the hope that it would go away. Understandably, arguments about what capital works needed to be done, who should do them, and who should pay for them, took a lot of negotiation to resolve. Similarly, arguments over details of leases could be very time-consuming. In addition, some buildings had issues that might not have been anticipated and had not been fully revealed by the Council's initial surveys. In some cases, for example, asbestos has been particularly problematic. In others, the presence of bats has caused difficulties.

4. ***The Council has to be flexible.***

   After a year or so, it sometimes felt as if the asset transfer programme was in danger of becoming bogged down by disputes about details – albeit important details. It therefore became necessary for the Council to be more flexible. One example was allowing organisations scope to sub-let parts of their premises, a matter that worried the Council's legal department but is consistent with centres becoming enterprising, less reliant on grants and more concerned with securing earned income. Another example was concern about problems that might arise soon after asset transfer, such as the need to replace a heating boiler. To make some provision towards this, when the Council's cabinet reviewed the programme in 2013, they decided to earmark £200,000 as a fund for emergency repairs or maintenance in the aftermath of asset transfer, until organisations had built up funds themselves. In developing a flexible response, it was helpful that senior officers were able to make some pragmatic decisions on day-to-day issues, and that the Cabinet reviewed the process and recognised barriers to progress.

Conclusion

The asset transfer of community buildings has largely been achieved because Durham County Council and local community groups have worked together. At times it has been a fraught process, but that is hardly surprising. Taking time and building trust have been the essential components of the process and, in the end, asset transfer should ensure that communities will continue to benefit from these buildings and the services they provide.

Are community organisations receiving an asset or, effectively, taking on a liability? At present, the indications are that many of the community organisations are now in better shape than they were, are making progress in accessing new sources of funding, and are doing more to serve their communities. It remains to be seen, however, how well they will do in the longer term and whether they will be able to generate sufficient income to maintain and upgrade their buildings.

Much will depend on the wider social and economic context. It can be argued that community centres in small former mining villages are likely to struggle to attract more activity because their catchments are limited, and, more generally, because this form of provision is unattractive and is often regarded as old-fashioned. On the other hand, with the closure of pubs and Workingmen's Clubs, churches and chapels, and also local libraries and shops, the community centre may be a key remaining local asset. That presents opportunities for community centres, since they might accommodate some of those activities: hosting post office services, for example, or the library. The challenge is to find new uses and activities, so ensuring that these centres serve as local community hubs--and are also economically sustainable as successful social enterprises. Ultimately, these centres can only survive if people use them.

Building on the experience of this asset transfer programme, Durham County Council is now developing a further initiative to change the way some public services are delivered in the County. This initiative, called the Durham Ask, is inviting local organisations to express an interest in running community services which may include, for example, libraries, youth clubs and the maintenance of public spaces. The intention is to help secure and sustain services under pressure from budget cuts, drawing on local commitment and volunteers. The Durham Ask will get fully underway during 2015.

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