

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 16 JUNE 2015**

REPORT BY: **CHIEF OFFICER (ORGANISATIONAL CHANGE)**

SUBJECT: **COMMUNITY ASSET TRANSFERS AND CAPITAL
SUPPORT FUNDING**

1.00 PURPOSE OF REPORT

1.01 To update Cabinet on progress in relation to Community Asset Transfers and to seek agreement for the mechanism and thresholds for providing funding support to organisations to assist in their delivery of Community Asset Transfers.

2.00 BACKGROUND

2.01 Flintshire County Council's (FCC) initial approach to Community Asset Transfer (CAT) was set out in its original policy approved in September 2012. This underwent a major refresh and re-launch in November 2014.

2.02 Under the Local Government Act 1972 General Disposal Consent, Local Authorities have discretion to dispose of surplus property at less than best consideration subject to Member approval (provided that the difference between the prices is less than £2million). This allows for the consideration of bids from Community and Voluntary Groups for Council owned property.

2.03 The public assets owned by Flintshire County Council are one of its major strengths. However, the council must balance the requirement to dispose of surplus or underutilised assets to provide funding for its' capital programme with the need to regenerate local communities and encourage social enterprise through the alternative use of its buildings and land assets.

Asset categories that are appropriate for the Community Asset Transfer include:-

- Community centres
- Youth centres
- Children's play areas
- Visitors / tourist attractions
- Public toilets
- Street lighting

- Former civic buildings
- Former schools

2.04 The County Council recognises, however, that community ownership can play a part in enhancing the local environment and providing opportunities for all sectors of the community. The Council has land and buildings that are used for a variety of community and public purposes. Benefits can include:

- Buildings used more frequently and effectively;
- Extra funding opportunities;
- Local decision making;

2.05 Community Asset Transfers can also help to promote public value through:

- Community empowerment;
- Encouraging a sustainable voluntary and community sector;
- Encouraging social enterprise;
- Delivery of corporate priorities;
- Value for money;

2.06 As noted above the process has been significantly overhauled and simplified and has three stages, Expression of Interest (EOI), Business Model and Legal completion.

2.07 Since the launch of the refreshed CAT process a number of meetings have been undertaken with Town and Community Councils and other interested groups to explain the three stage process. As of the end of May 2015 the following EOIs have been processed:-

Number of assets on the CAT list = 403
 Number of enquiries = 255
 Expressions of Interest received = 65
 Moving through to stage 2 panel = 5

2.08 Panels for EOI are held on a monthly basis with second stage panels generally being held at three monthly intervals, the next one being scheduled for the 9th June 2015.

2.09 In relation play areas a report was taken to Cabinet on the 19th May 2015, the position specifically relating to CATs was set out within the report as follows:-

2.10 Where a Community Asset Transfer (CAT) of a play area is agreed the local authority proposes to make a 'one off' revenue payment of up to £5,000 per play area transferred with a maximum of £10,000 per Community per year. This funding can be used to either

enhance these play facilities or be put aside to support future replacements costs. For 2015/16 any balance of the 'Play Area Match Funding Scheme' of £105,000 p.a. (revenue) will be available for CAT. For 2016/17 the full fund will be available for CAT and will be called the 'Play Area Community Grant Scheme'.

3.00 CONSIDERATIONS

3.01.1 Capital Implications

The intention is to transfer assets on a 27 year lease to the local community with the County Council retaining the freehold interest in the asset. Responsibility for all costs i.e., revenue, running costs, repair and maintenance and any capital costs will pass over to the community group. The asset will be transferred at a peppercorn rent, usually £1.00.

In accounting for such leases, the lease terms are assessed according to a standard set of criteria and categorised as either operating or finance leases. An asset let as an operating lease would remain on the balance sheet of the owner of that asset, finance leases would not. Typically a lease which substantially transfers the risk and reward associated with ownership of an asset from the lessor to the lessee would be a finance lease, and the lessee would make lease payments over the life of the asset which would accumulate to a high percentage of the value of the asset. The intended leases to be used in the CAT programme have characteristics of both finance and operating leases, therefore at present it is not possible to determine if the assets will remain on the Council balance sheet during the lease or not.

3.01.2 Capital Programme

Discussions and information sharing between community groups and officers to date have included current condition surveys of the buildings, asbestos information, building plans and running costs. The intention, as part of the transfer process, is to provide groups with one off capital funding (within defined thresholds) to support the undertaking of work they may wish to carry out on the building, it may also be possible for such groups to use this funding to match other grants the group may be able to lever in and which the Council would not be in a position to access. The intention is to use capital receipts to support this 'pump priming' initiative with approximately £500,000 needed in each of the 2015/16 and 2016/17 financial years.

3.01.3 Should the assets be leased out on finance leases, the assets will not be on the Council's balance sheet and the funding given to the community group would not normally qualify for inclusion in the capital programme under proper practices (outlined below).

However special arrangements exist in local government for the secretary of state to extend the definition of capital expenditure to recognise that some of the expenditure incurred by an authority has a wider, lasting public benefit than is reflected in the accounting rules for non-current assets. The local government act 2003 extends the definition of capital expenditure to include; the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure.

- 3.01.4 Should the assets be leased out on operating leases, the assets will be on the Council's balance sheet and the funding given to the community group to qualify for inclusion in the capital programme it must meet the criteria for capitalisation under proper practices (outlined below). Therefore provided the expenditure meets the criteria for capitalisation under proper practices as outlined below it can be included in the capital programme regardless of the type of lease.
- 3.01.5 Capitalisation under proper practices can take place if the following elements are met:
- Item has a physical substance (or can be included as it meets the definition of an intangible asset)
 - Item is held for; the provision of goods or services, rental to others, or administrative purposes
 - Item must be of use for more than a year
- 3.01.6 Guidelines for capitalisation of expenditure are easily followed when the expenditure is to acquire or create new assets, the difficulty arises when assessing if subsequent expenditure on the asset can be capitalised.
- 3.01.7 Expenditure that does not add to the future economic benefits or service potential of an asset is not capital. Such expenditure merely maintains the asset's potential to deliver future economic benefits or service potential that it was expected to provide when it was originally acquired. Routine repair and maintenance expenditure is not capital.
- 3.01.8 Expenditure that extends the useful life, increases the level of performance, or value an asset can be capitalised.

Illustrative examples:-

- Window replacement. Repair of broken / worn out windows is revenue expenditure. Upgrading a whole buildings windows to make the building more energy efficient and extend its life could be capital.
- Building refurbishment. Works to reverse the decline in an assets useful life or suspend it could also be considered as

capital.

- 3.01.9 The Council's accounting policy includes a de-minims concept (similar to all other Councils) that expenditure under £20,000 will not be capitalised.
- 3.01.10 It is recommended that when assets are transferring to community groups under CAT with funding, the funding must be more than £20,000 and is given in the form of a capital grant with strict limitations or conditions placed on its use to ensure the Council complies with capital accounting regulations.
- 3.01.11 The funding, if provided through the capital programme, cannot be 27 years of revenue repair and maintenance expenditure paid up front in a lump sum.

3.02 Revenue Implications

- 3.02.1 The overall intention as stated above is to create increased community ownership and responsibility for the assets within its location and protects assets in ways which the Council could no longer afford to do, however, such activity has, for the Council at least a positive revenue impact in that it reduces its ongoing maintenance burden for a number of years.

3.03 Support Funding Thresholds

- 3.03.1 Considering the type, size and complex nature of some of the assets which are currently forming part of the Councils CAT approach it is suggested that the following financial thresholds are applied:-

Asset Type	Funding allocation per asset type
Sports Pavilions (bowling clubs, cricket clubs etc)	Up to a maximum of £20,000
Community and Youth Centres	Up to a maximum of £50,000
Leisure Centres, Libraries and other complex assets	Subject to negotiation and on a case by case basis

3.04 Existing Leases and Joint Interest

- 3.04.1 In progressing a CAT the Council would encourage organisations to work together to develop one business model for the asset transfer of the site or building, however, if this could not be achieved then the CAT scheme would have to consider separate business models. In normal circumstances a priority would be given to an organisation who is the current or most recent leaseholder (effectively the sitting tenant) of the site or building as they have the greatest stake. For any business model to be accepted it would need to show that plans

are in place to ensure both current users of the site and stakeholders in the site can be supported through the transfer of the asset.

4.00 RECOMMENDATIONS

4.01 That Members:-

4.02 Support the allocation of capital funding to act as 'pump priming' to community organisations for capital work with £500,000 allocated in 2015/16 and 2016/17.

4.03 Support the funding thresholds set out in paragraph 3.03.1 of this report.

5.00 FINANCIAL IMPLICATIONS

5.01 That £500,000 is allocated from the Councils capital programme in the current financial year and also in 2016/17.

6.00 ANTI POVERTY IMPACT

6.01 Will support groups within communities in the development of social enterprises and creating community based, focussed and managed facilities.

7.00 ENVIRONMENTAL IMPACT

7.01 Positive in that it seeks to retain local assets within the community.

8.00 EQUALITIES IMPACT

8.01 Will support groups within communities in the development of community based, focussed and managed activities.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a direct result of this report.

10.00 CONSULTATION REQUIRED

10.01 Local communities, Town and Community Councils, public sector organisations and other key stakeholders.

10.02 Wales Audit Office

11.00 CONSULTATION UNDERTAKEN

11.01 Local communities, Town and Community Councils, public sector organisations and other key stakeholders.

11.02 Wales Audit Office.

12.00 APPENDICES

12.01 None.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

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