

Written submission from East Renfrewshire Council

1. Does your authority have arrangements in place to hold some or all local authority assets in a separate land holding?

If this question is asking if the council holds potentially surplus assets separately from other assets, then the answer is no. The council does however identify properties potentially suitable for disposal under its "Property Asset Disposal Framework". The only assets defined as surplus within the council's assets register are those where sale is imminent and certain. The majority of properties identified for sale are therefore excluded, even when on the market. This is as disposal cannot be guaranteed within a 12 month period. The definition of a surplus asset within the council's asset register is one being actively marketed which will be sold within the forthcoming 12 month period and this practice reflects CIPFA Code paragraph 4.9.2.13.

2. When disposing of, or transferring assets how are those assets valued. To what degree is this purely a financial valuation?

Valuations are financially based with disposal usually being by sale on the open market. This is unless an enhanced consideration would be achieved by disposal to an adjoining owner by realization of "marriage value" or where transfer to another public authority is proposed. In transferring property, the District Valuer would normally be appointed to independently determine its value. However, in relation to asset disposals to community groups some flexibility might be offered, although this would be subject to best value considerations and a report to the Council's Cabinet under the current scheme of Administration.

3. What is the attitude of the authority to the disposal of assets? Does your authority have a policy to encourage the disposal of assets to community groups?

The Council has an asset disposal framework in place which includes provision for community disposals. This is attached for information.

4. What is your experience of disposal and what difficulties has the authority encountered?

To date, there have been no community disposals via sale. Whilst some outline interest has been expressed, none has yet resulted in a property or land (sale) disposal to a community group. The biggest issue encountered to date has been the ability of Community Groups to evidence robust governance arrangements and evidencing a deliverable and sustainable business plan which allows the group to take over an asset and its future liabilities. There have been a small number of land/property assets transferred to community groups under a lease however, following Cabinet approval. These have been for various purposes including a multi faith education centre (lease agreed following payment of a grassum) and a land disposal for the purposes of creating an allotment site (lease at peppercorn rent).

Annex 1

EAST RENFREWSHIRE COUNCIL

Cabinet

15 September 2011

Report by Director of Environment

PROPERTY ASSET DISPOSAL FRAMEWORK

PURPOSE OF REPORT

1. To seek Cabinet approval to the terms of a proposed land and property asset disposal framework.

RECOMMENDATIONS

2. Cabinet is asked to approve the terms of the land and property asset disposal framework, and endorse the approach proposed to engage with local communities regarding asset management.

BACKGROUND

3. In June 2011, Cabinet considered a report on the progress made in relation to asset management planning across the Council.
4. In this report, it was noted that “as time progresses and as effective asset management arrangements embed themselves within the Council, it is likely that other property and land assets will be identified as being surplus in the future. In order to ensure that all such future asset disposal decisions are carefully considered, an asset disposal framework is currently being prepared. Such a framework will follow to Cabinet shortly, and will require that rigorous appraisals be undertaken to consider the range of options available for any future land or property asset disposal”.

REPORT

5. The land and property asset disposal framework has now been finalised and wide consultation has taken place between relevant officers within the Council.
6. The terms of the proposed framework are set out in appendices 1 to 3 to this report. Appendix 4 provides a list of site locations which may be able to be identified to be surplus and against which, subject to Cabinet approval, the terms of the framework will then be applied.
7. Cabinet should note that, notwithstanding the terms of this framework, the sale of any Council owned land or property asset can only be implemented following Cabinet approval.

FINANCE AND EFFICIENCY

8. As referred to in previous reports, the implementation of effective asset management across the Council brings with it opportunities to generate significant financial and efficiency savings, along with the opportunity to generate capital receipts on an ongoing basis in the future.

9. In order to ensure best value is achieved, it is important that a consistent approach is taken in relation to the identification and disposal of surplus land and property assets. This framework is intended to support officers to reach such consistent and informed decisions in relation to future asset disposals.

CONSULTATION AND PARTNERSHIP WORKING

10. Consultation in relation to this framework has taken place across the range of Council Services.

11. In parallel with the implementation of this framework, it is intended that the Council's Community Engagement Team undertake a series of awareness raising sessions with local communities in Autumn 2011. The main purpose of this exercise will be to raise awareness of asset management arrangements across the Council generally, to test the appetite within communities for more direct involvement by them in asset management and to start a process of building capacity within communities, allowing them to more effectively contribute towards the management of property assets within their communities.

IMPLICATIONS OF THE PROPOSALS

12. There are no wider implications directly associated with the proposals contained within this report.

CONCLUSIONS

13. In order to ensure effective asset management, a consistent approach needs to be taken in relation to the identification of and arrangements for the disposal of surplus land and property assets. The proposed land and property asset disposal framework is intended to provide guidance to officers in relation to the steps which need to be taken when identifying and disposing of such assets.

RECOMMENDATIONS

14. Cabinet is asked to approve the terms of the proposed land and property asset disposal framework, and endorse the approach proposed to engage with local communities regarding asset management.

Director of Environment

Report Author: Iain MacLean, Head of Environment on 0141 577 3720, or iain.maclean@eastrenfrewshire.gov.uk

Cabinet Contact Details

Councillor Jim Fletcher
(Leader of the Council)
5107/8

Home: 0141 639 0265
Office: 0141 577

August 2011

KEY WORDS

A report seeking Cabinet approval for a land and property asset disposal framework.

Key Words: asset management, property, buildings, land, disposals, capital receipts, sale spaces

Annex 2

Appendix 1 - Land and Property Asset Disposal Framework 2011 – 2016

August 2011

Introduction

At a time when the Council faces increasing demands of more stringent governance and the need to cut costs it is important that it is in a position to make business decisions in the complete knowledge of its heritable property portfolio. CIFPA Scotland has commented that, *“(Council) assets are integral to the services delivered to the people of Scotland and the manner in which they are managed impacts on the ability of Councils to meet their aims and objectives”*.

The extent of Council land and property assets is significant and whilst this can be seen as a tremendous resource it can, if underperforming, become a major burden. It is therefore vital that the Council delivers proactive management of Council land and property assets through the introduction of new procedures for the appraisal of assets and assessment of appropriateness for other uses, including for community use, or disposal.

This framework aims to formalise the basis for the identification of Council surplus land and property and the means of its disposal.

Context

The disposal of the Council's property is subject to the provisions of section 74 of the Local Government Scotland Act 1973 as amended by section 11 of the Local Government Scotland Act 2003 and other statutory requirements. This legislation places a duty on the Council to achieve the best consideration and to ensure transparency and consistency in the disposal of land and property assets. The Council is also under a duty to achieve best value. The Council's statutory duties must accordingly be borne in mind in the management of the Council's estate.

As at 2011 East Renfrewshire Council had 133 non-housing properties for the delivery of its services with annual maintenance costs of some £12m and a maintenance backlog of approximately £23m.

In addition, some 130 areas of land in Council ownership have been identified by Council services that make little or no contribution to Council service delivery. Many of these are small areas of amenity open space that whilst contributing to the urban landscape present an ongoing cost to the Council and could potentially be used for other purposes. This figure excludes recognised Council parks and play areas.

To make sure that its properties are used efficiently, the Council must keep its property holdings under review. This is to ensure that property holdings are focused towards service delivery and the Council's corporate objective of continuous improvement in its efficiency. In the current economic circumstances the importance of achieving this is greater than ever. In short, the imperative is to secure efficiencies through the rationalisation of the Council's heritable estate.

Asset management is critical to achieving this outcome by holding the minimum number of properties necessary for service delivery. To be effective a sound understanding of assets currently held by the Council is required. The Council uses 'Tribal' asset management software to record property related data including running costs, level of use, suitability, condition and maintenance requirements. In addition, consultation takes place with holding departments on the implications of retaining and operating properties taking into account factors including the impact upon community organisations or other service provision. By collating this information, informed decisions can be made on the best properties to be retained to minimise service delivery costs. Through their asset management plans, Council services will be required to identify assets that positively contribute towards service delivery and those that do not.

Opportunities to reduce property maintenance costs by retaining only accommodation best suited to meeting the Council's future needs and disposing of that not required will reduce running costs and improve the Council's financial position.

In addition to the Tribal management system, the Council has a database of land in its ownership. This ranges from former lock-up sites to amenity open space to large landholdings like Springfield Road.

Land and property disposals by the Council will create opportunities for housing, business and leisure development by others. The Council will seek to ensure that in disposing of land and property the proposed end use is viable and sustainable and where appropriate, there is recognition of the ongoing financial responsibilities associated with maintaining a property.

Until now, the Council has not operated a formal procedure to identify potentially surplus properties. Although a number of surplus properties have been sold by the Council since its inception these have not been part of a strategic programme. Consequently previous asset disposal has been ad-hoc or reactive to the need for a capital receipt to fund a specific project. The result is that many of the Council's most

valuable surplus land and property assets have now been sold. To make the most of the potential of the remaining opportunities a more structured and proactive approach within an agreed strategy is required to assist in future capital planning.

To maximise the benefit from the disposal of surplus assets, close consultation across Council departments and with Community Planning Partners is required. This is to ensure a coordinated approach in the identification and timing of potential disposal opportunities and will require open discussion and the full disclosure of information to remove uncertainty, avoid delays and address concerns before sites are marketed.

Whilst in the medium to long term the benefits of asset rationalisation will bring savings, in the short term there may be costs associated with managing service changes.

Until an asset is disposed of, the holding service will continue to be responsible for the costs of securing and maintaining an asset. The Director of Environment, through Property and Technical Services, will manage the property on behalf of the holding service but all costs will be recharged to the holding service. As this can be expensive, it is in the interests of holding services to identify and cooperate with the disposal of surplus assets as quickly as possible.

The amount of capital receipt that can be expected from asset disposal will be subject to

- Agreement on identifying surplus properties/ sites
- Site conditions
- Potential uses
- Interest from Community Planning Partners and community organisations
- Market conditions

As such, it is impossible to be prescriptive on what can reasonably be achieved from assets identified for disposal. However it is proposed to develop, in partnership with the Director of Finance, a realistic and realisable annual programme of disposals to support the capital plan.

Acknowledging the Scottish Government and COSLA's commitment to community empowerment, there may be a small number of opportunities for community organisations to acquire surplus Council assets to deliver community services or engage in social enterprise. The Council, through the Deputy Chief Executive, will support any legitimate community organisation that expresses such an interest. However the Council must be realistic in what is required of any organisation taking on an asset and will require a significant level of detail and evidence of financial and personal commitment. The key factors to be considered are whether there will be measurable benefits to the community by disposing of the asset and the capacity of the organisation to sustain use of the asset.

To supplement this strategy and to provide the necessary detail to asset disposal two policy documents are included with the framework, these are:

- An asset appraisal framework and disposal procedures policy that sets out the considerations for identifying assets for possible future disposal. This includes a full option appraisal, consultation procedures within the Council, with partner organisations and community organisations and the identification of potential alternatives uses and users. The policy also provides guidance on procedures for the marketing of assets including the preparation of planning guidance. These procedures are particularly crucial to ensure compliance with audit requirements.
- A policy for the disposal of assets to community organisations. This sets out the rigorous requirements of the Council to ensure that the community organisation has the capacity to take on the asset and can deliver measurable community benefits.

Contribution to Single Outcome Agreement

The purpose of this document is to provide a framework within which the Council can proactively manage its estate and where appropriate dispose of underperforming assets to generate savings and income to the Council. The outcome will be to realise additional funding for the Council's capital programme which will contribute to maintaining and improving services and projects across the Council. In that sense, this strategy will contribute to all of the SOA.

Vision

We are working to proactively manage the Council's assets in an effective and efficient way to eliminate surplus and maximise opportunities. In identifying and disposing of underperforming assets, other community needs can benefit.

Outcomes and Intermediate Outcomes

Because of the overarching nature of this framework it will relate and positively contribute to a range of outcomes. The following intermediate outcomes will be used to help monitor the progress of the work being undertaken towards achieving the long term SOA outcomes.

Single Outcome Agreement Outcomes

SOA 9 Our local people live in an attractive natural and built environment that is sustainable and enhanced for future generations.

Intermediate outcome 02 East Renfrewshire has cleaner streets and improved parks and greenspaces.

SOA 10 There are high quality and affordable housing opportunities for our residents. Intermediate Outcome Residents are able to live in good quality and affordable housing which is well managed.

SOA 11 Our communities are more active and have influence over service design and delivery.

Intermediate Outcome 01 Our residents and communities have the skills, confidence, knowledge and opportunity to influence service design and delivery.

Intermediate Outcome 02 All residents, including those from vulnerable, disadvantaged and minority groups are encouraged and supported to be more active in the community.

Customer, Efficiency and People Outcomes

2 Efficiency

Intermediate Outcome 02 Our assets are used more effectively and efficiently

Environment Department Service Delivery Plan 2011/12

The Strategic Land and Asset Disposal framework (SDP-PAT7) – to identify opportunities to improve the Council's use of property and identify opportunities for the disposal of surplus property and land.

Activities

- To develop a comprehensive database of Council land and property assets to allow the Council to manage its assets more effectively and efficiently
- To identify land and property that is no longer positively contributing to Council outcomes
- To implement an appraisal framework against which Council assets can be objectively assessed to determine need, condition and suitability of other uses, including community use.
- To implement asset disposal criteria to ensure best value is achieved
- To dispose of surplus assets to achieve the most positive outcomes for the Council whether financial or contributing to the delivery of other SOA outcomes
- To deliver in partnership with the Director of Finance a programme of disposals to sustain the Council's capital programme.
- Through the disposal of less efficient assets, we will be able to invest in remaining assets and in doing so contribute to SOA Outcomes 5 (healthier, more active)
- Through continuous review of Council assets we will ensure active management and strategic portfolio planning

- Where appropriate, we will seek to acquire property that will positively contribute to the SOA. In addition, we will actively consider joint working/ ownership/ occupation of property with our Community Planning Partners.
- We will review options for Community Facilities by means of a corporate approach to asset management
- We will provide opportunities for community empowerment through the disposal of assets to community organisations

Indicators, Targets

- No. of sites successfully marketed (new)
- £'s Income generated for the Council/ £'s savings achieved (new)
- Additional units being brought into affordable housing supply
- Number of hectares of greenspace in East Renfrewshire improved
- Percentage of operational (Council owned or leased) accommodation which is in a satisfactory condition
- Percentage of operational (Council owned or leased) accommodation which is in a suitable condition for its current use
- £ per m2 in property maintenance
- The proportion of operational accommodation that is in a satisfactory condition
- The proportion of operational accommodation that is suitable for its current use

Additional Information

Consultation

This framework has been developed in partnership with Departments and Services of the Council including Chief Executives, Finance, Property and Technical, Planning, Housing, Economic Development, Legal, Environmental Services and Roads. Discussion has also taken place with the Development Trusts Association Scotland and Voluntary Action (East Renfrewshire) with regards asset transfer to community organisations.

The framework will be taken forward by the Director of Environment through the Corporate Asset Management Group and new sub group arrangements. This group will be supported by officers from across the Council who will undertake the detailed work around the option appraisals, investigative works and supporting marketing information. The Deputy Chief Executive will lead on consultation and support for local community organisations interested in the community ownership of assets.

Environmental Sustainability

The key environmental impacts directly attributable to the Council will be

- Reduced energy consumption leading to a reduction in Council controlled carbon emissions
- Increased investment in greenspaces leading to improved biodiversity and measures to mitigate against the effects of climate change
- Reduced travel for Council staff
- The disposal of assets will be supplemented where appropriate by planning guidance on sustainable urban drainage, protecting or enhancement biodiversity and energy efficient design.

Equalities

An Equality Impact Assessment (EIA) has been undertaken and no adverse impacts have been identified that would prevent this framework being implemented. It is possible that at a property-specific level impacts may be identified and where relevant these will be assessed through an EIA as part of the option appraisal exercise.

Finance and Efficiency

Implementation of the framework will be carried out by existing staff. The disposal of underperforming or vacant land and property assets will generate capital income to the Council and reduce maintenance, running costs and security costs which can be reinvested to improve service delivery.

Efficiencies can be created by having more staff working from fewer locations facilitating more cross-service working.

Supporting the capital programme through asset disposal will reduce the Council's borrowing requirements and associated interest charges.

The Council will require to spend money up-front to bring sites to the market. This would cover any requirement for ground condition surveys, legal costs, small scale site acquisition, marketing costs, etc. An annual revenue allocation will be required to support this process. Any site disposal requiring a greater level of investment would be reported to Cabinet for specific approval. Similarly, any proposed acquisition of property would require Cabinet approval.

Partnership Working

No external partnership working has taken place to date however there may be opportunities to work with partner organisations to combine assets to bring to the market. This could include working with private landowners and developers to maximise the potential of assets.

As part of good management of the wider public estate, the option appraisal exercise will include, where appropriate, consulting with Community Planning Partners to find out if they have any interest in acquiring surplus Council assets.

With support from the Development Trusts Association Scotland, the Council will carry out a programme of community engagement activity around the subject of asset management.

Risk

There are a number of risks associated with this framework. The main risk is that due to market conditions and suppressed levels of developer demand the Council may not be able to achieve a realistic receipt from disposal of an asset that has been declared surplus. In such circumstances a decision will be required on whether to retain the unsustainable asset and incur further costs in terms of maintenance, security, etc, or to accept a lower value for early disposal.

Other risks, such as poor ground conditions or title issues, can be mitigated through provision of a budget to facilitate asset disposal.

In the absence of an approved framework there is a risk that asset disposal and acquisition decisions may be taken without full knowledge of the property and in unfavourable market conditions. This can result in delays, under achieving on asset disposals or acquiring liabilities.

Supporting Materials

- Corporate Asset Management Plan
- Equality Impact Assessment
- Tribal Asset Management System
- Site Disposal Database

Appendices: Detailed Policy Documents and Supporting Information

2 Asset Appraisal Framework and Disposal Procedures

3 Disposal of Assets to Community Organisations

4 ERC Potential Surplus Land and Property Assets

Annex 3

Appendix 2 - Policy on the Land and Property Asset Appraisal Framework and Disposal Procedures

Introduction

The identification of surplus assets will require the cooperation of all Council services. There are clear benefits to the Council to reduce its portfolio of properties and therefore a rigorous examination of assets is required.

This policy sets out a clear methodology for assessing whether a land or property asset is surplus to Council requirements, what alternative purpose the asset might have and how this should be taken forward. The policy includes an Asset Appraisal Framework against which all Council property can be considered and identifies the various methods and procedures for disposal of assets to other parties. This methodology can also be applied where the Council is considering the acquisition of land or property.

Property Costs

The principal objective of this exercise is to reduce the cost to the Council of holding property. Information on property condition, suitability in its existing use and the extent of any outstanding maintenance backlog is held on the Council's 'Tribal' asset management system and is used to inform strategic property decisions.

Vacant and surplus properties continue to cost the Council money through building security and basic maintenance. It is therefore important that once a property is declared surplus its future use is determined in a timely manner to minimise ongoing cost to the Council. Until the formal transfer of a property to another department has been completed or the property has been disposed of by the Council, the former holding service will continue to be responsible for the property and all associated costs.

Identification of Potentially Surplus Assets

Property may be identified as being potentially surplus to Council requirements as a result of the following.

1. The holding service determining it no longer has a requirement for its property due to changes in its operational requirements.
2. As a consequence of a wider strategic review of Council property holdings leading to the rationalisation of these to optimise efficient use of the Council's heritable assets.
3. Ongoing review of assets by the Corporate Asset Management Group (CAMG)

Assets identified as a result of the above will be considered by the CAMG and an option appraisal and consultation exercise undertaken.

Option Appraisal Framework

The option appraisal will seek to identify the most appropriate future use of land or property. The priority is to generate capital receipts for the Council and therefore the underlying preference will be that the asset will be disposed of on the open market

however this will be informed by the option appraisal which will consider the following:

- A description of the property, a summary of its history and details of its current or most recent use.
- A review of the land or property title to determine the existence of any restrictions regarding use or disposal
- Information, in so far as available, on the building running costs and any income derived, if any, from its current use. Consideration of repair costs.
- Whether there is scope to improve the viability of the existing use by reducing running costs and increasing revenue generation.
- Whether the asset may have potential for use by a community organisation. (If interest is expressed the procedures detailed in The Disposal of Assets to Community Organisations Appendix 3 will apply).
- A review of any potential future uses for which planning permission could reasonably be expected and identification of any planning requirements.
- Whether additional value could be realised by the property being combined with another interest to realise 'marriage value'.
- Whether there would be benefit to be derived from undertaking site and soil investigations or advance infrastructure works to encourage market interest by reducing developer risk.
- Where appropriate, the outcome of an Equality Impact Assessment on potential alternatives.
- Proposals to relocate users of the property to alternative sites. This would include existing staff and those using/ hiring the property.
- A summary of financial implications associated with each potential alternative future use of the property. This would ordinarily be expected to include estimates of the anticipated cost of conversion, refurbishment, running costs, rental expectations and revenue generating potential. This information is of importance in assessing the likely viability of the various alternative uses that may be under consideration

Following completion of the option appraisal an informed decision based on the financial implications from each of the possible future scenarios can be made. This would, at its simplest, be likely to result in one of the following outcomes.

- Retain the existing use in the absence of any financial benefit being achievable from any realistic alternative use.

- Identify the potential for an alternative more viable public authority use
- Transfer by either lease or sale to an appropriate community organisation.
- Lease or sell on the open market to achieve a capital receipt and achieve revenue savings from no longer having responsibility for the upkeep of the property.

Asset Disposal Costs

It is anticipated that most asset disposals will be offered for sale on the open market. In these instances the following costs would be expected

- Legal costs
- Marketing/ advertising costs
- Costs of staff decant from property
- Costs of mothballing and securing property whilst awaiting future use
- Costs of upgrading properties that will take displaced staff or groups with long-standing lets

An asset disposal revenue budget will need to be established for these costs.

In some circumstances, due to the history of the site, it will be in the Council's interests to undertake site investigations, and possibly remediation works. This would allow the Council to be more specific about the range of possible uses for the property and to be able to take a more informed view on its value.

There may be other instances where in order to create or enhance the development potential of an asset, there is the need to undertake infrastructure or other works. This could include site access, servicing works and environmental accommodation works. Additionally, there may be benefits in acquiring adjacent property, or disposing of a combined site in partnership with another party to maximise its potential.

In all instances an option appraisal will be required to determine whether spend incurred in bringing an asset to the market will be recouped by its sale. There may be instances where the costs involved in bringing an asset to the market out weight any expected return however there may be other benefits to be gained by this action, for instance, in revenue savings.

In exceptional circumstances where the costs of bringing a site to the market cannot be accommodated within the asset disposal budget, a report will be brought to Cabinet requesting additional funds. Financial assistance to help meet one-off costs designed to enhance a receipt value would form part of a business case, with the Spend to Save Reserve being utilised to help meet these.

Consultation

Informed by the option appraisal, the Corporate Asset Management Group (CAMG) will consult with other Council departments to determine if there is a continuing need for the Council to retain the asset.

If a Council department expresses an interest in retaining the asset, a clear business case including recognition of the ongoing financial responsibilities will require to be developed to justify retention.

If there is no clear business case for the Council to continue to use the asset, the CAMG will consult with Community Planning Partners to find out if they have a requirement for the property.

Where appropriate, the CAMG will advise the Depute Chief Executive of a property that may be of interest to community organisations.

The CAMG will also consider the likely interest if the asset is offered to the open market.

These steps are to demonstrate and evidence that full consideration has been given to the potential to retain the asset in the public sector. This exercise may therefore culminate in an alternative Council or Community Planning Partner use being identified, disposal to a community organisation, the lease of the property where the Council wishes to retain a long term interest, demolition of the property or the property's outright sale on the open market.

Report on Disposal Options

If the outcome of the option appraisal is that the property is no longer required by the current holding service but that another Council service has identified a requirement and has demonstrated a business case justifying its retention, then there will be a formal transfer of the property out of the holding service to the new service holder. This would be agreed between the relevant departments in consultation with the Director of Finance.

Where the option appraisal has identified that the asset is no longer required by the Council and that some form of disposal is proposed, a report will be presented to Cabinet advising on the outcome of the option appraisal and will recommend the next steps to resolve the property's future in one of the following ways:

- A Community Planning Partner has demonstrated a requirement for the property and Cabinet approval is sought on the basis of a transfer at market value determined independently by the District Valuer. (The lease of property to a Community Planning Partner would not ordinarily be considered to avoid it reverting to the Council if the organisation subsequently ceased to have a requirement for it or face future funding difficulties).
 - The option appraisal has identified that there may be merit in community use of the property and that the availability of the property should be notified to community organisations by the Depute Chief Executive.

- That the property is no longer required by the holding service, any other Council department or any Community Planning Partners and it is not appropriate to offer for community use and as such it should be advertised for disposal on the open market either for sale or where more appropriate by its lease.

Whilst there is an overall preference for sale of surplus assets, there may be occasions where it would be appropriate for the Council to retain long term control over a property's future and therefore each circumstance will be carefully considered on its merits.

Disposal Procedures

Following the Cabinet's decision the Director of Environment will implement the approved course of action.

- Where Cabinet approves the property's disposal on the open market marketing particulars will be prepared with terms and conditions of sale and, where appropriate, planning guidance. An advertisement will be placed in appropriate journals or depending on the nature of the property disposal by public auction seeking offers.
- Where the decision is to dispose of the asset to a Community Planning Partner, the District Valuer will be instructed.
- Where a property has been identified as appropriate for disposal to a community organisation this will be pursued with reference to the general requirements set out in Appendix 3.

Once the terms and conditions of the proposed sale or lease of the property have been agreed in principle these will be reported back to Cabinet to secure authority to conclude the transaction and instruct Legal Services as necessary.

Annex 4

Appendix 3 - Procedure for the Disposal of Land and Property Assets to Community Organisations

Introduction

The Scottish Government and COSLA's *Community Empowerment Action Plan* promotes the empowerment of communities through the ownership of assets (land and buildings).

The disposal of assets from local authorities and other public sector organisations is recognised as an important means of supporting communities to own assets. The Scottish Government is examining how to increase the flow of assets into community ownership and aims to do this by encouraging and supporting local authorities and community organisations both to gain a wider appreciation of the benefits and risks associated with asset transfer and by developing an understanding of the processes involved. In this context asset transfer can range from disposal at full market price or for a nominal amount and can also include long leases.

It is recognised that the ownership of assets will not be the answer for all communities but in the right circumstances it can:

- Generate long term sustainable revenue streams for community organisations
- Instil a heightened sense of civic pride and responsibility
- Provide local people with a meaningful stake in the future development of the place in which they live and / or work
- Contribute to more effective and more intensive use of local resources
- Be used as leverage to draw in new finance and expand the level of community activity
- Improve the quality of the relationship between the citizen, the community and the local authority
- Provide new opportunities for local learning and community capacity building

Community ownership of assets can make an important contribution to the range of innovative, bottom up solutions which community organisations can develop to address local needs. These solutions can not only meet the needs of local people but also contribute to the delivery of both East Renfrewshire Council's Single Outcome Agreement and national government outcomes. The Council does however recognise that the community ownership of land and property assets is a major commitment and it has a duty to ensure that it supports this only where the business case has been proven.

Local Authority Assets: Wider Context

Disposal of the Council's property is subject to the provisions of s.74 of the Local Government Scotland Act 1973 as amended by s.11 of the Local Government Scotland Act 2003 and the Disposal of Land by Local Authorities (Scotland) Regulations 2010. Any proposed disposal of land by the Council will require to have regard to this legislation. Furthermore, to ensure that public money is used properly and achieves value for money, it must be possible to trace funds from the Council to where they are ultimately spent – to 'follow the public pound' across organisational boundaries. In relation to asset transfers, Councils are required to ensure transparency and consistency in the disposal of land and property assets. There should be measureable links to Council service delivery objectives to underpin good asset management.

Community Asset Disposal Procedures

The Asset Disposal Strategy sets the context and circumstances for the disposal of assets by the Council. As part of the procedure for declaring an asset 'surplus' to Council requirements, the Council will consider offering the asset to community, voluntary and other third sector agencies for community use. Most of the assets declared surplus by the Council will be disposed of on the open market however there will be a limited number of assets that will have the potential for continuing use by the community. In these instances the Depute Chief Executive will notify community organisations of the opportunity and organisations will be given time to register their interest in the asset.

In deciding whether to offer an asset to the community, the Council must consider the requirements of the capital programme and ongoing service delivery and the potential financial implications of disposal to a community organisation against disposal on the open market.

The terms and conditions of disposal – whether sale or lease, at market or below market value, will be determined by the Council on a site by site basis taking into account prevailing market conditions, funding conditions and the sustainability of projects.

Key Policy Criteria

Before the Council will begin to consider disposal of an asset to a community organisation it requires assurance on the following:

1. There will be measurable benefits to the local community by disposing of the asset
2. The community organisation has the ability to sustain the use of the asset

This is partly to ensure that the community continues to benefit from (former) publicly-owned assets and that community organisations are not burdened by taking on assets that become liabilities.

In relation to the first key policy criteria the policy requires all community proposals to meet the following before consideration is given to disposal off-market.

- The proposed use of an asset reflects the outcomes and objectives in the Single Outcome Agreement and other relevant plans and strategies
- The proposed use of the asset is genuinely for the benefit of the community, and would offer real opportunities for successful and independent community or third sector organisations to become more sustainable in the long term
- The proposed use of the asset would be non-discriminatory, inclusive and open to all.

- The use of the asset is environmentally sustainable. Any future refurbishment plans will be encouraged to make full use of energy conservation techniques and use sustainable building materials.
- That the community organisation would have greater security and independence, and would be better able to meet the needs of the communities it serves.
- That uses would enable communities to have improved access to facilities and/ or opportunities that respond to their local needs.

Under the second key policy criteria, the Council needs to assess the risks carefully to ensure that organisations and future community management of the assets are appropriate and sustainable in the long term.

As it is likely that many of the community organisations applying to the Council for the transfer of assets would have limited financial history or facilities management experience it is important that a robust business case is put forward in support of any proposal. This allows the Council to both assess the authenticity and capabilities of the organisation and also allows the organisation to understand the extent of the responsibility they are seeking to take on. The policy therefore sets out the following requirements that need to be demonstrated by organisations for them to be able to be considered suitable to acquire Council assets:

- **Financial viability of the transfer** – the organisation needs to show at least a five year cash flow and budget forecast that demonstrates that the project is sustainable. Information on all funding sources over this period will be required. Provision will require to be made for the ongoing maintenance and upkeep of the asset, including a contingency fund for emergency repairs. Where the property is to be leased, conditions will be imposed on the required level of maintenance, appropriate insurance cover, the allocation of rates, utility charges, etc. (This is essential to minimise the risk of a property reverting to the Council in a deteriorated condition as a result of the community organisation having insufficient funds for the proper upkeep of the property).
- **Experience of, and/or commitment to, partnership working** – demonstrate that the asset would be put to a variety of uses to benefit the community.
- **Management capacity** - the organisation and key individuals have appropriate skills, knowledge and expertise and that there is a sufficient pool of volunteers to sustain the project in the long term.
- **Sound governance and clarity of decision making processes** – the project has clearly defined structures and that the roles and responsibilities within the organisation are appropriate to deliver the project, whether voluntary and/or paid. The project has an acceptable constitution and sound financial and management controls in place.

- **Clarity of aims and objectives** and that these meet the Single Outcome Agreement objectives.
- **All legislation and regulatory controls are in place** – meeting equality standards, child protection, health and safety, licensing requirements, employment and volunteers policies, etc.
- **Local community support** – the project must demonstrate that it has consulted with and has the support of the local community, that it can demonstrate local need and that the project is not aligned only with a single interest group.
- **Monitoring and evaluation** processes are in place to demonstrate the successful delivery of objectives and targets over the life of the project.

Process for Assessing Asset Disposal Proposals

The assessment of proposals from community organisations will be undertaken by the Corporate Asset Management Group or a sub group, reporting to the Director of Environment. Any community interest will be reported to Cabinet for approval at the following stages:

- Notification of interest
- Stage one application – in principle decision
- Stage two application – final decision

Assessment Process

The assessment of proposals put forward by community organisations involves a two stage process. Following an initial registration of interest, organisations are required to submit an outline business plan for a Stage 1 assessment at which time the Council will decide 'in principle' if the organisation is a proper body to acquire the asset and if the organisation has the potential to develop a project that would deliver sustainable community benefit.

If the application is approved, the organisation would be invited to submit a Stage 2 application when much more detailed information is required.

Stage One

When an asset has been identified as surplus to Council requirements and it is considered appropriate to offer to community organisations, the Depute Chief Executive will undertake appropriate consultation. At this stage, organisations can register their interest in acquiring the asset for community use by writing to the Depute Chief Executive. From the point of advertising the asset, organisations have three months in which to submit a Stage One application.

At Stage One, organisations will be asked to outline their proposal for consideration by the Corporate Asset Management Group. (It is not expected that detailed

management or financial information will be provided at this stage only sufficient detail to allow the CAMG to assess if the interest has merit and would be worth supporting). The information required should briefly outline:

- What the project is and why the asset is required.
- How the project fits against the priorities in the Single Outcome Agreement and other relevant plans or strategies.
- The level of local community support for the project. This should include the numbers of actual and potential supporters and the results of any initial consultation undertaken.
- Who and how local people would benefit from the project.
- Previous experience of the group or evidence of supporting organisations.
- Why the project is needed.
- Proposed acquisition terms i.e. sale, lease (including number of years)

The CAMG will assess the application and report to Cabinet within three months. If the application is refused, reasons for refusal will be given. If successful the organisation will be invited to submit a full Stage Two application within **12 months** – this timescale will not be extended unless there is good reason. (This is on the basis that the Council will continue to incur costs for the security and maintenance of the property).

Stage Two

At Stage two a full business plan and delivery plan is required. This submission is expected to fully address the following:

Business Plan and Governance Documentation

- Outcomes, aims, objectives and targets the proposal will deliver including how these will be monitored and evaluated over the life of the project.
- The nature of the organisation delivering the project
- The capacity of the organisation detailing decision making structures and management / staff structures indicating whether these are voluntary or paid, levels of experience and/ or what training provision is in place.
- A strategy for succession planning

- Identify all outcomes from the project including links to the Single Outcome Agreement and other relevant plans or strategies.
- A five year financial business plan indicating all expenditure and income – both capital and revenue, including all anticipated grant funding identifying the status of this funding i.e. secured, current application, and any other income expected.
- Relationships with any other partners on the project.
- Confirmation that all statutory permissions or licences have or will be secured.
- Copies of existing (or proposed) policies in relation to child protection, health and safety, equal opportunities, environmental sustainability.
- The expected audience or catchment area for the project.
- Detailed acquisition terms
- Proposals for refurbishment or alteration of the buildings or land.
- A risk analysis of the proposals.

Delivery Plan

- Project programme from inception to operation
- Description of any proposed development.
- Detailed breakdown of programme and costs for any proposed building works or refurbishment proposals and how these will be funded.

The Stage Two application will be assessed by the Corporate Asset Management Group and a recommendation reported to the Cabinet within six months. (If more time is needed to reach a decision the Council will write to the organisation detailing the reasons why).

If the application is approved, final disposal details will be completed within a timescale to be agreed between both parties.

Disposal of Assets to Community Organisations Flowchart

