

STRATEGY FOR THE FUTURE MANAGEMENT OF COUNCIL OWNED PROPERTIES OCCUPIED BY THE VOLUNTARY AND COMMUNITY SECTOR

April 2009

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1. INTRODUCTION

Valuing diversity and encouraging active citizenship are central themes in Southwark Council's aspirations to improve the life chances of its residents and sit at the heart of the borough's Corporate Plan. By deploying the real property assets that make up its Voluntary and Community Sector Estate optimally, the Council seeks to support and develop the important contribution third sector organisations make to the wellbeing of the borough.

Purpose

This document sets the Asset Management Strategy framework for Southwark's portfolio of Council owned properties that are occupied by the Voluntary and Community Sector (VCS).

It describes the baseline position for the estate as it stands currently, the Council's objectives in holding the assets concerned and examines the drivers that are likely to influence the development of the portfolio into the future. The paper also explains the review processes that have been undertaken to inform the development of the strategy.

In so doing the strategy sets the framework that will direct the future "hands on" management approach to the estate and gives the over-arching principles for formulating the detailed management arrangements that must now be put in place to deliver this.

Critical success factors in the implementation of the strategy are identified and provide the basis of a performance management system for the estate and its management.

The document concludes with an Executive Summary of the detailed Asset Management Plan for VCS Assets set out as Appendix I, and a draft Asset Transfer Policy & Protocol in Appendix II.

Strategic Context

The VCS Asset Management Strategy derives directly from the Council's Corporate Asset Management Plan 2008 (AMP 2008) and underpins this key strategic document with an additional tier of detail.

AMP 2008, which was approved by Executive on 20th May 2008, establishes the Council's overarching approach to the management of its property assets and how these can most effectively be arranged to ensure that the Council can achieve its core objectives and deliver key corporate outcomes.

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2. THE VOLUNTARY & COMMUNITY SECTOR ESTATE

The Existing Portfolio

The VCS estate currently comprises 73 assets, ranging from lock-up shop units to large, Victorian multi-let properties. Whilst the variety of property held in the portfolio is diverse, the assets share some common characteristics and for the purposes of this paper the composition of the estate can broadly be categorised as follows:

- Properties whose use is restricted to community use through legal implements such as covenants.
- Properties which the council has historically reserved for use by the VCS which are let to a single VCS tenant.
- Properties which the council has historically reserved for use by the VCS which are divided into units and let to multiple tenants.
- Properties held in the commercial estate which have been let to VCS tenants which will return to the commercial estate when the tenancy ends.

A fuller description of the assets on a property by property basis is provided in a detailed Asset Management Plan.

Out of Scope

Those properties which are primarily operational are not included within the VCS estate. This is to enable service departments to develop effective business plans for these properties. Examples include Childrens Centres, parks, extended schools etc where separating the rental income from the management of the property could result in the building becoming financially unviable. Any occupation of an operational building by a third party must still be regulated by a formal occupation agreement negotiated by the Council's Property team on the service department's behalf.

In addition the Housing Department is retaining operational management responsibility for the Tenants and Resident Halls (TRA) estate and has decided that Social Inclusion will not act as client for these properties. Nevertheless, a strategic view over this group of assets and the VCS portfolio will be maintained in order that synergies and co-location opportunities can be realised where there is the potential to do so.

It is recommended that the TRA estate is managed in a manner which would enable the sessional use of the properties by providers from both the VCS and statutory sector as this could enable valuable service delivery to take place within the community.

Responsibilities for the Estate

Under existing arrangements the management responsibility for these 73 assets mostly sits within the Commercial Property Portfolio managed by Southwark Property. The assets are managed by a range of portfolio surveyors who report to the Portfolio Manager, who reports to the Head of Property within the Regeneration Department. However, there are exceptions and some of these properties are let and managed by other departments.

The tenants of these assets have working links to a number of departments. They may be grant recipients, they may deliver council services under a contract or they

may be key local stakeholders across a range of projects, steering boards and so forth. Officers in all departments would therefore benefit from having key personnel in place with specific responsibilities for VCS assets.

The Executive Members with a day to day interest are the Members for Citizenships, Equalities and Communities, the Member for Resources and the Member for Housing with the member for Regeneration having an interest in provision within areas of major physical or socio-economic development schemes. However, the VCS delivers services across the borough, some of which are contracted statutory provision and therefore other Executive members such as the member for Children's Services will also have a particular interest in individual cases. In addition, it would be fair to say that issues around VCS property arise frequently in all wards and are of interest to all members.

It could not therefore be said that currently there is a consistent approach or that properties concerned are held as a unique estate. This can be problematic given that there are approximately 1800 VCS groups operating within the borough and that access to property is such a significant issue for many of these groups.

This strategy has been developed to provide a clear, cohesive management structure which would direct all parties to defined points of contact.

Stakeholders & Consultation

There are a range of stakeholders:

- The VCS organisations within the borough
- Council departments
- Members
- The users of VCS services

Consultation with the VCS on property issues started within the remit of the overall VCS Review and has continued. Officers attend the VCS Southwark Infrastructure Group: Premises Sub-group which is serviced by Community Action Southwark (CAS) and are building good working relationships with CAS and the new CAS Property Adviser. This group and CAS are best seen as critical friends to the process and they will be given the opportunity to consider the strategy and consult with their members before providing feedback to officers and subsequently the Executive.

The current tenants of the assets have been written to with information about the asset management review and the component parts of the strategy in the letters requesting access for the contractors.

Additionally, all the VCS organisations in the borough registered with either the council or CAS have received a letter and a questionnaire.

Officers have consulted other departments, CMT and Executive members.

3. OBJECTIVES FOR THE VCS ESTATE

The Council's Objectives

The Council's objectives for the VCS estate can be summarised in broad terms as improving communities and better local services delivery.

At its meeting of October 2007 (report entitled 'Community Buildings: Next Steps') the Council's Executive resolved that its overall objective for the VCS estate was:

"to improve the management, access to and use of the council's community buildings."

More specifically:

- i. Effective management of the council's Voluntary and Community Property portfolio in ways that encourage and support a healthy and vibrant voluntary and community sector.
- ii. Supporting VCS organisations, including TRAs, to work together in shared or linked premises and to maximise efficiencies in the use of activity spaces and back office functions.
- iii. Supporting VCS organisations, including TRAs, to operate out of sustainable premises, and where appropriate, to operate without recourse to council funding.
- iv. A transparent, equitable corporate and strategic approach across the council in respect of access to and cost of council owned premises that are occupied by, or offered as available to VCS organisations, including TRAs, as either a permanent base, or for sessional hire.
- v. Maximising opportunities for the VCS, in Southwark, to access and use quality premises - this should take account of opportunities arising from regeneration schemes, including Southwark Schools For the Future, development of community hubs/local service provision, the extended schools programme and the rationalisation of council office accommodation.
- vi. Maximising opportunities to provide new and emerging VCS organisations access to appropriate premises, for example hot-desking space, to start up at low cost and low risk.
- vii. Maximising opportunities for new and existing premises occupied by VCS organisations, including TRAs, to be under direct community management where appropriate and sustainable.
- viii. Jointly with the VCS and TRAs, developing a long-term capital investment plan to enable improvement to buildings occupied by the VCS and TRAs.

What Does the VCS Want to See Happen?

Many smaller VCS organisations need space to operate from, including office and service delivery space, but are not able or ready to rent property in their own right. They would like to see hot-desking, shared facilities and delivery space developed in the borough.

The voluntary sector in Southwark, through the VCS Southwark Infrastructure Group: Premises Sub-group, has expressed its wish to develop a voluntary sector resource centre in the borough run by the VCS for the VCS. This would include hot-desking space and shared facilities such as meeting rooms and IT and operate in much the same way as the current CAS office runs.

The VCS would also benefit from clearer points of contact within the council with regard to property matters.

CAS is keen to work with professionals in the council to develop joint training opportunities within the council. For example, regular training and/or briefing material on complying with statutory legislation and regulations.

Asset Transfer

The VCS would like the council to adopt an asset transfer policy and protocols to follow when reaching a decision about individual requests.

Asset transfer may take a number of forms, including local management arrangements, the grant of a lease, or transfer of the freehold either by sale or gift (or a progression through all three). Generally the benefits to the VCS can be summarised as:

- Building community confidence.
- Securing the longer term future of the premises they occupy and the services they deliver against alternative use or redevelopment.
- Providing a basis by which to lever in funding and financing by using buildings as security.
- Creating opportunities to generate income from rents, fees etc for reinvestment into the organisation and its services.

Where asset transfer is viable in asset management planning terms it will be essential for the VCS to acknowledge that the proposition is a complex one, requiring legal, financial and technical property expertise from the feasibility study stage onwards to ensure that good ideas do not become liabilities in practice.

4. CHALLENGE – WHY HOLD THE ESTATE?

The Council is firmly committed to supporting the third sector in the borough and believes that it should use its asset base in an appropriate way to achieve this.

Inevitably the most appropriate overall asset solution may change in the future and changes in the composition of the portfolio should be expected according to demand, changes in the operating environment, etc.

If the Council is to continue to direct its assets and management resources in to the direct provision of accommodation for VCS organisations (rather than to withdraw, or take a facilitating or commissioning role, for example) it is imperative that the chosen management model continues to demonstrate value for money. Performance management and monitoring arrangements will ensure the basis of keeping the selected approach under review.

Alternatives Considered

In arriving at its preference to directly provide accommodation for the VCS the Council has appraised and discarded the following option. Therefore it is not considered further for the purposes of this review or the development of the estate management strategy:

Arms length management of the VCS estate: officers were asked to discuss arms length management models with the VCS. Initial feedback from the VCS Southwark Infrastructure Group: Premises Sub-group is that there is no appetite to become estate managers. Whilst it may be possible to find a commercial operator willing to take on the management of the estate it would be more pragmatic to make sure the estate was in good order, overall, before developing this idea further.

Agenda for Change - Issues the Management Strategy Must Address

Whilst the VCS estate has contributed much to date it can deliver more if past organisational and management obstacles are now worked through. The cumulative impact of these issues has been a diminished offer to the VCS and lost opportunities for the Council to achieve corporate outcomes, as the result of delayed decision making, inaction, additional costs and confused messages about the objectives for the estate:

- Creating an appropriate portfolio of assets: accepting that the portfolio will need to evolve if this is to be achieved and constructively working towards the best way to do this. Change happens – and there will be some difficult decisions to be made around it!
- Strategic Planning: the portfolio has been assembled over a period of many years. However, this has generally arisen in a piecemeal manner, without any clear guiding principles aligned to the achievement of corporate objectives;
- Management & Ownership of the Estate: key players in the VCS portfolio need to understand their roles and how they fit together within a defined structure. A strong asset management lead and a **consistent** approach will be needed to drive through the implementation of the strategy and to continue effective management thereafter and dedicated staff will need to be allocated.

- Communications and a Common Language: there has been an absence of common ground (and sometimes understanding) in the dialogue between internal stakeholders, property advisors, etc. Over the course of the work on a strategy for the management of the estate there here have been step-improvements in the way that officers and members communicate on VCS issues and in the outcomes achieved. It is essential that this momentum is not dissipated (and see “Management & Ownership” above).
- Resources & Value for Money: The Council’s resources are scarce, and demand-side pressures on their allocation are high. Using resources in a “smarter” way is part of the answer. A cultural shift amongst the VCS will be needed to accommodate this change. In short the Council cannot afford to operate in the same way that it has in the past.

A budget-neutral investment strategy is needed, with clear criteria covering revenue and capital investment decisions. Generally investment in the portfolio has been reactive rather than proactive. This is particularly reflected in the relative inertia in the composition of the estate and its condition.

- Risk management

The estate must be put into good order and kept in good order. Any outstanding repair poses a risk to the value of the asset itself and as the assets will be managed and financed as a coherent estate, an outstanding repair also poses a risk to the portfolio as a whole.

The assets within the estate must be compliant with all relevant statutory legislation and regulations. Non-compliance poses a risk to the health and safety of the employees, volunteers and users of an asset and this is therefore a risk to the council.

5. DRIVERS ACTING ON THE DEVELOPMENT OF A STRATEGY FOR THE VCS ESTATE

The wider context against which the VCS management strategy has been developed, and will now be implemented, needs to be briefly explained and its impacts assessed. This operating environment can be summarised in term of external and internal business drivers.

External Drivers

Policy

The 2006 Local Government White Paper “Strong and Prosperous Communities” laid down the basis for a new relationship between local government and its communities.

Published in 2007 Barry Quirk’s “Making Assets Work; the Quirk Report”, looked at Community Management and Ownership of Assets, concluding that Community organisations can realise tremendous potential by taking on the management and ownership of community assets. The Review examined potential barriers to more communities managing and owning assets and proposed ways to create an environment to encourage more community management and ownership of assets.

Quirk’s review proposed routes and recommended the development of the necessary skills base to enable communities who wish to take over management or ownership of a local asset through the “Councillor Call for Action”. It is accompanied by negligible capital funds to give local authorities financial support in refurbishing facilities that would be transferred to the community.

The Council is clear that the Quirk proposals do not intend the circumvention of Best Value / Best Consideration principles, nor to detract from the prudent stewardship of the Council’s property portfolio. Instead the proposals aim to support these imperatives. Nevertheless, the asset transfer proposals have raised a number of questions that are pertinent to our asset management planning, particularly around capacity, finance, and the risk of strategically fragmenting the portfolio. Therefore this strategy seeks to ensure that any proposal is consistent with the overall vision of the authority and with the principles of the Council’s corporate asset strategy, and is based on sound asset management practice.

Legislation

The body of legislation dealing with occupier and owner obligations continues to expand, and the cost of compliance to escalate. In some cases the discharge of these obligations falls upon the Council as landlord, and in others upon the building occupier under the terms of its tenancy. Examples include fire risk assessments and water testing. Condition and Compliance Surveys (see below) undertaken to establish the baseline position for the VCS estate have found that the estate requires some immediate investment and will require on-going revenue to keep in it a good state of repair and compliant with statutory legislation and regulations.

Financially the council is statutorily governed to obtain best consideration in the context and operation of s123 of the Local Government Act 1972 and Housing Act 1980.

Economy, Regeneration & Development

Southwark contains some of the poorest places it is possible to live in London, and the VCS is a potential means of directing services to deprived areas and those undergoing regeneration.

The Council's ambitious programme of regeneration covers in the region of 40% of the borough and needs to be viewed both as a potential "taker" of VCS accommodation, and the means by which new and better assets can be created.

The level of regeneration activity, or perhaps more accurately when that regeneration might happen, needs to be considered in conjunction with the wider condition of the property market. Some opportunities based on the prudent use of assets - including sale and re-investment - that would have been available as recently as a year ago are no longer feasible where there is a high dependency on the residential development market, or will be indefinitely on hold pending an improvement in the market.

The above is particularly true of lower quality and marginal residential development properties. However, it is important to remember that some buildings within the portfolio will be attractive to non-residential purchasers, in the same way that the Council is seeing good interest and concluding deals on assets being released from its offices portfolio.

Internal Drivers

Capital Resources

The Council operates an extensive, prioritised capital programme. There is a close inter-relationship between this programme, the authority's Revenue Programme, and the rationalisation of the Council's asset holdings.

Pressures to generate capital receipts (especially given prevailing market conditions) at best consideration and reduce pressure on Council Tax levels, are likely to cause the Council to seek out disposals at best consideration, and this may mean alternative, non-VCS use.

Equally it should be anticipated that any change or capital investment in the estate will need to demonstrate that it is self-financing if it is to be considered affordable.

Revenue & Other Resources

Pressures on revenue budgets arising from an unfavourable financial settlement from central government, coupled with the scale of the Council's financial operations present a clear risk to resourcing the management of the VCS portfolio.

However, over the 12 months that this strategy has been in development closer working arrangements between Social Inclusion and Property officers has yielded clear improvements in the way VCS matters are handled within the Council. This

momentum and investment would be lost if those roles do not continue to be adequately resourced.

There are immediate recruitment issues to be addressed, whether it is favourable in the existing climate to recruit externally or use internal staff resources to deliver the strategy.

Interaction with Other Asset Programmes

The Council has an active and extensive asset management programme, and this includes major corporate projects that are bringing about the transformation of its offices estate.

Subject to affordability the Council has resolved to retain the **Three Town Hall's** buildings – 151 Walworth Road, 31 Peckham Road and 19 Spa Road. There may be opportunities in each for an element of community use. There is additional scope for future community provision through the **Local Service Delivery Project**, either through incorporating community use in these locality bases, or through the strategies developed around buildings to be vacated.

Elsewhere in this paper it is recommend that the **Tenant and Resident Association Halls estate**, which has been reviewed concurrently with the VCS estate, should be managed in a manner which would enable the sessional use of the properties by providers from both the VCS and statutory sector as this could enable valuable service delivery to take place within the community.

Regeneration across the borough, the **Extended Schools Programme** and **Southwark Schools for the Future** are similarly changing Southwark and the range of accommodation opportunities available to the VCS.

6. BASELINE POSITION

The completion of a baseline review has been the first step in establishing exactly which properties are used by the VCS and gathering the information about the assets, and how they are occupied by the VCS.

In terms of identifying VCS occupation we have adopted the definition of the VCS used by the Home Office:

"Registered charities, as well as non-charitable, non-profit organisations, associations and self-help groups and community groups. Must involve some aspect of voluntary activity, though many are also professional organisations with paid staff, some of which are of considerable size. Community organisations tend to be focused on particular localities or groups within the community; many are dependent entirely or almost entirely on voluntary activity."

Occupation Arrangements

Most tenant organisations within the VCS estate occupy property under a fully repairing and insuring lease. This form of lease leaves responsibility for the upkeep of the structure of the property with the tenant.

However, many of the VCS tenants are not carrying out necessary on-going repairs.

Asset Condition

Pellings Ltd were commissioned to undertake basic condition surveys of the properties within the VCS estate.

The surveys categorised works according to priority.

The priority works were further categorised by officers into tenant responsibility and landlord responsibility. This was done with reference to the individual occupation agreement for each property and where this was missing or an agreement did not exist the responsibility was defaulted to the landlord.

Compliance

Cyril Sweett was commissioned to undertake an audit of compliance certification and a visual inspection for all properties in the VCS estate.

The results were categorised according to risk with no properties being able to evidence 100% compliance with the relevant statutory legislation and regulations.

The obligations with regard to compliance were further categorised by officers into tenant responsibility and landlord responsibility. This was done with reference to the individual occupation agreement for each property and where this was missing or an agreement did not exist the responsibility was defaulted to the landlord.

7. ASSET MANAGEMENT STRATEGY FOR VCS ESTATE - RECOMMENDATIONS

Recommendations – Key Points

1. Improving provision by achieving a smaller, affordable, portfolio of better quality assets that are fully utilised
2. Preserving the value of individual assets through appropriate repair and maintenance and of the wider estate by avoiding strategic fragmentation (linked to the Council's corporate asset objectives)
3. Develop ways of working with the VCS to achieve better utilisation of retained assets
4. Funded solutions that are budget neutral or better (including covering management costs and the cost of discharging landlord obligations)
5. New management models for multi-let properties to ensure fitness for use
6. Centralising management of VCS assets, underpinned by strong management lead, using the right people and building on existing communication structures
7. Agreement and implementation of a detailed performance management and reporting system, covering both the assets and their management
8. Regularisation of occupation and effective management including rent review, lease renewal, and enforcement
9. Transitional arrangements to assist the VCS in adjusting to the new management regime
10. More and better information flows internally to join up the property management approach, funding/commissioning officers and the VCS
11. Agree policy and protocol on asset transfer

Improving Provision

Through the adoption of the strategy it is acknowledged that creating a portfolio of fit for purpose assets will require the composition of the portfolio to change, for the number of assets to be reduced, and for activity to be consolidated in those that are retained.

This strategy recommends that work, to be led by the VCS Portfolio Manager (VCSPM - see below), continues with the VCS via the VCS Southwark Infrastructure Group: Premises Sub-group to develop hot-desking, shared facilities and a VCS resource centre. The solution(s) will need to be budget-neutral: there will be no capital or revenue available from current council resources.

The Tenants and Residents Halls estate could provide sessional delivery space to VCS organisations in the borough.

Multi-let properties

There are a number of multi-let properties in the borough such as the Sojourner Truth Centre. The majority are managed via the Peckham Programme but there are other examples in other parts of the borough. The VCSPM will review existing management models and where necessary develop new ones for these properties which better ensure that they are kept in proper condition and are compliant with statutory legislation and regulations.

Centralising & Managing VCS Properties in a Single Portfolio

Management of the council owned properties in VCS occupation is already being centralised into one portfolio to ensure a consistent approach is taken to these properties and their tenants.

Portfolio Manager & Liaison Officer

The successful implementation of the strategy envisaged in this document will depend on the appointment of two permanent members of staff: the VCS Portfolio Manager in Property and the VCS Liaison Officer in Social Inclusion to act as client for the estate.

Given the complex issues at play in the VCS estate, and nature of its contribution to the borough, it is considered that direct recruitment to an in-house role will be more successful than outsourcing the management of the estate (although the latter should not be precluded).

Support & Systems

In the short term the VCS Portfolio Manager will need administrative support to input the information collated during the asset management review and from the asset management plan into the Property IT systems. This support does not need to be permanent.

Manhattan, the Property database, will need some changes made to store the information and produce the relevant reports.

Regularising occupation

The asset management review identified a number of properties where there appears to be no valid formal occupation agreement in place.

The VCS Portfolio Manager will negotiate terms with these tenants in line with policy such as market rent.

Rent & Lettings Policy

The Council's current policies on rent and lettings to VSC groups were approved by the Council's Executive at its meeting of 4th November 2003. This policy was re-affirmed at the meeting of the Executive on 16th October 2007.

In particular, it was resolved that all occupations must be formalised by an appropriate written lease or tenancy agreement, reserving the appropriate open market rental value for the property. Transitional arrangements are allowed for at rent review, lease renewal etc.

The 2007 report also agreed that the current rent and lettings policy remains in place at least until the VCS asset management strategy has been completed.

Lettings

When properties in the commercial portfolio become vacant they will continue to be advertised in the normal manner and the best tenant will be found for the building. When the best tenant is from the VCS the property will then sit within the VCS portfolio whilst that tenant remains in occupation but will not be moved permanently into the VCS portfolio.

Those commercial properties currently within the VCS estate will return to the commercial portfolio when the property becomes vacant and will also be advertised in the normal manner.

The process will open up a greater range of properties to the VCS and prevent a gradual asset creep from the commercial portfolio to the VCS portfolio.

Maintaining the Estate and Managing Repairing Obligations

The Baseline Review found significant levels of disrepair and non-compliance across the estate.

It is understood that many VCS organisations do not have the necessary expertise to maintain the structure of a property and can not afford the high costs of buying in the necessary professional skills to inspect the property on a regular basis.

Addressing Maintenance Backlog

It is essential that the council as landlord addresses any urgent works immediately. Over the longer term a programme will be developed to address the non urgent works.

Where the tenant is liable they will be notified and the council will then expect notification back from the tenant within a specified period that works have been completed.

Many VCS tenants will find it difficult to fund urgent repairs from existing cash flows. In this instance the council could offer to carry out the urgent works and charge back the tenant at a negotiated rate. Alternatively, the council could offer the tenant the option to surrender their tenancy. This is best dealt with on a case by case basis in liaison with Social Inclusion as client, any relevant grant giving department and members. It is not possible to leave urgent repairs unaddressed as urgent outstanding repairs will pose a threat to the structure of the property and/or to the people using the building.

Where the negotiation described above fails to reach a mutual agreement, or the tenant fails to carry out the works after such an agreement has been made, or fails to pay the re-charge for such works, or fails to allow access to the properties to council staff or contractors, enforcement action will be taken against the tenant.

The council could decide to launch an amnesty for urgent repairs on the entire VCS estate and fund the works. However, there are many tenants who have kept the properties they rent in good order and an amnesty would effectively penalise these tenants.

In the longer term the VCSPM will commission regular condition surveys of the properties within the VCS estate to monitor future condition issues. It is suggested

that basic condition surveys are carried out on 20% of the estate each year. Revenue will be needed for regular inspections of the properties.

Compliance Issues

It is essential that the council as landlord addresses any issue with regard to non-compliance in properties where it bears responsibility immediately. The alternative is to close the building.

Where the tenant is liable they will be notified and the council will expect notification back from the tenant within a reasonable period that inspections have been carried out and that any works have been completed. This process has already started.

The council will work with the VCS via the VCS Southwark Infrastructure Group: Premises Sub-group to provide training and support for those tenant organisations that do not have the relevant expertise to make their properties compliant.

As with urgent repairs, it is likely that many VCS tenants will find it difficult to fund immediate inspections with and works from existing cash flows. In this instance the council could offer a package which tenants could buy into, whereby the relevant inspections are 'bought in' from the contractors used to manage the operational estate.

All incidents of non-compliance in a council owned property are a risk to the council. More importantly the properties themselves are a risk to those who occupy or access them. It is not a viable option to permit any non-compliance to continue on the grounds that it is the tenant's responsibility.

Where the negotiation described above fails to reach a mutual agreement, or the tenant fails to carry out the works after such an agreement has been made, or fails to pay the re-charge for such works, or fails to allow access to the properties to council staff or contractors, enforcement action will be taken against the tenant.

In the longer term the VCSPM will set up a system which alerts the council of the due date of all compliance certificates for properties in the VCS estate.

Where tenants bear responsibility they will be required to notify the council when certificates are achieved and should they fail to do so, the council will take enforcement action.

Where the council as landlord bears responsibility compliance certification will be kept up to date by the council.

Repairing Obligations in New Agreements

New occupation agreements are likely to leave the responsibility for the upkeep of the structure of the properties, particularly external upkeep, with the landlord, with repairs being charged back to the tenant. This will keep the estate in good order.

This should be a welcome change for many VCS organisations. However, where an organisation would prefer to retain responsibility for repairs they may be able to negotiate this if they can evidence that they have previously discharged this responsibility effectively.

Enforcement

Where it is clear that a tenant is not meeting repairing obligations, or any other terms of an occupation agreement, the VCS Portfolio Manager and the VCS Liaison Manager will contact relevant officers and members to discuss possible options prior to taking enforcement action.

The VCS Portfolio Manager and the VCS Liaison Manager will also seek to predict these events and bring the relevant officers and members together to discuss options when necessary.

The VCS Portfolio Manager and the VCS Liaison Manager will attend the Commissioning Officer Group and regular meetings with departments such as Children's Services to review cases where needed.

Where efforts to reach an alternative solution fail, enforcement action will be taken. The intention is to develop a self-sustaining VCS estate of properties in good condition. This will not be possible if all individual occupation agreements are not adhered to.

Transitional Arrangements

The aim of this strategy is to improve the offer made to the VCS.

Where a lease is renewed or a first rent review takes place between October 2007 and October 2011 which results in a significant increase in rent the organisation will benefit from transitional protection.

20% of the increase will be required in the first year rising to 40% in the second year, 60% in the third year, 80% in the fourth year and only 100% in the fifth year.

This transitional protection will not automatically apply where tenants were already in breach of their occupation agreement prior to October 2007 or to those occupiers who have been refusing to agree new terms for a period of 6 months prior to October 2007. *The transitional protection mechanism is not intended as an amnesty to all VCS occupiers of Council owned property.*

Option Appraisal Disposals and Alternative Use

Factors considered in the Council's detailed option appraisal methodology for assets include:

- Contribution to strategic rationalisation of portfolio
- Contribution to sustainability and greening of property holdings
- Reducing levels of maintenance required
- Compliance with legislation (DDA etc)
- Reducing revenue spend / improving value for money
- Improving facilities for service delivery, accessibility, usage
- Improving space utilisation
- Support for cross-service working, co-location, partnership working
- Support to modernisation and new working practices
- Potential to generate capital receipts

The VCSPM will undertake further work, in partnership with Housing, to assess the use of a number of residential flats and houses as VCS accommodation. In light of the compliance issues presented by converted residential units used for non-residential purposes it may, in some instances, be more appropriate to decant tenants and return the units to residential use via the Hidden Homes initiative.

Asset Transfer Policy & Protocol

The suggested asset transfer policy, to be approved via this strategy, is to adopt a transparent asset transfer protocol against which all requests will be considered.

This asset transfer policy and protocol is outlined in Appendix II.

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8. ESTATE MANAGEMENT ARRANGEMENTS

VCS Portfolio Manager

The 'Community Buildings: next steps' Executive report approved in October 2007 firmly envisaged the recruitment of a VCS Portfolio Manager, with a specialist knowledge of VCS property issues who would work in partnership with Social Inclusion on individual cases. Social Inclusion will act as client for this new portfolio.

This VCS Portfolio Manager post has not yet been recruited to on a permanent basis but has been covered on a temporary basis since October 2007.

The role calls for an unusual skills-set, since the post holder will need to combine general estate management skills with a thorough understanding of VCS organisational issues, the interdependency of local authorities and the local VCS in terms of delivering services and meeting statutory obligations and must be able to recognise the value many residents place on the VCS organisations within the borough and the "social capital" they generate.

Social Inclusion has had a temporary post holder working on the VCS review, the asset management review, plan and strategy whilst also working on individual cases with the temporary post holder in Property. The postholder in Social Inclusion must have an understanding of grant programmes within the council, corporate policy, corporate business planning and council structures as well as a working knowledge of VCS organisational issues in order to act as client for the VCS portfolio.

Community Action Southwark has recruited a permanent member of staff to advise the VCS in the borough on property matters.

Completing the Team

There has been a significant improvement in the internal relationships between council departments and the external relationship the council has with the VCS as a result of these three post holders working together.

The three post holders provide easy to find points of contact both internally and externally and are able to use their various areas of expertise to develop more flexible approaches to developing new provision and problem solving when issues arise with regard to individual properties.

The level of expertise within both departments is increasing and a more consistent approach to VCS premises issues is evolving.

Given the complexities of assessing requests for asset transfers, which will require a thorough understanding of the Corporate Plan as well as various service departments statutory obligations and may also require the ability to cost social capital and/or benefit, having the two post holders working together will be particularly important with regard to asset transfers.

Therefore the strategy will be to permanently recruit both a VCS Portfolio Manager within Property and a VCS Premises Manager in Social Inclusion.

Communication & Information

Feedback gathered before the completion of 'Community Buildings: next steps' suggested that improvements were needed in the collection and dissemination of information related to properties occupied by the VCS.

Due to the interdependent relationship between the council and the VCS the VCSPM needs a more detailed knowledge of properties within this portfolio than it needs to effectively manage the commercial portfolio. Much of this information has been gathered via the asset management review and it will be kept up to date by the new VCS Portfolio Manager. This will enable the council to provide up to date information to other officers and members, and the VCS where appropriate. It will also enable the council to map which organisations are operating from which properties and to identify where space may be available.

More importantly it will enable the council to make sure that these properties are all safe environments for those who work in and access services in these properties.

Improvements under the strategy will include monthly monitoring of rent payments that will provide immediate alerts to the VCS Portfolio Manager and the VCS Premises Manager if a tenant falls into arrears.

There also needs to be better information available to grant making officers and commissioning officers about events such as lease renewals, rent reviews, enforcement issues and any other event which could affect a tenancy. Similarly, there needs to be better information coming from grant making and commissioning officers of any change in funding levels which could affect a tenant's ability to pay their rent.

A first step will be to establish an internal bulletin board on The Source which will identify all VCS properties due to have a major event such as a lease renewal or rent review within the next 18 months. This will enable all grant making and commissioning officers to check on immediate changes which may have an impact.

Grant making and commissioning officers will also be able to contact the VCS Portfolio Manager to discuss the longer term issues connected to the VCS properties.

Grant making and commissioning officers will therefore be able to predict whether there will be changes to the funding levels needed and make relevant provision.

The VCS Liaison Manager based in Social Inclusion will take a pro-active role developing links with the grant making and commissioning officers and the tenant organisations themselves to insure they all understand current policy with regard to rent and lettings and the actions they will need to take to protect against rent increases, repairing liabilities etc. This post holder will work directly with the VCS to develop training days etc and to disseminate information to the VCS in the borough on property issues.

Vacant property is currently advertised on the Southwark website. This will continue but where properties are particularly suitable for VCS tenants the page will highlight this and provide links to relevant information such as the council's rent and lettings policy.

The majority of the leases the VCS organisations have with the council prohibit sub-letting. This is a legal safeguard to prevent tenants creating secure tenancies within

the council's estate. However, it is possible to amend these prohibitions to permit tenants to share space. The council will make these amendments where appropriate as it is understood that many VCS organisations depend upon sharing space to generate income and meet overheads.

With this in mind the council is working with CAS to set up an on-line notice board to alert VCS organisations of any available space to share in VCS properties in the borough.

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9. FINANCIAL POSITION - RESOURCES

The total income for the VCS estate is approximately £800,000 per annum. This presumes that all tenants pay all their rent and service charges.

The income should increase as unregularised tenancies are regularised.

The VCS Portfolio Manager will be expected to meet the same target income for the estate as the managers of the commercial estate.

The increase in income from the VCS Portfolio will balance the increase in expenditure on the additional resources needed.

The next call on the income will be for necessary repairs or improvements to the estate.

The properties will all fall within either the newly created VCS holding account or the HRA account. The income from either account will not be used for repair costs for properties in the other, in accordance with regulations.

It is possible that there will be surplus income in some years. The council can treat this as general revenue or use this income to support the VCS within the borough.

This income is unlikely to be of a consistent amount year to year as properties become vacant, tenants default on their rent etc. Therefore the strategy can no commit to a set amount for the surplus income.

The intention is not to reap the most possible profit from the VCS estate but to ensure there is sufficient income to keep existing properties in good repair and develop innovative additional models of provision such as hot-desking space.

APPENDIX I

**ASSET MANAGEMENT PLAN FOR VCS ASSETS
EXECUTIVE SUMMARY**

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ASSET MANAGEMENT PLAN FOR VCS ASSETS EXECUTIVE SUMMARY

The information gathered in a Baseline Asset Review has been used to develop a draft Asset Management Plan for VCS Assets. This provides basic information on each individual property such as who occupies it, whether there are restrictions on the property in terms of use, if the property would remain in the VCS estate if vacant, the capital and market rental value, etc. This basic information also includes an assessment of the benefit the council derives from retaining the property and a description of its role within the VCS estate.

The Asset Management Plan is in draft form as it is expected to be updated over the next three to six months as the VCS estate is centralised and linked work on the Local Service Delivery Project, Community Hubs and Tenants and Residents Halls is completed. It includes a description of the assets on a property by property basis.

Upon adoption the Asset Management Plan will be central VCS estate management arrangements. Integral to this will be a detailed performance management system. Specific performance indicators are outlined below. Corresponding output and outcome based targets will be settled in the course of developing a detailed implementation plan for the VCS Asset Strategy.

Key Findings

The VCS estate has a valid contribution to make to the overall wellbeing of the borough and in so doing, help the Council achieve its corporate objectives.

By centralising the portfolio and taking a holistic approach to its management there is scope to improve the economic and social return from the estate in an affordable way:

- Regularisation of all occupation and lease events (rent review, lease renewal, etc) to ensure income to the portfolio is maximised
- Rationalisation through disposals
- Sustainable and affordable investment to achieve sustainability in the retained estate

Performance Management & Monitoring

Effective arrangements for managing and monitoring the performance of both the VCS Strategy and the VCS portfolio will be a key element in the implementation of the Asset Management Plan.

The objective of introducing a Performance Management System is to track the progress of the VCS Asset Strategy and its implementation. Measuring the performance of the assets asks (and through a carefully selected set of metrics, answers) the key question “what difference is the strategy making?”

Integral with the gathering of these data will be the ability to interpret and judge the

message they relate, and the implementation of robust reporting arrangements.

OBJECTIVE	CRITICAL SUCCESS FACTOR	INDICATOR
Financial Stability & Sustainability of Resources	Completion of a corporate VCS asset management strategy	Approval by Executive Option appraisal methodology established and used in decision making about assets including reinvestment strategy Detailed review of potential assets for disposal including valuation Disposals identified of not fit-for-purpose buildings for reinvestment in the remaining portfolio Sustainable models of future provision identified with appropriate governance arrangements
	Potential for alternative use of assets	Undertake review in partnership with Housing Department, to assess the use of e.g. residential flats and houses as VCS accommodation / return to residential use Co-location / joint use / community use criteria incorporated in other asset options appraisals
	Establish current use and capacity for expansion or redevelopment.	Completion of baseline review
	Rent collection in line with Policy (consistent with investment portfolio performance targets)	Collection/debt levels / rent review and lease renewal targets

OBJECTIVE	CRITICAL SUCCESS FACTOR	INDICATOR
Maintaining the Retained Estate	New leases to place the responsibility for structural repair on the landlord, with costs charged back to the tenant.	Review standard form of lease
	Establish condition, compliance/non-compliance of assets	Completion of baseline review
	Arrangements in place for condition monitoring programme	Commission 20% rolling programme of condition monitoring surveys
	Repairs by landlord or tenant according to lease obligations / agreement developed from findings of prioritised condition survey	Programme in place, monitored, and progress reported
	Achieving compliance etc	System of alerts in place

Proposal for Detailed Maintenance and Condition Indicators

The following indicators are the National Property Performance Management Initiative (NPPMI) performance indicators dealing with maintenance and condition.

They are used in the Council's main Asset Management Plan, and are provided here in order that the Council can review them and decide whether their adoption will

provide useful additional perspective on the performance of the VCS estate in these key areas:

No.	Indicator	Category/Level
PMI. 1 A	% Gross Internal floor space in condition categories A-D	Cond. Cat A
		Cond. Cat B
		Cond. Cat C
		Cond. Cat D
PMI. 1 B(i)	Required maintenance as total cost In priority levels 1-3	Priority Level 1
		Priority Level 2
		Priority Level 3
PMI. 1 B(ii)	Required Maintenance as a % in priority levels 1-3	Priority Level 1
		Priority Level 2
		Priority Level 3
PMI. 1 B(iii)	Overall cost per square metre GIA	-
PMI. 1 C	Annual percentage change to total required maintenance figure over previous year	-
PMI. 1 D(i)	Total spend on maintenance in previous financial year	-
PMI. 1 D(ii)	Total spend on maintenance per square metre GIA	-
PMI. 1 D(iii)	Percentage split of total spend on maintenance between planned and reactive maintenance	-

OBJECTIVE	CRITICAL SUCCESS FACTOR	INDICATOR
Effective Management of the Council's VCS Portfolio.	Centralising council owned properties occupied by the VCS within one portfolio.	<p>Identification of all assets to be held in the portfolio</p> <p>Confirmation of management responsibility</p> <p>Resourcing & recruiting dedicated Estate Manager at senior level</p> <p>Support recruitment of VCS Liaison Officer</p> <p>Develop and implement communications plan confirming and communicating all other responsibilities</p>
	Capturing and managing performance of the strategy, its implementation and the management of the estate.	<p>High level performance Indicators agreed</p> <p>Corresponding detailed indicators in workplans</p> <p>Reporting arrangements in place for performance of VCS strategy and portfolio</p>
	Programme for regularising occupation, rent review and lease renewal position	<p>All lease events diarised in Manhattan and incorporated in workflow procedures</p> <p>An internal bulletin board on the source which will identify all VCS properties due to have a major event such as a lease renewal or rent review within the next 18 months.</p>
	Effective enforcement / intervention where deemed necessary	Protocol and communications agreed and in use

OBJECTIVE	CRITICAL SUCCESS FACTOR	INDICATOR
Improving the offer to VCS Organisations	Alerting VCS organisations to available accommodation	<p>Advertise potentially suitable LBS property on LBS letting site</p> <p>Provide links to relevant information such as the</p>

		council's rent and lettings policy. On-line notice board to alert VCS organisations of any available space to share in VCS properties.
	Asset transfer approach defined	Asset transfer policy / protocol in place

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APPENDIX II

ASSET TRANSFER POLICY & PROTOCOL

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ASSET TRANSFER POLICY & PROTOCOL

“Asset transfer refers to local communities’ ability to acquire land and buildings, either at market value or at a discount, in order to deliver services that meet local needs. It is seen as one way in which local authorities (in particular) can support the development of social economy organisations, and thereby meet their wider strategies for renewal and improved delivery of local services”

Asset Transfer Final Report ; Pulse (2004)

The government is keen to encourage local authorities to review their asset holdings and transfer these assets to VCS organisations where it is appropriate to do so. The Quirk Review recommended that local authorities develop an asset management plan for the properties they own which are occupied by the VCS. This sets a context against which requests for an asset transfer can be considered.

Asset Transfer Policy - The Council’s Perspective

The council has transferred a variety of assets to VCS use and supports asset transfer where appropriate. Nevertheless, this strategy report highlights reasons why it will be advantageous for the assets to be retained in the majority of cases provided they are properly managed, and that function is properly resourced by innovative methods.

The Council will need to reconcile asset transfer opportunities, and having the powers to do this, against internal considerations including the generation of capital receipts.

Considerations will include:

- Wider asset strategy considerations and the strategic integrity of the estate - a business case showing that the transfer is the best use of the asset according to the Council’s own asset management planning process;
- Social return against investment return – value for money and a compelling argument that the transfer will result in significant social benefit to residents of the borough;
- Whether there are cases that warrant an alternative to the capital generation presumption
- Whether VCS organisations can present purchase/investment packages that warrant excluding full market exposure when land sales are being explored
- Robust evidence that the applicant meets all the necessary criteria and has the capacity to look after the asset in the long term

Council assets will not be transferred simply to provide organisations with economic leverage.

Asset transfers will generally be granted as a 25 year lease at Market Value (Market Value can include rent discounted against capital improvements). Longer leases may be negotiated but there is a general presumption against freehold transfers.

Asset Transfer Protocol

The Council will publish its policy on the corporate website with clear guidance on how to make a request for the transfer of a particular asset. This will include the Asset Transfer Pack which includes a formal process via which applications and decisions will be made.

All applications will be considered in the context of the Corporate Asset Management Plan, the Voluntary Community Sector (VCS) Asset Management Strategy and the VCS Asset Management Plan.

All requests must be made via the Property Department who will process the application in consultation with Social Inclusion as client for the VCS Portfolio. The decision making body for the first stage of the process is the Asset Management Review Board and any viable requests will then be subject to the normal Council decision making processes.

Asset Transfer Pack

A draft of the Asset Transfer Pack is attached as an Appendix.

The process has two main stages. The first involves an application for asset transfer which will gather basic information about the applicant and its proposal, and allow the Council to decide whether to progress the transfer request further. At the next stage there will be a detailed feasibility and business case appraisal.

Note on Legal Background to Asset Transfer

Section 2 of the Local Government Act 2000 allows the Council to undertake actions that can be expected to achieve the economic, social or environmental well being within the borough.

The Local Government Act 1972 as amended by the General Disposals Consent (England) 2003 circular sets out the specific circumstances in which assets may be transferred, and requires Secretary of State approval to asset disposals at less than best consideration.

Amongst its other provisions the 2003 circular permits the transfer of assets from public bodies to community organisations at less than best consideration without requiring Secretary of State approval, where the difference between the unrestricted value of the interest and the consideration accepted is £2 million or less.

Schools disposals require separate approval.

Leases

Under certain circumstances the Council has powers to grant leases of premises at less than market rents, although unless the lease relates to premises to be used for

recreational purposes this applies only to agreements of seven years or less duration.

Compulsory Purchase & Planning Powers

The Council has a range of compulsory purchase powers to bring about the acquisition or disposal of land for specific purposes. Most commonly this will be under Section 226(1) of the Town & Country Planning Act 1990.

Section 106 of the same Act (as substituted by the Planning & Compensation Act 1991) provides that local authorities can procure planning obligations from developers in mitigation of the impact of new development, and this may include the creation of community facilities.

Imposing Restrictions

Where assets are transferred the Council may consider it appropriate to impose restrictions on how the asset can subsequently be dealt with. This may include the use of restrictive covenants requiring the preservation of the asset and the value it represents for the benefit of the community.

Alternatively the Council may choose to retain the freehold in the asset and maintain control through the contractual position set out by the lease granted.

DRAFT ASSET TRANSFER PACK

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Asset Transfer Pack [heading]

[following in text box on front of form]

You will need to read the information in this pack.

Your organisation must be able to satisfy the Conditions of Grant Aid included in the pack. All VCS organisations in receipt of financial support from the Council must satisfy these conditions.

If, after reading the pack and taking note of the information and documentation we require from you, you still wish to make a formal request for the transfer of a particular asset to your organisation, you need to complete section 1, section 4 and section 5 of the 'asset transfer request form' and return it to the address below with all the documentation requested.

If the Council is satisfied that your organisation meets all the necessary criteria and that you have returned all the required documentation the Council will complete section 2 and section 3 of the form.

Based on the information collated an officer will then make a recommendation to the Asset Review Board. The Asset Review Board will then decide to either progress your request to the next stage or to inform you that your request has been rejected.

If the decision is made to progress to the next stage an officer in the Council's Property Department will carry out a feasibility study, including a business case. **Your organisation will be expected to supply much of the information and documentation needed and your request will not be successful if you fail to do so.** The Head of Property and Head of Social Inclusion will then decide if there is a good case for progressing your request further. If they recommend progressing, it will then be subject to the normal Council decision making processes and delegated powers.

Officers will endeavour to deal with your expression of interest quickly. The onus will be on your organisation to complete section 3 and section 4 of the form and supply the required documentation. Officers will only be able to provide basic advice on how to complete the form.

Completing the form correctly doesn't guarantee a favourable decision. In most cases the Council will retain the asset.

If your request is rejected the Council will provide an explanation. There is no obligation on the Council to transfer its assets out of its ownership or management and you should not treat the explanation as grounds for appeal. There is no appeal process.

Stage 1: Asset Transfer Request Form

[to be formatted as an application form]

[assume that those in italics indicate that this information is critical and may be enough on their own to determine the application. Eg: an asset in the commercial portfolio will not be transferred]

Section 1: details

[to be completed by the applicant]

Address of the asset

[box for officer to complete with manhattan ref etc]

Name of the applicant organisation

Name of the director

Name of the contact person for the purposes of this application

Address of the applicant organisation

Telephone number s/b

Telephone number direct line

Email

Section 1: background information on the asset

[to be completed by officer]

1. Note: VCS portfolio
 Commercial portfolio
 Operational estate
 Disposal register

2. Does the council have a sufficient title or interest to transfer the asset?

(nb: if 'no' the officer must establish if this can be overcome at the beginning of stage 2, or if any doubt this must also be established at beginning of stage 2)

3. Are there any legal restrictions on use?

4. If yes, are there any absolute prohibitions against proposed use or disposal?

5. *Is there a reasonable expectation that the prohibition could be removed without expending an unreasonable level of resources?*

6. *Is there an absolute directive / obligation supporting the current or proposed use?*

7. Are there any planning restrictions on use?

8,8,10. repeat q 4, 5, 6 in planning context.

11. is the asset currently fit for purpose for the proposed use?

12. *If not fit for purpose for the proposed use, does the proposal include adequate measures to make it fit for purpose for the proposed use?*

(this can include a robust strategy on part of the applicant and evidence that they have the right personnel and/or experience to implement this strategy)

Section 2: Corporate Asset Management Considerations

[to be completed by officer]

1. *Is the impact of the proposed transfer on the VCS portfolio / operational estate's business plan sustainable? (eg %age of overall income lost etc)*
2. *Is there a preferred operational use for this asset that could not be achieved more effectively and/or cost efficiently by using another asset?*
3. *would the transfer be consistent with other Council strategies?*

[nb officer completing assessment can/should refer this to the asset review board to answer]

4. would the preferred use be compliant with the UDP?
5. *is there a reasonable expectation that a robust planning argument could be made to overcome non compliance with the UDP?*

Section 3: the applicant

[to be completed by the applicant]

1. please confirm that you satisfy the Council's 'Condition of Grant Aid' criteria included in this pack or identify the criteria you do not satisfy.

[condition of grant aid currently draft document]

2. Which of the following describes your organisation:

- registered charity
- company limited by guarantee
- unincorporated association
- other – please describe

3. bank account name

4. please provide copies of the following:

- constitution
- memorandum/articles of association
- audited accounts or financial statement
- management committee membership details

- latest annual report
- equal opportunities policy

Section 5: the applicant's property history

This section is to be completed by the applicant. At this stage the council is compiling background information only to help it decide whether to progress the request for the transfer of the asset to the next stage.

1. Do you currently occupy a property?

Yes: go to section 5 q 3

No: go to section 5 q 2

2. The Council would generally require evidence at this point that your organisation has the experience and capacity needed to manage a property asset. However, there are case studies of organisations with no previous experience of building management having successfully transformed an asset into a thriving facility. Use this space to tell us why your organisation has the potential to manage this asset?

TEXT BOX HERE

3. On what basis do you occupy your current property?
4. If your organisation does not own the freehold of the property you occupy, please provide details of the building owner / landlord so that we can approach them for a reference.
5. Please confirm that you are happy for us to conduct a site visit to your current property and that we should contact the person named in section 1 to arrange this.

Stage 2: feasibility study

The feasibility study should consider the impact of transferring an asset from the point of view of the Council, the organisation to whom the property would be transferred and the residents of the borough. An impact can be negative or positive and in some rare circumstances it could be determined that there is no impact.

There must be a cogent business case to transfer the asset. This can not simply be a business case written from the point of view of the recipient organisation. The business case must also present the benefit the Council receives from transferring the asset.

The organisation making the request will be expected to supply the officer with information as and when required. If they fail to do so, the request will not progress.

Please note that assets will not be transferred simply to provide the applicant organisation with financial leverage. Assets must also be protected via the transfer arrangements from being used simply to generate revenue funding for the applicant organisation via resale, letting etc. The applicant must demonstrate that intend to occupy the asset in the long term and that they intend to deliver services from the asset.

A good business case would cover and/or include as a **minimum**:

- Would the transfer necessitate or depend upon Council capital or revenue for seed and/or match funding, fees, refurbishment, building repair, fit out costs, on-going core costs, future services etc
- Has the applicant made a definitive statement that it will not require such contributions from the Council?
- Is it clear how any capital costs will be met?
- Is it clear what the overall capital costs will actually be?
- The impact on the Council, including specific departments and/or services, of the loss of the asset itself or of any revenue income.
- The impact, if different from the above, on current or future services contracted by the Council.
- The impact on the Council of the loss of any capital receipt that could potentially be receivable in the future.
- The implication for the Council's capital and revenue programmes.
- The benefit to the Council of transferring the asset.
- The benefit/disbenefit to residents of the borough.
- Any identifiable benefit or disbenefit to the VCS in the borough as a whole and the VCS in the immediate vicinity.
- Where the applicant is not the existing tenant, the impact on the existing tenant(s) and the users of the services they provide.
- The financial capacity and/or sustainability of the applicant organisation.
- The building management capacity and track record of the applicant organisation.
- The applicant's history as a tenant of the Council and/or other landlord (if applicable).
- Evidence that the asset transfer will result in improved services of increased provision for residents of the borough (this may relate to a specific interest group).
- Evidence that the services provided fit with the Council's priorities.

- The current accounts, budget, cashflow, business plan of the recipient organisation.
- The proposed budget, cashflow, business plan of the recipient organisation after transfer.
- Evidence of funding sought and received for the past 5 years and the next 3 years (this must be itemised).
- The duration left of any secured funding.
- Current income generation of the applicant organisation.
- Proposed income generation of the applicant organisation after transfer.
- How the applicant would meet legislation relevant to the services they intend to deliver (eg Ofsted, Childrens Act etc).
- How the asset could be made fit for purpose if it does not currently suit the proposed use.

The case officer will inform the applicant of the information which they need to provide and the onus will be on the applicant to provide it within a reasonable timescale and in a legible format.