

A Guide to Community Asset Transfer



Version FINAL DRAFT

29 August 2025



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1. About this guide

Since the introduction of the Local Government Act 1974, Local Authorities (LAs) may dispose of properties (sell or lease) at what is known as 'less than best consideration' i.e. less than the market value, however, there must be a provision for that undervalue to be measured, assessed, approved and agreed through social, economic and sustainability wellbeing in order to meet these requirements in law.

In 2011 the Government introduced the Localism Act 2011 which sought to empower communities to self-manage. Simultaneously, reduced Government grant funding required Councils to consider different ways of delivering community services. With this in mind, a policy was developed to specifically manage this process.

Leicester City Council's Constitution contains the Land Transaction Rules which guide the disposal process. The Community Asset Transfer (CAT) Policy sits within the Council's Land Transaction Rules.

The CAT Policy is a voluntary process entered into proactively by Local Authorities and in 2014 Leicester City Council developed a defined Policy. The Policy was updated in 2022 and 2025 through the Council's continued commitment to localism and community initiatives.

The Council recognises that community ownership of relevant land and buildings can transform neighbourhoods, support thriving communities, and unlock the power of community.

Community ownership also enables local people to take control of the important spaces and buildings which matter to them locally, to meet the priorities and needs of the local area.

Community Asset Transfer is the transfer of a publicly owned asset (usually land or buildings) to a community organisation. Community Asset Transfers come in many forms whether it be via a short-term licence, a lease of under seven years (short-term lease), a disposal via a lease of seven years or more, or on rare occasions through the freehold disposal of an asset. Licensing, leasing or disposal can be completed at market value (our starting point) or at a reduced market value/rent through a thorough assessment of social, environmental and economic wellbeing benefit being provided on behalf of the Authority. These benefits are assessed on an individual case by case basis.

The circumstances for each property will be unique to the asset and the organisation benefiting from it and each is evaluated on its own merits.

This guide provides information and guidance about the Community Asset Transfer process at Leicester City Council and guides you on your community ownership journey.

2. Introduction

As a community organisation, you might be thinking about securing premises to develop your community activities, services or community business. Or it might be that a local building is threatened with closure, and as a group of residents you want to save it.

Whatever your starting point, a Community Asset Transfer is a formal process. While the end results are worth it, it requires a long-term community commitment, passion and ambition.

2.1 How to use this guide?

This guide takes you through your community ownership journey in five phases:

- Imagination
- Discovery
- Building relationships
- Negotiation
- Taking ownership

These phases are not intended to be followed sequentially. Many of these phases will be happening at the same time, rather than sequentially, and we highlight how these overlap throughout this guide.

This guide can be used as a companion throughout your journey. It brings together key information, advice and support which already exists, and signposts you to further resources, where relevant.

2.2 What is the difference between Community Asset Transfer (CAT), a disposal at less than best consideration and the Community Right to Bid?

- **CAT** and disposal at less than best consideration only applies to publicly owned assets. The Right to Bid applies to both public and some private assets.
- **CAT** is the transfer of management or occasionally the ownership of a community asset to a community group to run community services on behalf of the Authority. Disposal at less than best consideration (i.e. under market value) applies to any asset the Council wishes to dispose of. The Right to Bid provides a six-month pause on the sale of an asset so that the community can raise money to purchase on the open market.
- **CAT** is a voluntary process entered into proactively by public bodies. Disposal of a Council asset at less than best consideration is a Council decision. The

Right to Bid is a legal right and applies to all assets listed as Assets of Community Value.

2.3 Key terms

Freehold: Outright ownership of land or buildings.

Leasehold: Where one party acquires the right to occupy land or a building for a given length of time. Rent level is assessed on the merits of the business case and starts at market value and will be assessed on the merits of each case.

Long lease: A leasehold of at least 25 years or more.

Business model: The way the organisation generates income or value from its activities – e.g. selling goods and services, rental income, delivering contracts, charging fees.

Business plan: This will include the business objectives, the evidence and reasons why the objectives are achievable, and the plan for meeting these objectives. It should be based upon local market conditions and research.

Exclusions: You will note, that there are several exclusions within the CAT Policy. We will review all aspects of your application at the Business Case point to ensure the group applying meets the CAT Policy. Below are some examples of excluded groups. This is not an exhaustive list, however the Council reserves the right to decline an application or end a lease for any reason if the Council's reputation is at risk.

- Unregistered groups i.e. organisations which are unincorporated bodies with no trustees (legal advice is sought on each occasion).
- Tenants that have occupied Council assets and who are in material breach of their existing lease.
- An organisation that is no longer a registered charity under the charity commission or has been struck off for any reason.

Feasibility: The ability of the project to meet its objectives, given its context and the resources available.

Viability: The ability of an asset to cover all its costs with income over a specified period. This period is usually 3-5 years, although for larger projects, or where bigger loans have been taken out, this period will be longer.

3. Imagination and Vision: Starting your ownership journey

Your community group's ownership journey should begin by thinking about the end goal: imagine owning the land or building and being responsible for its ongoing maintenance and management.

It is crucial to consider: what will community ownership look like in practice? What are your community groups overall objectives and vision for the asset? What are you trying to achieve through community ownership?

While much of your community group's early focus and attention will be on acquiring the asset itself, the group should also be thinking in detail about the range of activities that will eventually take place within it. The asset itself is not 'the business' and the community group will need to consider how to generate sufficient funds to maintain the bricks and mortar and provide the services within. Even if the community group's key goal and motivation is to save a building from demolition or closure, its long term sustainable future needs to be at the forefront of your community group vision.

Involving the community in imagining and co-creating this vision is essential to generate ideas and support. Community groups should also bear in mind that this vision may need to change throughout the process. Community views or advice from the Council might cause your organisation to change track, or detailed feasibility work might prove the organisation's original idea unworkable. Therefore, flexibility is key. Don't become so fixed on your original idea that it scuppers the whole project. It is, therefore, important that community groups keep their vision under review and make sure that their board, members and wider community are with you as you shape and reshape your organisation's vision.

4. Discovery:

Considering your options

Developing plans for an asset is a process of discovery, considering all the options and practical steps required to turn your vision into reality.

4.1 Get to know the asset:

It is essential that you find out as much information as possible about the potential asset:

- **Are there planning restrictions or covenants in place?**
Leicester City Council could supply this information however an independent legal review should be sought. What are the building conditions? Your organisation should undertake an initial site visit, preferably with an appointed professional surveyor/professional team who will provide an assessment report of the asset.
- **What are the current management and running costs?**
It is important to think about management and maintenance costs early on.

4.2 How will you make the asset financially sustainable?

To demonstrate that the asset will be financially and environmentally sustainable, your organisation will need to develop a sustainable business model. There are a range of options to consider, including:

- **Community business and trading:** The asset might provide premises for a new or expanded community business.
- Venue hire:** The asset could be hired out for functions and events.

4.3 Funding and investment options:

Asset transfer and ownership will require funding, and your organisation will need to consider how they will access funds for the stages in their journey.

- **Discovery and Planning:** The cost of finding out about the building and then paying for any refurbishment designs and costing the organisation's plans.
- **Refurbishment:** There may be a need to refurbish a building to allow better or new services to be delivered.

4.4 Forming your organisation:

Knowing your organisations' options for a legal structure and governance model is an important part of the discovery phase. Your organisation's legal structure should be considered alongside its business planning.

Therefore, organisations need to think carefully about their governance options and legal structure early on, but they should only decide which model to adopt once they have settled on their business plan. If you are a new at pulling a group or organisation together, start with a simple constitution to enable the group to raise funds for any early-stage development work, and decide on a final structure once your group has agreed its business plan.

5. Relationships:

Growing your supporter base

Developing and maintaining relationships will be a key theme of your community ownership journey.

5.1 Community engagement:

Community engagement is an essential part of building support for your project locally. Therefore, you will need to mobilise support from local residents.

If open conversations and engagement with the community do not occur, then there is a risk that your project could generate mistrust or opposition locally. Hence, it is vital to have a communications and marketing plan in place to drive forward your engagement with the community.

Community engagement can range from providing information and collecting views and opinions, to active participation and collaboration.

5.2 Funding and investment options

Making sure that your trustees are actively involved in creating the vision for your project will be very important. Supporting them to engage with the process, rather than simply informing them, will significantly increase the likelihood of achieving your long-term aims for the project.

6. Negotiation: Securing the asset transfer

Negotiating the asset transfer can be a long process with several rounds. As the negotiation progresses, you will need to refine and strengthen the plans you developed during your initial discovery phase.

As part of this process, it is crucial to have all the key information about the asset, including potential liabilities. Leicester City Council will provide you with information about the asset, including the current tenancy arrangements and running costs. The Council will not give any warranties as to the state of the asset and therefore all liabilities will pass to the community group. A full condition survey will need to be commissioned to flag important issues, such as structural defects, land contamination, asbestos or listed building status.

6.1 Develop maintenance and management plans:

This is an important step to understand how much your asset might end up costing you to operate and maintain in the long term.

Some items of expenditure occur on a cyclical basis – such as electrical equipment testing and gas checks – whereas others are unplanned (reactive). Therefore, it is good practice to set aside a budget for emergency repairs, say 5-10% of annual income. Using volunteers will keep your costs lower, but do not take short cuts where professionally qualified people are required. You should also assign responsibility for overall maintenance and management and health and safety considerations.

6.2 Refine your business plan and secure your funding options:

A detailed business plan will be an essential part of securing the agreement with the Council. It will also form the key document for your funding applications.

In addition to key information about your organisation and mission, your business plan should include:

- Product/services pricing and projected sales/outputs
- The current market and operating environment
- Risk analysis
- Resource needs and business operations
- Income and cost projections
- Funding and finance needs
- Cashflow forecasts

6.3 Forecasting and cash flow:

You must forecast your income, capital costs (such as structural and building works) and revenue costs (such as ongoing facilities and maintenance costs). Cashflow is key as project failure is often due to poor cashflow, rather than overall lack of profitability.

Once you have forecasted your income against your costs, you should make sure that surplus is forecasted as cashflow. Your forecasting will also show you where your gaps in cashflow are likely to be, and therefore how much working capital you will require for your day-to-day operations to get you up and running.

6.4 Whole life costing:

You will also need a 'whole life costing' for your asset to help you plan. This requires considering all the long-term relevant costs and revenues associated with an asset (over the period of the lease). You will need surveyor estimates for the operational, repair, upkeep, building and landscape elements of the asset.

6.5 Negotiating your leasehold agreement:

Getting to the point of negotiating the terms of transfer is a key achievement. This is an important stage, and the terms of your agreement will have a huge impact on the viability of your plans for the asset in the long term.

As part of this process, the Council will issue a 'heads of terms' document which will provide clarity on what is to be transferred, to whom, and on what terms.

7. Taking ownership: Handover

Once you have been handed the asset, there are number of key risks that you need to consider:

- **Regular board meetings:** During the first few months, it will be important for trustees to meet more regularly so that key risks can be discussed and mitigated against.
- **Tight cost controls and stable cash flow:** Micromanaging your finances during this period is key to having working capital and to eventual success. This will help to make sure you can keep cash-flow positive and ensures you can take action to improve situations as soon as possible, if necessary.
- **Keep talking to the Council:** Ideally, regular communication will be a key part of the Council's post-transfer support. Make sure you secure a named contact for follow-up, keep them updated on your progress, and keep in touch with any Councillors who were champions through your asset transfer journey.

8. Aims of the Community Asset Transfer Policy

1. The Council's assets where no longer required for Council purposes, can be used for a variety of different social, community and public purposes. For surplus to requirement assets, community management or ownership is expected to deliver improved:
 - Benefits to the local community
 - Benefits to the Council and other public sector service providers
 - Benefits for the organisation taking ownership
 - And, when an asset transfer will be assessed at less than best consideration, that it contributes to the promotion or improvement of the social, economic or environmental wellbeing of the area, that this has been established through the Business Case, and that the provisions of the Land Transaction rules are satisfied.
2. To be a tool in the flexible management of the Council's assets to maximise their contribution towards achieving the Council's strategic objectives.
3. It is recognised that changing ownership or management of an asset can offer opportunities to extend the use of a building or piece of land and increase its value in relation to the numbers of citizens that benefit. Community-led ownership also offers additional opportunities to secure resources and/or funding that would otherwise not be available, empowering local citizens and communities to provide enhanced community-led facilities.
4. The Council will seek the transfer of appropriate assets to community groups in order to promote the widest public value that can be achieved in relation to, for example:
 - The Council's Strategic Objectives
 - Facilitate inward investment
 - Community empowerment and greater control over community-led facilities
 - Area-wide benefits
 - Building the capacity of the community and encouraging sustainable community organisations by building partnerships
 - Economic development and social enterprise
 - Improvements to local services
 - Value for money

9. Key Principles for Asset Transfer

1. Engagement and empowerment of community groups and social enterprise support.

Under this strategy the core principle must be for the Council to support the engagement and empowerment of community groups to develop their capacity to deliver local solutions to meet identified needs. These are likely to vary from training opportunities to support services and must support the aims and priorities of the Council.

2. Only potential assets and not liabilities should be transferred.

The transfer of assets that will contribute towards maximising the prospects of developing sustainable community groups and enterprises will be a key consideration. For the Council, assets in their present circumstances may be liabilities but a careful transfer can potentially provide community groups with financially viable assets. This may be the case where for instance community bodies can access grants to improve facilities and provide services that the Council cannot access.

3. A community wide perspective should be adopted involving close working with other public and voluntary sector partners. The policy on community asset disposal is part of a long-term programme of support to, and partnership with, community organisations.

The Council will involve all relevant partners in developing asset transfer proposals to ensure there is no conflict with other initiatives involving public and voluntary sector partners. The opportunity to identify potential benefits of wider partnership working will also be taken into account particularly where this assists with the sustainability of a transfer. This can bring additional resources by way of staff support and funding opportunities.

4. Community groups/enterprises should have robust and sustainable business plans for asset transfer seen as part of their wider development plans.

For a successful asset transfer a robust and sustainable business plan will be required. It should form the basis for clear development plans which set out what the community group or enterprise intends to deliver through management of the asset over the short, medium and long term.

Financial considerations should be included within the business plan in order to demonstrate a sound approach to managing and running the facility. The need for any on-going financial support will be carefully considered by the Council to establish a sustainable operation.

5. The tenure offered will be dependent upon the governance capabilities of the community organisation.

The disposal may be based upon a management agreement, meanwhile use agreement, licence, lease or freehold sale and this will be dependent upon the circumstances of the property and the governance capability of the organisation. It is anticipated that the security of tenure to the applicant would be subject to improvement over time in accordance with the success of the project and the growing strength of the applicant in terms of community governance capability. The general principle will be against freehold sale unless the particular circumstances of a case require.

Where there is a transfer of service provision, a community asset transfer may be accompanied by a Service Level Agreement identifying the benefits and how these will be monitored and measured, together with the remedies available to both parties if the Service Level Agreement is not met. This SLA will be in effect a contract for provision of services and will need to be compliant with procurement and state aid requirements.

6. Support for the community group or enterprise from the Council should be on-going at an appropriate level which is required to support the group's development plan over a realistic time period.

Whilst the Council will aim to provide support during (and for a reasonable period beyond any transfer) the Council has limited resources. Discussions need to take place to agree how, and over what period the support will be provided by the Council. It is likely that on-going support may in some cases be better provided via other organisations and the Council can help to suggest such support.

7. The Council will include terms and conditions in disposal documents to safeguard the position should the community asset transfer fail to deliver the anticipated benefits.

The Council will reserve the right to include conditions on any transfer to protect the future community use of the property. It is recognised that the imposition of such conditions could impact on asset value or the ability of groups to raise funds and each case will therefore be considered on its merits and conditions will be considered during the assessment process.

To safeguard the Council's long-term position long lease will generally be preferred to freehold sale as it better protects the Council's position in the case of failure.

10. Benefits of Community Asset Transfer

Benefits can be measured in terms of the economic, social or environmental wellbeing of the community. Not all benefits have to be financial – they can be about better community outcomes. The business case will need to articulate these benefits and how they will be measured. The potential benefits of asset transfer can include:

For Community Organisations:

- Physical assets can provide sustainable wealth;
- Can strengthen the Organisation's community ties;
- Can strengthen the Organisation's ability to raise money. There may be access to funding to refurbish the building or to support staff training and development;
- Greater financial sustainability can help the organisation to escape short term grant-dependency;
- Community organisations can alter or modify a building to better suit their needs with landlord's consent.

For the Council:

- Transfer can help to solve building management issues;
- The Community Organisation has "reach" into the community a transferred building can therefore provide a more accessible and responsive base from which to deliver services;
- Can strengthen 'community anchors';
- Can restore 'iconic' buildings;
- Can deliver social, economic, and environmental benefits;
- Can provide a catalyst for inward investment and local multipliers through local purchasing and employment;
- Provide a source of rental income;
- Can lower ongoing costs;
- Can help to progress neighbourhood regeneration plans;
- Can provide opportunities for long-term working between sectors.

11. Risks of Community Asset Transfer

The transfer of assets does have risks attached and each assessment will need to consider risks such as the following:

- Potential to disadvantage particular individuals or impact negatively on the local community;
- Potential for a negative impact on community cohesion;
- Potential loss of existing community services;
- Uncertainty around capacity of recipient to manage asset;
- Potential for the asset to become a financial liability for recipient;
- Capacity of recipient to deliver promised services/outcomes;
- Capture of asset by unrepresentative minority;
- Transfer contravenes State Aid and procurement rules;
- Conflict with other legal, regulatory constraints;
- Potential for ongoing Council liability;
- Lack of value for money;
- Conflict with other funders;
- Potential unfair advantage for one group over another;
- The risks associated with property ownership will pass in whole or in part from the Council to the Community Organisation;
- Perception of a loss of the use of a Community facility by certain sectors of the Community.

Before any transfer takes place, a risk assessment and management plan will be undertaken so that all parties are aware of the potential issues a transfer may create.

12. Expectations

Because every transfer project will be unique in its own way, it is vital to outline clear expectations and responsibilities of stakeholders involved. This is to ensure that a common platform is established that satisfies the overall outcome:

Leicester City Council's expectations of the interested Community Organisation are:

- A project team is set up to overlook the entire project with a distinct point of contact.
- To provide relevant documentation requested within the CAT Application Form in order to comply with requirements of the transfer.
- A Business Plan demonstrating the viability of acquiring and improving the asset and also focusing on its viability and sustainability. A Risk Assessment within the Business Plan identifying potential risks and impact and how these will be dealt with.

The Community Organisation can expect the following from the Leicester City Council:

- Be assured LCC has adopted a CAT policy, to support communities in Leicester.
- The LCC has in place robust processes and procedures to ensure that all cases for CAT are considered in an equal, transparent and unbiased manner.
- Clear guidance and information on the process for CAT.
- Support and clarification on CAT process and procedures.
- Support and guidance on assessment criteria and application form.
- Communication in a timely manner throughout the process with an agreed timetable to be followed suitable for the specific characteristics of the particular disposal. Referral to Executive Lead should the group consider the application is not being progressed as agreed.
- Continued communication and dialogue to maintain and further develop the relationship between the Community organisation and LCC.
- Support and guidance on asset related matters.
- Support and guidance to ensure asset transfer remains stable and sustainable.

13. Application Procedure

Any Community Organisation interested in applying for an asset transfer will be provided with the following documentation:

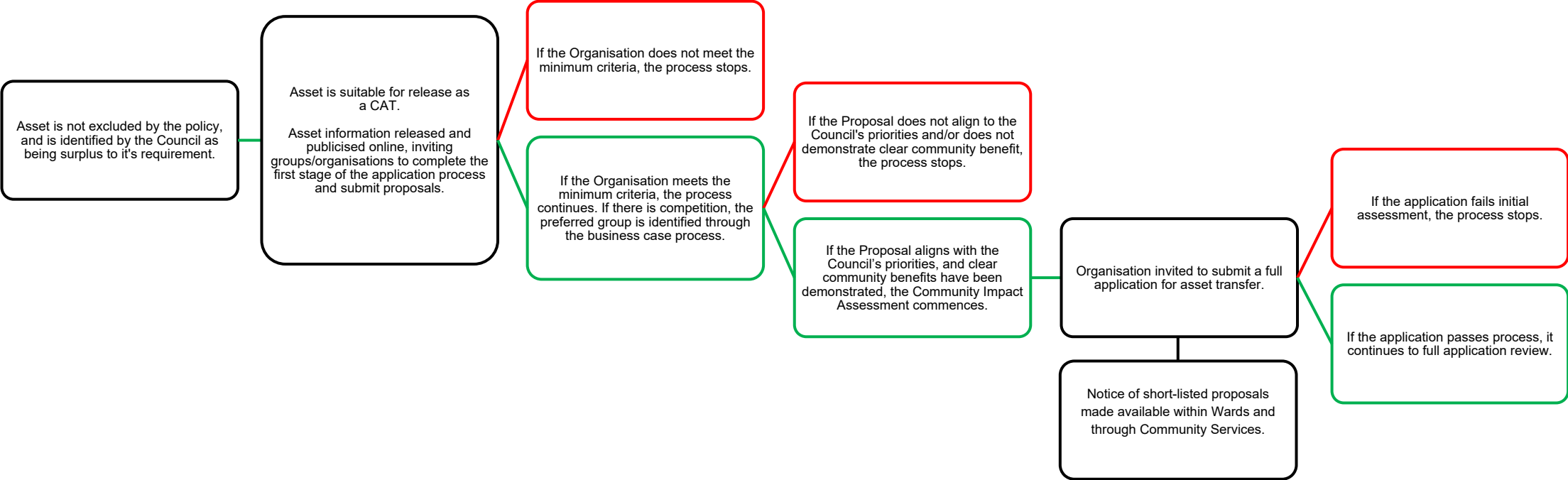
- A copy of Guide to Community Asset Transfer.
- A copy of CAT Application Form and CAT Guidance Notes-Application Form.
- Any relevant information on the property that the Council hold.

It is essential that every applicant has completed the Application Form and provided all the relevant documentation particularly a viable Business Plan demonstrating the capability of sustaining the asset.

Once the above documentation has been submitted, the steps outlined below will then be followed:

- Every application will be dealt with fairly and equally and guidance will be provided as outlined above.
- Applicants are likely to benefit from carrying out research on asset transfers and demonstrating this. Some useful sources include:
www.communitymatters.org.uk

Process for determining if Community Organisations are suitable for the Community Asset Transfer Process:



Process for full application review by Asset Transfer Review Group:

