

Report

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Report to:	Executive Committee
Date of Meeting:	6 July 2011
Report by:	Executive Director (Enterprise Resources)

Subject:	Property Transfer to Third Sector Organisations: Results of Pilot Exercise
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise the Executive Committee of the results of the pilot exercise aimed at developing criteria and procedures for the potential transfer of Council property to Third Sector organisations.
- ◆ recommend an approach for the management of future Third Sector Organisation interests in property transfer.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the proposals in respect of the five pilot properties, as highlighted in paragraph 4.4 of this report, be approved.
- (2) that the transfer of Stonehouse Public Institute to Stonehouse Development Trust be approved in principle and that the principal terms and conditions of the transfer be referred to the Estates Committee for detailed consideration.
- (3) that the process and criteria used within the pilot exercise be adopted for the assessment of any future requests for public asset transfer.
- (4) that the Public Asset Transfer Group develop a guidance document to assist Third Sector Organisations to understand the assessment process and criteria

3. Background

3.1 At its meeting on 23 March, 2011, the Executive Committee approved a pilot exercise, using five properties with known community interest, to establish criteria and procedures for managing requests for transfer of Council properties to Third Sector Organisations.

3.2 It has been acknowledged from the outset that there are a great many issues surrounding property transfer and that one solution will not fit all situations. It is also recognised that property transfer does not necessarily mean at nil price.

3.3 The objective of the pilot was to identify a process that enables the various issues to be considered in a balanced way and to test draft criteria that would provide a fair basis for assessment of each application for transfer.

3.4. The criteria for assessment fall into three principal areas and these are:

3.4.1 Property

To address the issue of condition, only properties that are capable of being brought back into economic use would be considered eligible for transfer. As a minimum property must be:

- In Council ownership
- Surplus to operational requirements
- Structurally sound or capable of redevelopment/improvement
- Suitable for the proposed use
- Capable of meeting legislative compliance such as asbestos, electrical certification etc

3.4.2. Organisation

Community organisations would have to demonstrate their links to the local community, support of Council objectives and their sustainability by:

- Being community led and properly constituted
- Having articles and memoranda of association or other constituting documents which are compatible with Council priorities and objectives.
- Demonstrating that they have the skills and capacity within or available to its management team to effectively provide services and manage an asset.
- Demonstrating how they will build capacity within their organisation.
- Having a clear purpose and being engaged in economic, social or environmental regeneration within the area compatible with the Council's priorities and objectives.
- Ideally having a track record in project delivery and property management.

3.4.3 Project

In respect of the asset transfer project itself there needs to be a robust, realistic and achievable business plan and the project must be capable of meeting funding requirements. Business Plans should clearly identify:

- At least 5 years revenue or capital funding plans and financial projections relating to managing and operating the asset.
- How the group will invest in and maintain the asset, including a specific plan as to how all health and safety responsibilities will be met.
- The planned outcomes and social, economic and environmental benefits arising from the transfer

4. Pilot Results

4.1. A marketing flyer was issued to all parties on the current property mailing list, all parties who had specifically expressed an interest in the pilot properties and to Third Sector Organisations operating in South Lanarkshire. An advert was also placed in the local press and the Council's web site to give maximum exposure to the availability of the properties.

4.2. Interested parties were invited to complete and return an application form expressing their interest in any of the properties and to provide additional information that they felt would support their application. A formal legal application was not required at this stage.

4.3. At its meeting on 3 May 2011, the newly formed Public Asset Transfer Group considered the applications and with regards to those submitted by the Uddingston Village Action Group and Lesmahagow Development Trust requested additional supporting information.

4.4. The assessments were carried out using the forms shown in Appendix 1 and the results are summarised below.

4.4.1. **Springhall Senior Citizens Hall, 50 Cruachan Road, Rutherglen**

One application was received from a Third Sector Organisation, Regen FX. However, this has subsequently been withdrawn.

Property: There are no title restrictions however there is also no development potential. The property is closed and surplus to operational requirements and is in generally poor condition.

Assessment: The property has very limited development potential.

Recommendation: That arrangements are made for the demolition of the property and clearance of the site.

4.4.2. **Halfway Park Pavilion, Halfway**

Only one application was received and this was from an individual who wishes to use the property for pre/after school care provision. Previously interested community groups such as Drumsagard Football Club did not submit an application.

Property: There are no title restrictions and the property is closed and surplus to operational requirements. This property is in poor condition with most building elements classified as C and D. There is no general development potential, however, the proposed use would be acceptable in principle to Planning.

Organisation: The applicant has an existing established business in the area and has been interested in expanding the business to this property for some considerable time.

Project: The project is a commercial one and there is no request for transfer other than on market terms.

Assessment: As there is no general development potential and no interest from third sector organisations, the property falls out with the Public Asset Transfer pilot. Negotiations with the commercial interest should be undertaken according to the normal disposal procedures.

Recommendation: disposal to the commercial interest through negotiation as general redevelopment potential extremely limited.

4.4.3. **Uddingston Village Hall, Old Mill Road, Uddingston**

Two applications were received, one commercial, from a developer, for residential redevelopment and one from a third sector organisation, Uddingston Village Hall Action Group, wishing to continue the hall use.

Property: There are no title restrictions, the hall is closed and surplus to operational requirements and has development potential. The property is in very poor condition; in particular the roof is in need of considerable expenditure to make it safe. Whilst only one commercial offer was received it is believed that there could be wider development potential if the property was marketed in the traditional way. The property is in a priority area in terms of Social Housing provision and this use would be pursued as an affective alternative.

Organisation: Uddingston Village Hall Action Group has been in existence for around a year and whilst they have provided their constitution, they have been unable to confirm details of postholders, nor evidence of their capacity to undertake the practical or financial management of a property of this nature. There is no information on any wider community engagement.

Project: The Group is principally interested in returning the property to hall use which would not be in line with Council objectives. There is no detailed business plan although the group have provided an outline of how they see the project developing. There are currently no funding applications but the group believe that they can raise £50,000 in private investment to start the project.

Assessment: Whilst the commercial interest would need to be further tested in terms of viability and planning the application by Uddingston Village Hall Action Group does not have sufficient evidence to justify an asset transfer. There have been a number of incidents of antisocial behaviour and complaints from local residents regarding the risk posed by the vacant hall. These risks and the associated costs of securing and managing the hall are high and the viability of the Action Group and Project cannot be sufficiently demonstrated.

Recommendation: Given the requirement for social housing in this area it is proposed that the feasibility of developing the site for this purpose is investigated; failing which disposal of the property on the open market.

4.4.4. **Stonehouse Public Institute, 29 New Street, Stonehouse**

Only one application was received and this was from Stonehouse Development Trust Ltd who wish to use the property for business space and a children's nursery.

Property: There are no title restrictions and the property is suitable for redevelopment. Currently still in use the hall will close towards the end of 2011 when the facility is replaced by the new Stonehouse Integrated Community Facility. It is in poor condition however the applicants have carried out their own condition survey of the property and are aware of the scale and nature of works required to improve and adapt the property.

Organisation: Stonehouse Development Trust is a not for profit organisation, who have been in existence for five years and have provided their constitution and articles of association which are compatible with Council objectives and their most recent accounts. They employ a development officer and have already delivered a community garden project elsewhere in the village.

Project: The Trust has applied for funding from the Big Lottery Fund and ERDF Priority 4 and has been successful in the initial stages. They will know the final decision in July. As part of their funding application they have developed a business plan based on the conversion of the property into a local business facility and children's nursery. The plan includes for the generation of revenue income from the nursery and other users to sustain the project and the property as well as for the use of green technologies in the refurbishment to achieve a carbon neutral and energy efficient property. The funding application and business plan includes for a purchase price to be paid for the property.

Assessment: The property may have development potential but at present there is no market interest. Whilst there are some risks associated with the proposed use these have been mitigated through the business planning process and funding applications undertaken by the applicant.

Recommendation: disposal to the Third Sector on terms and conditions to be negotiated and reported to the Estates Committee.

4.4.5. **Jubilee Hall, Broomfield Road, Lesmahagow**

Two applications were received, one commercial for redevelopment and one from Lesmahagow Development Trust for use as a boxing club.

Property: There are no title restrictions and the property is suitable for redevelopment. The hall closed during June and is surplus to operational requirements. It is in poor condition and that condition is likely to deteriorate quickly if the property is left vacant for any length of time.

Organisation: Lesmahagow Development Trust has been in existence for less than 2 years and is a registered company with appropriate articles of association. There is no evidence of the Trust delivering any property projects however the organisation does have the support of the National Development Trust Association and has capacity within its membership to undertake projects.

Project: The proposal to convert the property for use as a boxing club is a recent concept and as yet a detailed business plan has not been developed.

The Trust have been asked to provide more information on the proposal and details of the time scales that they would be working to in terms of developing a business plan but as yet this has not been received. A meeting between Lesmahagow Trust, Development Trusts Association Scotland and the Council has been arranged to establish the feasibility of the project.

Assessment: The property has development potential either commercially or by the Trust. The Development Trust is formally constituted and could deliver property projects however the project itself is at a very early stage. Given the risks associated with the property condition the Trust cannot be given too much longer to develop their business plan.

Recommendation: That the Third Sector Organisation be given a period of 8 weeks to demonstrate that the proposed boxing club project is feasible, failing which it is recommended that the property be advertised for sale on the open market.

5. Process and Criteria

- 5.1. In general the application process and assessment criteria have been successful as they have enabled the Public Asset Transfer Group to consider all aspects of a potential property transfer and, having balanced the opportunities and risks, make a recommendation.
- 5.2. There was reluctance by commercial parties to include an indication of purchase price in their notification and this is understandable given that this is not a closed bidding situation. It is therefore proposed that this question is altered to allow selection of one of three options; market price, subsidised price or nominal price.
- 5.3. There are a number of other properties which have closed or are scheduled for closure and will shortly be surplus to Council operational requirements, including John Hastie Museum, Hunter House Museum and Eddlewood Sports Centre. It is proposed that the same exercise is undertaken in respect of these properties with both the market and Third Sector Organisations being invited to express interest.
- 5.4. All interests will be assessed by the Public Asset Transfer Group and where there is potential for asset transfer to a third sector organisation a report will be placed before the Executive Committee for approval in principle. The detailed terms and conditions of transfer will be reported to the Estates Committee and the report will include details of the level of concession if any and the social, economic and environmental benefits of the project.
- 5.5. Where the Public Asset Transfer Group assessment is that the property, organisation or projects do not meet the criteria, then the property will be managed in accordance with normal asset management and disposal procedures.
- 5.6. The membership of the Public Asset Transfer Group will continue to include representatives from Community Resources, Enterprise Resources and Housing and Technical Resources and as well as considering further potential interests the group will develop guidance information to accompany the application and assessment forms.

5.7. The Steering Group will liaise with Development Trusts Association Scotland with a view to establishing training for community organisations in the area who may be interested in Public Asset Transfer.

6. Employee Implications

6.1. There are no employee implications

7. Financial Implications

7.1. The future consideration of applications for asset transfer can potentially delay the disposal of the properties on the open market which could lead to an increase in costs of security and buildings insurance.

7.2. Future decisions on property transfer could affect the capital receipts programme and holding Resources' revenue in terms of maintenance and security of buildings whilst applications for transfer are assessed.

8. Other Implications

8.1. The assessment process has been structured to minimise the costs to organisations in expressing an interest in a property and discussions with groups to date have made it clear that asset transfer is not guaranteed. There is however high community expectation and there is a reputational risk arising from the subsequent disappointment if asset transfers do not proceed, despite the efforts to engage with all relevant parties. This risk will be mitigated through the development of guidance documents explaining the assessment process and criteria.

8.2. There are risks for both the Council and third sector organisations associated with the deterioration of property condition after a facility has been closed and becomes surplus to operational requirements. The Area Property Group which reviews all potentially surplus assets will take these risks into account when considering what properties should be considered for asset transfer.

9. Equality Impact and Consultation Arrangements

9.1. Consultation has taken place with the Community Resources, Planning, Roads and Legal Services as well as other Local Authorities.

9.2. An initial equality impact assessment has identified the need to monitor the implementation of the transfer assessment criteria and collect further information in respect of successful and unsuccessful applications for asset transfer to enable a full impact assessment to be undertaken. An action plan has been developed to do this and a full review will be carried out within 12 months.

Colin McDowall

Executive Director (Enterprise Resources)

16 June 2011

Link(s) to Council Objectives/Improvement Themes/Values

- Accountable, Effective and Efficient

Previous References

- Executive Committee report 23 March 2011

List of Background Papers

- Pillars of the community – the transfer of local authority community assets by English Heritage
- Public Asset Transfer – Empowering communities by Development Trust Association Scotland
- Community Empowerment Action Plan 2009 – Scottish Government
- Portsmouth City Council – Asset Transfer Policy for the Third Sector

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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ENTERPRISE RESOURCES
Business Support & Property Information
Public Asset Transfer – Property Assessment
NB Tab to Move Between Fields- Do not press the “Enter” key

Property Address:

UPRN:
Asset No:
Dwg No:

Date Asset Became surplus to the Resource:

Date Asset Became surplus to the Council:

Title Report:

Planning Statement:

Property Condition:

Property Reports:
Gas: **Electrical:**
Plumbing: **Asbestos:**
Energy Performance: **Other (Specify):**

Operating Costs:

Asset Value:
Market Value:

No. of Market Interests:



ENTERPRISE RESOURCES
Business Support & Property Information
Public Asset Transfer – Organisation Assessment
NB Tab to Move Between Fields- Do not press the “Enter” key

Property Address:

UPRN:

Asset No:

Dwg No:

Organisation Name:

Constitution:

Articles of Association:

Link to Economic Policy

Link to Social Policy

Link to Environmental Policy

Community Involvement:

Membership:

Skills & Capacity:

Experience:



ENTERPRISE RESOURCES
Business Support & Property Information
Public Asset Transfer – Project Assessment
NB Tab to Move Between Fields- Do not press the "Enter" key

Property Address:

UPRN:

Asset No:

Dwg No:

Intended Use:

Business Plan:

Capital Funding:

Revenue Funding:

Timescales:

Benefits: