Unleashing Community Ownership

Report of the Community Ownership Commission

Foreword

After many years of working in politics, I am more determined than ever that ownership matters. I am firmly of the belief that our country and the communities within in it will be significantly better off with the rapid expansion of community ownership.

All evidence – academic, on-the-ground and that of our collective experiences – demonstrates that our communities are being hollowed out of the assets that we all find important. It is harrowing to think that it is a trend that has not arrested.

In my view, a strong theme of community ownership should be at the heart of a new approach to place based economic development. On top of the economic and societal benefits, focussing on community ownership will give individuals more of a say and stake in the place where they live. It will deliver individual economic empowerment, deliver fresh impetus to the collective community experience, and arrest the sad decline of the assets that generations have relied upon and cherished. Ultimately, it can be the bedrock to unlock growth and potential from the bottom up.

That is why I am so pleased that the Co-operative Party has been able to help publish this independent report, Unleashing Community Ownership. Professor Mark Gregory and the Community Ownership Commissioners – Donna Hall CBE, Linda Hines MBE, Jon Richards, and Jason Stockwood – have worked hard to produce this insightful and thought-provoking piece of work.

The Commissioners have been lucky to have had many great organisations contribute to the reports' contents and I know the author and Commission would like to thank the Plunkett Foundation, Oliver Wyman and Power to Change in particular.

Backed with academic rigor and expert understanding, the report lays out steps and a practical set of policies which will, if followed, will do much to unlock the huge potential of community ownership and power across the country.

Joe Fortune, General Secretary of the Co-operative Party

“A strong theme of community ownership should be at the heart of a new approach to place based economic development”

Executive Summary

We are failing to maximise the potential offered by community assets; it is time for a new approach.

To help communities realise the full benefits of ownership we must ensure more assets come to market, support communities through the full project lifecycle, provide sufficient, appropriately priced funding and motivate and enable local authorities to play a central role as facilitators of community ownership. These changes must be implemented as a package, a piecemeal approach will not deliver the transformation required.

Increase community access to assets

The current Right to Bid is ineffective in supporting communities acquire assets of value in their local areas. Stronger incentives to encourage owners to engage with communities about the future of the assets they control are essential to increase community ownership. Communities should be given the Right to Buy listed Assets of Community Value (ACV) that come to market and vacant and derelict property. Local authorities and other organisations with significant estates, such as the NHS, should be required to review their portfolios to identify assets which can be transferred or sold to communities. Changes to the ACV regime are required to embed these new rights.

Support communities to acquire assets in their places

While introducing a Right to Buy will increase the supply of assets coming to market, communities, especially those in more deprived areas and from marginalised groups, require more support to enable them to acquire and operate assets. Labour should ensure the alignment of the objectives and operation of the Community Ownership Fund (COF) with Dormant Assets, especially the proposed Community Wealth Fund. A share of COF should be allocated to support communities as they transition into feasibility development activity. A minimum of 50% of all COF public funding for projects should be awarded to projects originating in the 30% of areas with the highest levels of need, measured by the Indices of Multiple Deprivation (or another appropriate measure of need).

Move to a place-based funding model

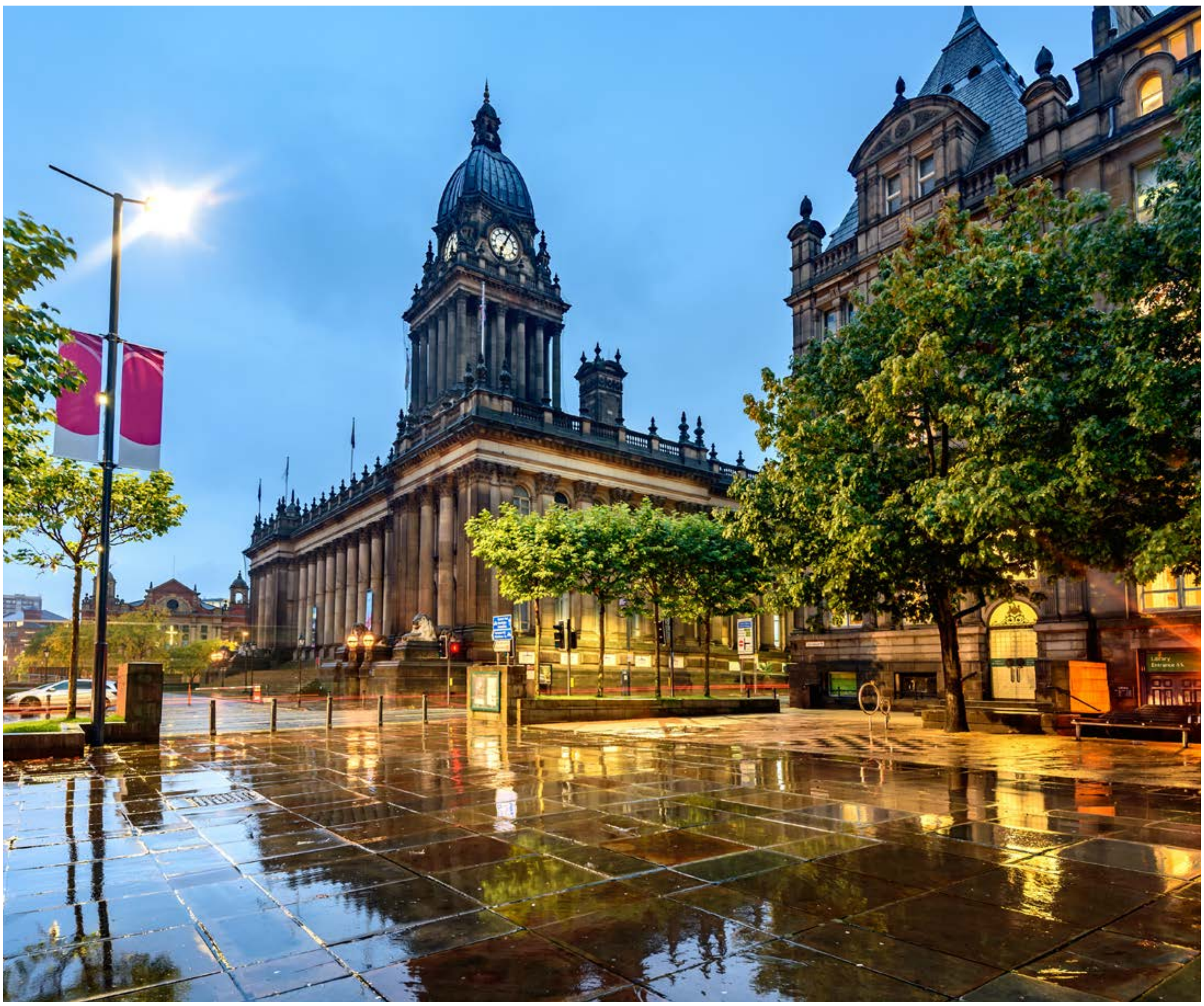
Labour should create a place-based funding model by allocating a majority share of COF up-front to local authorities to distribute (sector-based allocations should receive the remainder), the allocation to be based on needs based local growth and development plans, co-developed with communities. Labour should build on the recommendations in the Scale-Up Start-Up Review, to boost the availability of place-based finance by extending the mandate of the British Business Bank to cover community businesses through direct investment, additional support of Community Development Financial Institutions and the use of guarantees.

Maximise the incremental benefits of public funding

Labour should aim to increase the incremental number of assets acquired with COF support to 150 annually within two years of introducing reform and to 300 within five years. We estimate this will require £231 million over five years of which £26 million should be allocated to engagement with communities to build a future acquisition pipeline.

Reshape local engagement

Communities should be formally incorporated into decision-making and governance. Labour should introduce a process that requires the approval of a partnership of locally accountable community organisations for the local growth and development plan, and the allocation of community ownership-related funding. Local authorities should be encouraged and incentivised to play a leading role working in partnership with communities to transform their places. This will require increased resources for local authorities to engage more with communities, deal with the increased volume and complexity of activity caused by a Right to Buy, connect with potential funders, and provide tailored support to community businesses.



Policy Recommendations

Community ownership is not at the levels existing demand & future potential suggest it should be.

The primary reasons are:

• The Right to Bid regime is ineffective in incentivising owners to bring assets to market.
• Communities require a higher level of support over longer periods of time to build their capabilities to take on asset ownership.
• For many groups and projects, the level, structure, and cost of funding create significant barriers to community ownership.
• There is lack of qualified, experienced support available to community businesses.
• Many local authorities are not providing the essential assistance communities require to take on the ownership of assets.

It is time for a new approach.

To help communities realise the full potential of ownership, we must increase the volume of assets coming to market, support communities through the full project lifecycle, provide sufficient, appropriately priced funding and enable local authorities to play a central role as partners working to facilitate community ownership. These changes must be delivered in an integrated manner.

1 Increase community access to assets

The Right to Bid is ineffective in supporting communities acquire assets of value in their local area. From the introduction of the Localism Act in 2011 to the end of 2022, there were 6,680 nominations as an Asset of Community Value (ACV), but less than 200 successful acquisitions. Owners face little pressure to use assets effectively and, if they choose to divest their asset, there is no obligation to sell to a local community.

In addition, many assets not currently eligible for listing as ACVs are out of the reach of communities. Vacancy rates of 11.4% on high streets and persistent vacancy rates (properties being empty for at least 3 years) of 5.2%, suggest significant numbers of buildings are not being used to their full potential and local authorities and other organisations (such as the NHS) have large property portfolios.

Stronger incentives to encourage owners to engage with communities about the future of the assets they control are essential if we want to increase community ownership.

Introduce a Community Right to Buy

Communities should be given the Right to Buy ACVs that come to market.

In addition, communities should be given the Right to Buy vacant and derelict property and land.

These changes require:

• Once an ACV is offered for sale, a community should have an exclusive period of 12 months to make their offer.
• A community can apply for a listing of a vacant or derelict building as a Potential Asset of Community Value (PACV) with the requirement to prove the request is a legitimate one under the terms of an amended Localism Act. Once approved, the local authority would place it on a PACV list in the same way as for an existing ACV.
• One year after the listing as a PACV, a community would be allowed to apply for the PACV to be listed as an ACV allowing them to trigger the Right to Buy.
• At any time in the one-year period after PACV listing, the owners would have the opportunity to demonstrate

the asset was either no longer vacant or derelict.
• Approval of the right to buy a PACV would be conditional on the approval of a plan outlining the financial case and the expected benefits of an acquisition, together with evidence of community support.
• At three monthly intervals during the sale process of an ACV, the bidding community would need to demonstrate progress on financing, building capability and community engagement to be allowed to continue the sale process.
• The value of the asset should be set on the basis of an independent valuation commissioned by the local authority.

Encourage transfers of public assets

Labour should require local authorities and other public bodies to review their property portfolios to identify assets to transfer or divest and to make these results available to communities.

Improve the ACV listing process

An ACV listing provides communities with a useful means to create some form of protection over assets they perceive as valuable to them. Our review of decisions plus a survey of nominating organisations revealed communities in more deprived areas found assembling the information required for a successful nomination challenging.

Labour should:

• Review the existing requirement for non-UK based owners to provide details on beneficial ownership of assets to assess if they are adequate or need strengthening. Consider extending the requirements to ACVs and PACVs.
• Work with local authorities to prioritise the provision and accessibility of information and supporting advice on the ACV process on their websites.
• Review the requirements for information to be provided in support of an ACV listing, to identify opportunities to simplify and streamline the process.

Provide clear guidance on the case for community ownership

One in five applications for ACV listings are refused, a waste of resources and time of all parties. With local authorities having significant discretion on the criteria they use to support their decisions. Analysis we commissioned found points of procedure are the main reasons used to justify nominations refusals.

Labour should develop a framework setting out guidance on the minimum set of facilities a community could reasonably expect to have access to. (Examples of the capacity communities value are provided in Section 3). As demand and supply will vary between places, local authorities should be required to undertake a local assessment of community needs, adjusting the national framework to reflect local circumstances.

The local framework, once agreed with local community representatives, should be used to support the review of applications for listing as an ACV and for requests to list vacant and derelict properties as PACVs. There should be a presumption that an asset in one of the categories on the framework should generally be approved provided it meets the statutory evidence and information requirements, even if the requested approval is for a change in the current use of an asset.

Listings of ACVs, Community Asset Transfers (CAT) and the Community Ownership Fund (COF) are the main components of the current regime for community ownership. Each uses its own criteria to establish if an asset is eligible for support. To simplify and improve the process, Labour should adopt the criteria used by CAT. An asset can be considered eligible for listing, transfer, sale and funding if it offers “long-term local social or economic or environmental benefit.”

2 Support communities to acquire assets

There is a strong and growing consensus on the benefits of community ownership, and this is reflected in a robust demand by communities to acquire assets. This demand is not translating into asset ownership as quickly as it should; only one fifth of COF's available funds for England had been allocated at the halfway point of a four-year programme. While introducing a Right to Buy will increase the supply of assets coming to market, communities, especially those in more deprived areas and from marginalised groups, require more support to enable them to realise their potential to acquire and operate assets.

Reshape the use of the Community Ownership Fund

COF is the primary source of public funding available to support community ownership. Funds are currently allocated to support capital and revenue expenditure once an award has been agreed. There is no funding available to invest in development activity to help communities build their capabilities and evaluate potential opportunities for asset ownership. Labour should allocate a share of COF funds to support communities undertake early-stage capability development, opportunity pre-feasibility and feasibility development activity.

In addition, Labour should require alignment between the use of the new Dormant Assets and the proposed community development activities funded from COF. A share of Dormant Assets should be allocated to provide the scale of resources required to build a pipeline sufficient to support the achievement of the community ownership targets over time.

Ringfence a share of COF funding for areas of higher need

Although areas of relatively high need performed strongly in Round 1 of COF funding – 56% of funds went to the 30% most in need places (measured by the index of multiple deprivation) – this fell to 31% in the first tranche of Round 3. Labour should require a minimum of 50% of all public funding for projects is awarded to projects originating in the 30% of areas with the highest levels of need. This should be measured using the Indices of Multiple Deprivation (IMD) or, as concerns were raised about the reliability of IMD in some areas of the country, another agreed measure of relative need.

3 Move to a place-based funding model

Community and social investment funding typically relies on a blended model that combines public and/or philanthropic capital with other sources of funding to allow for differential rates of return between providers. There is intense competition for public and private capital across the economy. Communities seeking funding to acquire assets face many of the same barriers to finance, outlined in Labour's recent Start-Up, Scale-Up Review, as the small and medium sized business sector. However, because community businesses are less well understood than traditional for-profit enterprises and typically generate smaller surpluses to service funding costs (48% operated in the 30% of most disadvantaged areas in 2022), access to finance is relatively more challenging than for the average enterprise.

Compared to the USA, the UK offers significantly less public support for community investment. Public funding for communities, and levelling up more generally, has been provided on a competitive top-down basis. While it is widely accepted that this approach creates problems for local authorities, less attention has been paid to the fact it increases the risks and uncertainties for private capital providers, reducing their willingness to invest. Increased community ownership requires a funding model that maximises the incremental benefits of public finance and makes investment opportunities more accessible for private capital providers.

A local funding model, including an allocation of resources to support specialist sector activity, with COF providing the core finance, offers the best route to maximise the blended impact of public and private finance, and is the only option consistent with the aim of supporting communities take back control.

To facilitate long-term thinking and planning, Labour should allocate the largest share of COF over the next five years to local authorities to distribute.

Labour has already announced plans to require each local authority to develop a local growth plan. To align investment to local needs and place-based outcomes, the plans should include a requirement to identify the needs of communities and the role of community ownership in delivering the plan. COF should be allocated on this assessment to form the base capital for a local funding model.

Labour should support local authorities develop a blended local funding model based around:

• Public funds from COF.
• British Business Bank (BBB) funds as an additional layer of public funding.
• Project based Community Development Financial Institutions (CDFI) and community shares.
• Local and international philanthropic funding.
• Investment in specific projects from private capital, National Lottery and other grant funders

Provide additional support

Alongside the primary allocation of COF to local areas, Labour should allocate resources to enable nationally operated funds to provide additional support in areas of specific opportunity such as:

• To acquire properties on behalf of communities not in a position to execute a transaction such as a High Street Buyout Fund.
• For sectors like football, music, heritage, the arts and health where other bodies could provide funds to support extended community ownership.

The experience of community housing and initiatives such as More Than a Pub, demonstrates how beneficial knowledge and expertise sharing can be in improving the success rate of acquisition attempts and building investor confidence.

Extend the sources of public funding for community ownership

Labour should build on the recommendations in the Scale-Up Start-Up Review, to boost the availability of place-based finance by:

• Extending the mandate of the British Business Bank (BBB) to cover community businesses.
• Increase the funding and guarantees BBB offers to CDFIs to support increased lending to community owned businesses.
• Commission research to assess if Local Government Pension Schemes (LGPS) could be incentivised to invest in community assets.

Incentivise private capital

The Start-up Scale-Up Review identified the need to maximise the effectives of Social Investment Tax Relief (SITR) and the Enterprise Investment scheme (EIS) in incentivising private investment in small and medium sized enterprises. Labour should extend the ongoing work to include the assessment of the potential for incentives to generate additional investment for community ownership, adding the Community Investment Tax Relief (CITR) into the scope.

In addition, the scope to incentivise investment in community businesses should be included in the reviews of business rates and R&D tax credits identified in the Start Up Scale Up Review. Community businesses and the investors in them are not always able to access the benefits available to the wider business and investment community. Labour should seek to reduce the differences in treatment wherever possible. Labour should evaluate the potential to introduce mutual guarantee structures within local funds.

4 Maximise the incremental benefits of public funding

Public funding provides the base level capital that can be blended with other sources of public, quasi-public and private capital to maximise the funding available to support community ownership. COF appears to be underperforming measured by the volume and value of awards it is making. Even after recent, welcome changes to the COF allocation criteria and the granting of the highest value of funding in a single tranche in the first wave of Round Three, we believe it is very unlikely the full £150 million allocated to COF will be awarded by the end of the current Parliament; the current award run rate is £40 million below the average level required. The ineffectiveness of allocating community funding through a top-down central process and the lack of any investment in building community capacity to support a pipeline of future opportunities are the main reasons for the slow rate of progress.

Even with additional funding and a Right to Buy, Labour will face significant constraints to increasing the level of community asset acquisition quickly. A planned acceleration to a higher level of sustainable acquisition is the practical way to proceed.

Align COF funding and targets

Labour should aim to increase the incremental number of assets acquired to 150 annually within 2 years of introducing reform and to 300 within 5 years. Assuming typical awards of £200,000 this will require £231 million over five years. £26 million should be allocated to engagement with communities to build a future acquisition pipeline.

Labour should ensure the underspent COF funding to 2024/25 is retained for future use. Assuming the current fiscal plans, meeting the target for COF awards over time will require a maximum additional £29 million of funding over five years.

The targets should not act as a limit. Flexibility to increase funding if demand increases faster than target can be provided through the BBB funds allocated and the use of part of the neighbourhood allocation of the Community Infrastructure Levy (CIL).

Over time, as awareness of the benefits of community ownership and understanding of the economics of community assets increases, Labour should seek to increase leverage and reduce the average public funding per acquisition.

5 Reshape local engagement

To be consistent with the philosophy of Take Back Control, funding must, wherever possible, be managed at a local level. Having decisions taken closer to where they will impact, by people more aware of local circumstances and the capabilities of their communities, should, all things being equal, lead to better decisions and more effective resource allocation.

For community ownership to be successful local authorities must be encouraged, incentivised, and resourced to work in partnership with communities and other organisations.

This will require a cultural shift; local authorities will be empowered to lead rather than being managed from the centre.

Allocate resources based on community need
Local authorities should be required to develop a local growth and development plan that identifies the role of community ownership, the potential for asset acquisition, and the resources required to deliver. Labour should ensure these plans include potential CAT from the public sector. COF funds will be devolved, resources allocated, and, in return, local authorities will commit to deliver targets derived from the local growth plan and to measure their performance against these.

Higher levels of community ownership will only be possible if local authorities are properly resources. Local authorities will require increased resources to undertake more community engagement, deal with the increased volume and complexity of activity caused by a Right to Buy, engage with potential funders, manage the local funding platform, and provide tailored support to community businesses

Partner with communities in taking the decisions that affect them

Communities should be formally incorporated into decision-making and governance. Labour should introduce a process that requires the approval of a partnership of locally accountable community organisations (PLACO) for:

• The community section of the local growth and development plan, including the resourcing requirements for local authority support.
• The allocation of community ownership-related funding within the combined authority area.
• Adjustments to the plan over time.

There should be a requirement for communities to be consulted on other decisions that impact them, supported by robust scrutiny.

Current COF requirements including the restriction of funding awards to incorporated bodies are seen as reasonable and useful in ensuring local authorities have access to the financial information required for effective oversight and performance assessment.

Labour should require an annual review by the local authority's community ownership committee of financial performance (audited accounts) and ESG outcomes.

In addition, project funding should be monitored through:

- Quarterly review of performance against milestones agreed at the time of the funding award.
- A statement of grant usage audited independently by an accountant, at the end of the financial drawdown period.
- Six months after project completion, provision of a set of accounts for each project approved and signed off by the funding committee.
- Impact data will be required for a period agreed at the release of funding.

Labour should require each local authority to use the impact data to produce an assessment of the impact of funding decisions every three years. In addition to providing an assessment of the effectiveness of the use of public funds, this will be a useful set of information for discussions with private funders keen to understand how they can maximise their impact.

Assets must be protected

The incorporated business structures come with an asset lock. Labour should reinforce this by requiring no asset acquired through public funding can be sold without the agreement of the community controlling the asset and approval by the local authority's community ownership board.

Supporting local authorities

Labour should facilitate the development of networks to capture and share knowledge on community ownership projects across local authorities. This should extend to drawing out lessons from the work funded by Dormant Assets on community development.

In the transition to the new period, Labour should work with national organisations to develop arrangements under which these bodies would be able to provide support to local authorities to help them deal with their increased workload.

Introduction

Community Ownership and Labour

Labour intends to introduce a Right to Buy to increase the opportunities for communities to take control of assets of community value, long-term vacant property and land or buildings in a state of significant disrepair. Under the proposed policy, once a sale process is initiated, communities will have an exclusive right for 12 months to buy the asset.

In early 2023, the then Shadow Secretary for Levelling Up, Housing and Communities, Lisa Nandy, invited us to examine how best to improve the current arrangements for community ownership including the introduction of the Right to Buy. We were asked to develop recommendations on the required changes in processes, the level and structure of funding, the possible sources of additional public funding, potential models for maximising private sector investment, approaches to generating sustainable revenues and how to manage and govern the future regime.

In this report, community ownership is the acquisition and operation of assets (land or buildings) through representative structures and processes that allow control and influence and guarantee access to the benefits arising. The only conditions we were asked to meet were that community asset ownership should be based on sustainable revenue streams, driven by the wishes of the community, held in common and used for the common good.

Increased community ownership is one component of Labour's plans to drive economic and social change to allow people to take back control. In developing our recommendations, we have drawn on work commissioned by Labour such as the Start-Up, Scale-Up Review and the Commission on the UK's Future, and recent statements of Labour's ambitions on growth and 'securonomics'.

Beyond the direct benefit of strengthening communities and community businesses, increased community ownership will support Labour's ambitions to drive social and economic change by:

• Contributing to Labour's ambitions to create 100,00 new enterprises.
• Moving power and resources from Whitehall.
• Increasing the number of people and places contributing to economic activity, providing both a direct stimulus to economic activity and support for productivity improvement.
• Building resilience and diversity in supply chains at a local level that will increase economic security.

We recognise asset ownership is not a prerequisite for community action; many communities operate activities and provide services in their places without owning land or a building. However, ownership of assets provides places with a base from which they can establish strong, sustainable locally rooted businesses and organisations which are more likely to employ local people and those furthest from the labour market. Owning assets gives communities more control over their destiny. Our aim is to give people the maximum opportunity to acquire assets which will deliver benefits to their communities.

Scope of the Community Ownership Commission's Work

The Right to Bid established by the Localism Act of 2011, the Community Ownership Fund (COF) and Community Asset Transfer (CAT) regime all focus on supporting the acquisition of existing assets. We have sought to keep our scope as broad and inclusive as possible across all sectors of the economy, however, the development of community ownership in sectors such as energy and housing will be driven to a significant extent by the creation of new assets – the investment in which will be influenced to a large extent by sector specific policies Labour is proposing to introduce – which is outside of our scope. While respecting our remit, we have sought to be mindful of the linkages between existing and new assets in our work.

Our recommendations only cover England. Scotland already has a Right to Buy and when we started our work the Welsh Senedd's Local Government and Housing Committee was already undertaking a community assets inquiry. We understand the Welsh Government has accepted in principle the inquiry's recommendation to establish a commission to stimulate innovative thinking on community ownership of land and assets in Wales. Labour should aim to learn from and coordinate with policy developments outside of England.

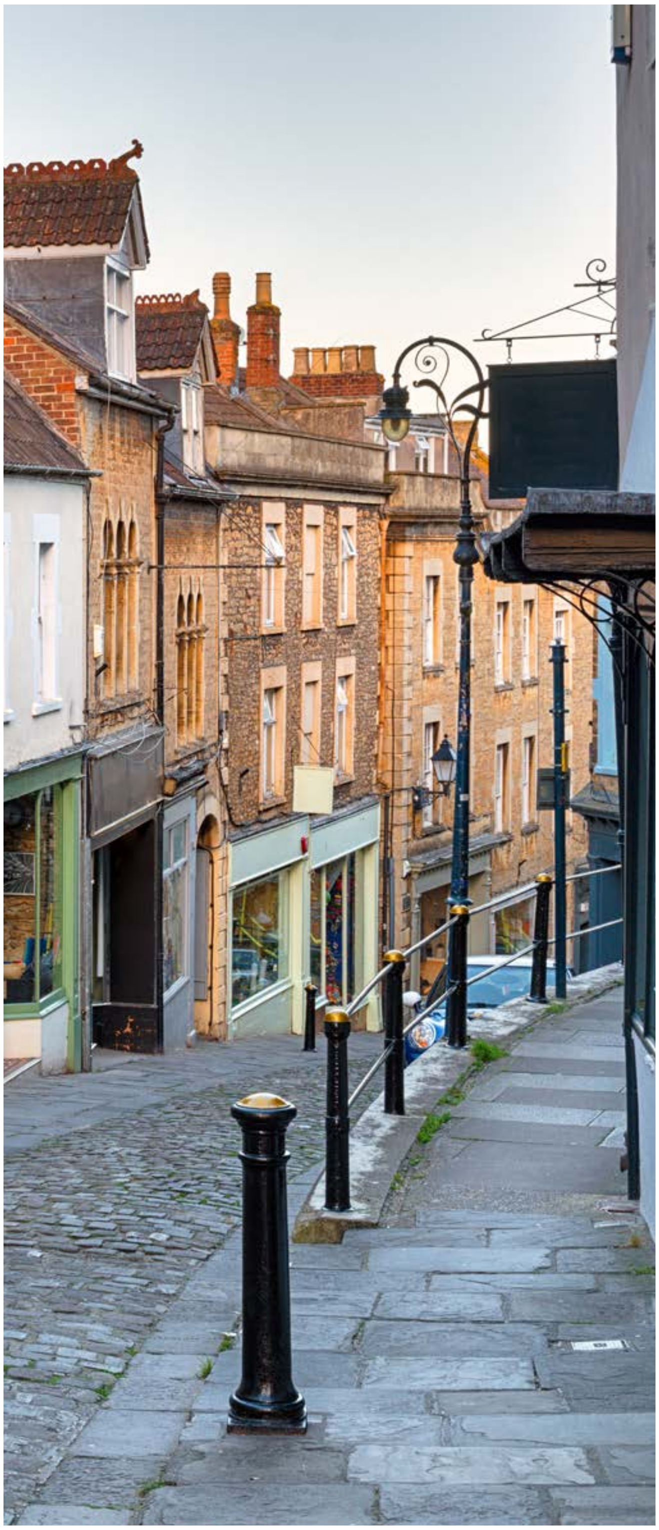
Our Research and Fact-Finding

While community ownership is growing in importance, community businesses account for a small share of the UK corporate sector.

There is therefore less information available than for traditional business activities. We have undertaken an extensive programme of research to create an evidence base on which to base our recommendations. We have:

• Met with a wide group of organisations active in all aspects of community development, financing and operations, including think tanks, funders, community development organisations, local authority officers and elected representatives, parish and town councils, funders and industry bodies, and with communities successful in acquiring assets and those still working to do so.
• Reviewed literature and research on community businesses and social enterprises.
• Issued surveys to over 200 communities which have nominated assets of community value across over 100 local authority areas, and to over 60 of the communities in England that have received funding awards from the COF.
• Analysed the database of Assets of Community Value (ACVs) developed and maintained by Keep It In The Community, including using natural language processing to identify themes in text based responses.
• Reviewed the performance to date of COF.
• Issued an open Call for Evidence asking for comments on our Terms of Reference.
• Spoken to more than 20 community groups to understand and learn from their experience with asset ownership.

As community ownership grows in importance, reliable data produced on a regular schedule will be important to identify the impact and to support policy evaluation. Labour should establish a process for capturing, creating and sharing data on the sector to allow future decisions to be made in as informed a manner as possible.



An Important Sector...

Community ownership is an important and growing component of the UK's economic and social landscape. In July 2019, Power to Change identified 6,325 assets in community ownership in England, contributing an estimated £220 million to the economy . This total is likely to be an underestimate because asset ownership in certain sectors is difficult to ascertain. Adjusting for this potential underestimation and adding in acquisitions since 2019, we estimate there are now 7,000 to 8,000 assets in community ownership in England.

By giving communities the ability to identify and list an Asset of Community Value (ACV) and the right to bid for it if the owner chooses to sell within five years of a listing, the Localism Act of 2011 provided a new opportunity for communities to take control of important assets in their local areas. After a slow start, activity picked up and there were 8,366 applications for ACV status in England between 2011 and the end of 2022 .

In parallel with the expansion of community asset ownership, the community business sector has been growing strongly. When Power to Change was established in 2015, there were 5,000 community-run businesses in England. By 2022, based on Power to Change's annual survey, there were 11,000, generating £1 billion in income, owning £744 million of assets with a median owned asset value of around £375,000, supporting employment of 41,800 and creating opportunities for 126,200 volunteers.

... With Unrealised Potential

Our research and discussions with organisations and individuals active in the sector convinced us there is significant potential to increase the scale and impact of community ownership. Indicators of this strong demand include:

• Power to Change's estimate there are 405 communities in a position to bid for and take on the ownership of assets in the next two years, and a longer-term pipeline of over 900 more emerging deals.
• A total of 2,781 ACVs listed currently; a potential new community asset base more than one third the size of all the assets in community ownership.
• The 1,686 rejected applications for ACV status, since 2011 approximately one in five of all nominations, indicating unsatisfied ambition in communities to bring more assets into ownership.
• The strong demand for asset ownership in early-stage funding and capital bids to Power to Change's funding programmes, with over 85% of applications being asset related.

These quantitative measures of demand provide a partial picture of the opportunity. Organisations we met highlighted the significant variations in community ownership across the country: many places have yet to realise the potential of their community assets. Consistent with Labour's desire to drive growth by maximising the contribution of all parts of the UK, there is a huge opportunity to grow community ownership by supporting communities to identify and acquire assets. In doing so, we will increase the efficiency of use of our human and physical capital across the country and boost economic growth.

First, community asset ownership is currently very uneven, in terms of geographic spread and socioeconomic grouping. The most deprived 30% of neighbourhoods contain just 18% of the assets in community ownership while 78% of community assets are in rural local authorities with just 22% in urban areas - the reverse of the profile for all community businesses (66% are in urban areas and 33% in rural) . We can increase the impact of asset ownership by supporting communities in underserved locations to identify, develop plans and acquire assets.

Secondly, across the country, significant numbers of buildings are currently not being used in an efficient manner. In the UK there are around 7,000 high streets . With vacancy rates of almost 11.4% and persistent vacancy rates (vacant for over three years) of 6% or more not uncommon many buildings are standing empty and deteriorating. The situation is critical; several sources suggested to us that up to 40% of commercial real estate on existing high streets may be uneconomic in future under current operating and ownership models. Doing nothing is not an option: community ownership can help us reclaim and transform our high streets.

Thirdly, there is an opportunity to broaden the mix of services offered under community ownership. Power to Change's research suggests up to 80% of current community assets are pubs and community hubs . Despite the importance of these facilities, they only account for half of the ACVs currently listed. Communities are ambitious to develop new assets and innovate – nearly one fifth of all ACV listings are for outdoor spaces and 16% are for facilities to support the delivery of health, cultural, sports and education activities . Once acquired, neglected assets can be repurposed to support the provision of a range of services such as health, education, and skills. Using these assets to enable the delivery of services closer to where people live and work, causing less disruption to their days, will contribute to improved productivity and wellbeing thereby supporting economic growth.

The available benefits go beyond a narrow economic definition. Community ownership is one tool available to Labour to support a transformation in the way our economy and society works. Supporting communities to take control of assets and spaces they value in their areas is about more than ownership: it offers the opportunity to support communities achieve a greater sense of belonging and pride in place.

The Opportunity is Not Being Maximised

We are currently failing to take the opportunity community ownership presents to transform our local economies and societies. Despite the high expressed demand and the huge potential of community ownership, current attempts to support the increased acquisition of assets are failing. To a large extent, this is because the approach is almost exclusively asset centric with little attention to either developing communities or creating the environment for community ownership to flourish. COF was launched in 2021 with £150 million of funding to support the acquisition of at-risk community assets that would be potentially lost without intervention. In its first two years of operation, in two funding rounds, £36.83 million was awarded to 150 projects across the UK. This represents less than one quarter of the total funding available, slightly less than half the rate of allocation required for the fund to invest its full amount within 4 years. After the first release of Round 3 funding, in England, COF has made awards to 131 projects in just under two and a half years, a rate of just over 50 a year on average; a relatively small number compared to the 200 assets we estimate have moved into community ownership annually on average over the last decade. In another indicator of challenges in the market, ACV listing has been declining - we estimate a fall from around 1,000 listings on average annually in 2015 and 2016 to 750 in the period 2017 to 2019. While the higher average in the earlier period may in part have been due to pent up demand for listing immediately after the introduction of the 2011 Localism Act, the recent decline points to a weakening of community engagement with the ACV process.

A New Approach is Required

Through our discussions and research, we identified the following reasons why community ownership is not at the levels existing demand and future potential suggest it should be:

• The Right to Bid regime is ineffective in bringing assets to market.
• There is need to provide more support to communities in many parts of the country to build their capabilities to be able to take on asset ownership.
• The amount, structure, and cost of funding create significant barriers to ownership for many communities.
• Community businesses are not able to access the level of business support required to enable them to grow faster.
• The desire and ability of local authorities to support community ownership is very variable and there has been no concerted attempt to encourage or enable local authorities to work with communities to grow ownership.

It is time for a **new**, integrated approach.

To realise the full potential of **community ownership**, we must stimulate the market to create opportunity while, at the same time, supporting communities to develop and acquire the capabilities they need, ensuring funding is available on economic terms enabling and encouraging local authorities to play a central role as partners and facilitators of stronger communities.

These changes **must be implemented as a package**, piecemeal adjustments will not deliver the desired impact.

A Right to Buy

The Right to Bid isn't working

Existing and forecast community asset ownership levels are below those we would expect given the strong expressed demand and the huge potential to transform local economies. A major reason for this situation is lack of power in the Right to Bid regime to incentivise owners to bring assets to market.

The Community Right to Bid for listed Assets of Community Value (ACV) was established by the Localism Act of 2011. An ACV listing confers the Right to Bid for an asset when it is put up for sale. When an owner of a listed ACV indicates an intention to sell, an interim moratorium of six weeks is triggered. If a community group expresses an intention to bid in this interim period, this can be a group other than the one responsible for the initial ACV listing - a full moratorium is triggered, offering six months, including the initial six weeks, to prepare a bid. There is no obligation on the seller to accept the bid and they can solicit alternative offers.

With 6,680 successful nominations since 2011, ACV listing provides communities with a means to identify and create a form of protection over assets they value. It does not however, create an effective route for communities to acquire assets. From 2011 to 2015, only 11 ACVs were acquired , and research in 2019 could only identify 90 ACVs which had moved into community ownership . Between 2011 and 2022, 264 initial moratoriums were triggered and 208 full moratoriums. With total listings of 6,680, less than 5% of ACV listings have led to a community actively pursuing a purchase and under 2% have resulted in an acquisition .

Further indications of policy failure are provided by the rates of vacancies on high streets. Power to Change found vacancy rates of 11.4% and a persistent vacancy rate, defined as properties vacant for at least three years, of 5.2%, with much higher rates in some places . We were told of companies holding onto assets in the hope of either being able to access public funding or to participate in a renewal scheme at some point in the future but doing nothing to the asset in the interim. Several community groups told us of their frustration with their inability to initiate sales processes. Properties are lying empty denying communities the opportunity to take control of their neighbourhoods and reclaim their high streets.

Time for a Community Right to Buy

A Right to Buy is required to create more pressure on owners to either use their assets more effectively or to sell them to communities who will do so. This requires first creating more opportunities for communities to list assets and then increasing the conversion rate from listed ACV to community ownership.

Several organisations highlighted the challenge of responding within 6 months after an announcement of intent to sell under the existing Right to Bid regime. The experience of Power to Change and other organisations which have worked on bids suggests the time required varies hugely according to asset type and community group. While 6 months may be possible for relatively straightforward transactions, even pub deals, for which groups can raise money quickly and purchase an asset that is in a viable physical state, are likely to require at least three months to complete all the legal and regulatory work. For more complex projects which require negotiation with local authorities and multiple funders and involve refurbishment and renovation work, the timeframe can be multi-year.

As a Right to Buy is very likely to be more contentious and complex than the existing Right to Bid, communities will require more time and resources to execute transactions. Alongside more time to transact, there was a strong consensus in our discussions that to encourage communities to take the risk to commit resources, the sale process should be uncontested with a price set by independent valuation.

Several organisations were however cautious about introducing a Right to Buy, expressing concerns about potential abuses of the process, and stressing the need to balance the interests of existing asset owners and communities. To address these concerns, it was suggested to us that safeguards should be built into the sale process. These would cover the provision of evidence that the community supported the acquisition, requirements to show a certain level of funding and demonstrating progress was being made in key areas (eg in contracts, organisation building etc) at defined checkpoints in the process.

The ACV Listing Process Can Be Improved

To understand the effectiveness of the ACV process we issued a survey to over 200 organisations identified as having nominated assets for listing across more than 100 councils and discussed the situation with organisations active in the community space.

• Our survey findings - 35% found the process easy or very easy, 35% of respondents found it difficult or very difficult and 30% didn't have a strong positive or negative view – suggest the overall process could be made more user friendly, but, with over 6,000 ACVs listed at some point in the last decade or so, there is little evidence the listing process has major weaknesses.
• One specific concern raised in our conversations was the challenge of finding information on asset owners. This does seem to be an issue, one third of our respondents had difficulty finding the details they required. The structure of ownership of vacant high street property illustrates the potential difficulties in identifying the beneficial owner for many assets, research by Power to Change found that over 60% of the assets on high streets they identified as persistent vacancies are owned by limited or public limited companies. A recent attempt to introduce greater transparency on foreign ownership appears to have had limited impact to date. Greater visibility of ownership is important for creating more pressure to bring assets to market.

Communities Need Local Authority Support to List Assets

We found significant variations in the listing process between local authorities sampled.

• Our review of over 50 local authority websites identified a large variation in the ease of access and the quality of information and online support available.
• The lack of resources in local authorities to support applications for listing and to provide ongoing support as communities try to acquire and run assets were identified as barriers to success by many of the organisations we spoke to. This tells us more about the current level of funding for local authorities and the expectations on them than the ACV process, but it does impact the path to ACV listing and hence community ownership.

Clearer Guidance Will Facilitate Better Decision-Making

With 8,366 nominations of assets (including re-nominations) since 2011, many communities have been able to use the process to list an ACV. Nevertheless, the rejection of around one in five applications and a declining rate of listing suggests to us there may be issues with the approval process.

The Localism Act of 2011 and the guidance to local authorities does leave a significant amount of discretion in the process. Community groups told us applications are often rejected due to a purported lack of evidence, usually around the historic use of a building or a proposed future use, or because of uncertainty on the part of the approvers as to the nature of the benefit to be generated. While these may be legitimate concerns, it does appear more complex and innovative proposals for asset usage are less likely to be listed. In addition, a significant number of respondents reported situations where they believed discretion had allowed local authorities to avoid listings, favouring other schemes the authority wished to develop which were being pursued sometimes without community engagement.

Oliver Wyman reviewed the reasons given for rejecting listings using a natural language tool to read text responses in the ACV database. Community hubs and recreational venues dominate successful applications, while requests to list more functional assets (e.g. car parking or healthcare) are more likely to be unsuccessful.

This analysis shows the reasons for successful decisions tend to focus on the asset and its qualities, while unsuccessful applications typically cite process issues such as lack of evidence or a failure to demonstrate a point as the justification for rejection. “Continue” is the word most commonly associated with successful applications, suggesting a preference among local authorities for lower risk applications compared to those requiring a change of use.

The guidance as to what is considered as an ACV must be as clear as possible. Comparing the ACV listing process, the guidance on Community Asset Transfers (CAT) by public bodies and the requirements for bidding to the COF, we identified differences in the definition of the benefits schemes require to be supported:

• An ACV listing requires communities to demonstrate assets are such their “use furthers the social wellbeing or social interests of the local community”.
• COF aims to fund projects that improve at least one of local pride, community cohesion, local participation, local economic outcomes, and local social and wellbeing outcomes.
• CAT can be used where it promotes social, economic, and environmental well-being.

While COF guidance it is not prescriptive about the type of asset purchases it will fund, pubs, shops, high street businesses, sports and arts venues were mentioned in the initial Prospectus. Public assets cannot be purchased using fund monies but renovation expenditure after a transfer from the public sector is allowed.

To provide more clarity and to assist local authorities in making decisions, it was suggested by several bodies that a list of the minimum standard of facilities a community can reasonably be expected to have access to, should be developed. This would make the process easier to run and create more certainty for all parties.

In practical terms, a list of standards would most likely need to vary by place (or type of place), reflecting different needs and underlying economics. A dense urban area will require different facilities and be able to support more activities than a remote location. A local community needs assessment could provide the basis for an agreed list. This should be supported by consistent definition of the benefits that make an asset eligible for consideration as a sale or transfer to a community.

Although the listings of ACV to an extent reflects the current landscape, it nevertheless provides us with a guide as to the types of facilities valued by communities. Of ACVs listed to date, the following are the largest categories:

• Pubs
• Green and open spaces
• Community hubs
• Sports facilities
• Cultural centres
• Shops
• Religious venues
• Allotments
• Educational facilities
• Food and drink
• Healthcare

In an online poll, YouGov asked respondents what amenities should be within a 15-minute walk of their homes. The facilities scoring over 50% in favour were:

• Bus stop
• Post box
• Pharmacy
• Park
• Primary school
• Off licence
• Nursery
• Parcel drop-off
• Supermarket
• Bank

There are clear overlaps between these two lists and scope to identify the minimum set of facilities to shape decisions on community ownership moving forward.

Supporting Comminities

Thriving community ownership depends on strong communities.

By creating a framework to bring more assets to market, introducing a Right to Buy will create more opportunities for communities to acquire the assets they value in their areas. To take control of these assets, communities will be required to develop a business plan, execute the transaction, and operate on an ongoing basis. This requires them to assemble teams with a wide range of skills such as finance, project management and business operations. Throughout our research, the need to support communities to come together and then develop the specialist capabilities they require to succeed as asset owners were consistent themes; successful communities told us about the time and effort required to go from an initial idea to operating a business.

The evidence is clear; communities are not currently able to take advantage of all the opportunities available to them. Power to Change's Community Assets Pipeline (circa 1,366 assets), found only a third of the projects (405 projects) are considered "ready to go" i.e. a community ownership proposition is sufficiently viable to take place successfully in the next one to two years . These findings are consistent with the results of our analysis of the Community Ownership Fund (COF) which found just under 28% of available funds have been allocated to date despite more than three fifths of the funding period having elapsed.

Community readiness varies significantly between places. The listings of Assets of Community Value (ACV) illustrate the range. London Boroughs and Metropolitan Councils each account for 9% of ACV nominations (on average, 32 and 36 nominations per council type respectively). Unitary authorities account for 24% (58 per council on average) and District Councils 58% (181 per council on average) . Using local authority rural/urban classifications from DEFRA/ONS, urban areas account for 35% of ACV nominations despite representing 73% of the population. While we would expect differences between places to lead to a range in the rate of listings, the variation is so wide as to suggest a need for greater support in some places.

Variations in capability development impact the ability of communities to take advantage of the opportunities presented to them. From our analysis of the first two COF award rounds, approximately 35% of awards and 44% of the value, of successful bids in England went to the 30% most deprived areas in the country (based on the Office of National Statistics' Indices of Multiple Deprivation), compared to 16% of awards (17% of funds) going to the 30% least deprived. However, while 56% of the adjusted funds went to the 30% most deprived areas in round one, this fell to 31% in the first tranche of round three, with the funds going to the 30% least deprived increasing from almost nothing in Round one to 34%; the first time the share allocated to the least deprived areas was greater than that going to the most deprived areas.

Communities in more disadvantaged areas appear to have found engaging with the COF process harder than communities in less deprived areas. Without more support to communities in more challenged areas and a concerted effort to build a pipeline, there is a risk that the areas with more developed capabilities currently will capture a disproportionate share of funding over time.

Our analysis of ACV listings in areas with parish or town councils further illustrates how differences in community capacity can impact outcomes. Of the 4,901 ACV nominations we have information on, 2,349 (48%) were made by parish or town councils, almost exclusively in unitary and district council rural areas. Parish and town councils are an institutional layer with resources and capability that can help support community organisations or even step into a leadership role if the community organisation is not sufficiently developed to progress an acquisition. Places without this formal institutional layer typically must work harder to build their community organisations.

Communities Require More Support

As communities start to consider acquiring and running assets through to completing any deal, they require funding across the process. Resources are required for facilitating initial community engagement and development, raising pre-operational funding, generating match funding, and enabling post-award implementation activities.

Initial Funding

Recognition of the important role played by organisations working with communities to support them strengthen their community engagement and organisation was a consistent theme in our discussions. Respondents explained how long the journey can be for a community, talking of a decade not being an unreasonable estimate of the time to go from nascent community to operating an asset sustainably.

The Dormant Assets' funds are one of the sources of funding for support in these activities, helping fund capability building to support communities independent of any move to the acquire an asset. The evidence is clear; activity must be community-led. There is a large body of experience to show a high chance of an unsuccessful project if communities are pushed to acquire assets before they are in position to operate them effectively. Currently, there is little if any attempt to link the various sources of funds; Dormant Assets operate totally separately to the Community Ownership Fund. With a new wave of Dormant Asset funding on the horizon, now is the time to develop a more integrated approach to maximise the benefits across the whole of community funding activities.

Pre-operational Funding

Much of the pipeline identified by Power to Change is characterised by early-stage groups that are likely to have to undertake the following activities before they are in a serious position to take on an asset:

• Project and business development pre-feasibility such as improving governance and management capacity, strengthening financial and business planning activities, and building local partnerships.

• Project and business development feasibility including developing investment proposals into bids, finding legal expertise, establishing project management, and taking the proposals through to full investment readiness.

In these early stages, groups generally require grant funding to fund these activities, alongside access to effective and appropriate technical advice. The provision of this development support has been a central focus to several support programmes that have been active in the community enterprise sector, all of which have supported community ownership of assets. They include:

• Reach Fund, Access Foundation - grants of £5k - £15k to help groups get investment ready to take on social investment, often to facilitate asset purchase / renovation.
• Bright Ideas, Power to Change, MHCLG - grants of up to £15k for groups to develop a community business idea, alongside specialist advice.
• The Hive, Co-ops UK - up to six days' consultancy support which has been used to assist groups with setting up a co-operative or community benefit society for the purposes of taking on a community asset.
• More than a Pub, Power to Change & Plunkett Foundation, MHCLG - bursaries of £2.5k available which were designed to facilitate early stages of accessing feasibility e.g. community consultation, building surveys etc. They could also access up to two days of specialist adviser support for addressing specific barriers e.g. business planning, social impact.

Furthermore, it has been an important component of other wider support programmes that have combined development and capital funding, such as the:

• Community Shares Booster Programme, Power to Change & Co-ops UK - up to £10k of development grant funding to support planning and launching a community share offer.

Match Funding

Once a plan has been developed and an acquisition process initiated, there is typically a requirement to raise funds to match any grant funding being sought. Analysis from Power to Change, using data derived from supporting communities acquire assets, demonstrates how the ability to raise matched funding varies hugely according to the asset type. On average across the 45 pubs helped into community ownership, 75% of acquisition and start-up costs were raised through community shares meaning only a quarter remained to be covered by a blend of grant and loan. This contrasts with the experience derived from support given to close to 300 community hubs - these businesses generate slim profits and, therefore, typically need grant finance to get established.

Further evidence of the differences in business models come from an analysis published by Co-operatives UK of the funding mix of project types that have issued community shares. The breakdown of illustrates the interaction between business models and funding capacity across asset categories.

Typical Deal Size and Funding Mix

• Pub £159,155
(70% equity, 15% loan, 15% grant)
• Community hub £298,203
(17% equity, 12% loan, 71% grant)
• Shop £54,389
(49% equity, 12% loan, 39% grant)
• Energy, £528,111
(66% equity, 33% loan, 1% grant)
• Housing £508,252
(65% equity, 30% loan, 5% grant)

Businesses with an ability to generate a reliable and reasonably significant revenue stream such as pubs, energy operations and housing were able to generate two thirds or more of their funding in the form of equity. With widely understood business models and assets they are also able to obtain and service loan funding of up to one third of their capital requirements. In these cases, public or philanthropic funding is much less essential to developing the investment case than for business models with lower turnover and/or lower margins.

Levels of deprivation also influence funding requirements. In our research sessions, we were consistently told that in more deprived places (30% most challenged), communities are unable to raise significant sums to sit alongside their capital grant. The Community Shares Booster Scheme is designed to support projects with more challenging economics or in more challenged areas by providing a bridge to support fund raising. 41% of booster fund investments have been in the 30% most deprived areas compared to 20% of the market funding going to these places. That nearly half of the booster supported investments have been in housing, health and social care and community hubs, close to four times the market share of these activities, illustrates the relatively high level of social challenges these communities face and hence the need for targeted support.

Flexibility on the amount of match finding needed per project by place will be important in ensuring the success of future COF awards. The aim should be to ensure public funding is used to generate the maximum impact, using incentives to ensure well-funded, well-resourced proposals maximise the private capital available to them.

Post-Award Funding

Research demonstrates that some geographies need more revenue support than others. Experience suggests that for newly acquired assets the move to operation requires significant leadership development support. This is often more intense and skilled than volunteers alone can provide, and at a stage when the organisation is still ‘pre revenue’, i.e. it hasn’t started trading. Power to Change’s research shows that organisations usually need 12-24 months to build up full trading income to cover staff costs. For community ownership funding to be deployed quickly and effectively it will need to cover some of these costs. These challenges are especially acute in more deprived communities.

Improving Funding Processes

To understand the effectiveness of the COF process and whether it influences the profile of funding awarded, we sent surveys to 60 of the 67 organisations awarded funds in England in Round 1 and Rounds 2.1 and 2.2. We have received 19 replies, around 30% of all awards, and supplemented these with follow up conversations with several successful bidders. In terms of the bidding process:

• 47% found it easy and one third felt it was difficult. These are similar findings to the ACV process and hint at scope for improvement without suggesting the process is a major problem. Several respondents identified the volume of information required as an issue.
• However, while no major difficulties were identified, several respondents suggested this was because their organisation was familiar with submitting bids and statements whereas organisations without this experience could potentially be overwhelmed by the requirements.
• No significant issues were raised in respect of collaboration with local authorities on bids, although this again appeared to be influenced by the experience of the successful bidding organisations in dealing with local authorities. Concerns over how easy this would be for new bidders were raised.
• COF does appear to be viewed positively by communities and investors. 94% of respondents were able to raise funds to support their bids with 39% of organisations using community shares, 22% loans, 22% grants with private funders being the other source, and 63% of bidding organisations were able to secure all their match funding prior to being awarded funds.

The COF process works successfully for established organisations and for projects with well-understood operating models. Respondents did express concerns that inexperienced and newly formed community groups would find the process more difficult to navigate than more established organisations. This may help to explain why the rate of awarding funding appears less than the demand we believe exists for community ownership, and why the share of funding awards going to the most deprived areas of the country declined between Rounds 1 and 2 and then fell further between Rounds 2 and 3 of COF.

The Need for an Integrated Public Funding Strategy

The relatively low share of COF awarded to date, the dominance of traditional community assets like pubs and hubs (with easily understood business models) in the awards (still accounting for half of all awards in round three), and the decline between funding rounds in the share of money going to deprived areas, all point towards potential areas for improvement in the design of the COF.

With no support for either feasibility and development activity or community building work, it is unsurprising the first two rounds of COF funding were skewed towards projects proposed by well-established and better resourced communities, in well understood sectors such as pubs, missing the opportunity to broaden and deepen community led investment. A public funding programme to increase community ownership must ensure sufficient development and operational funding support not just focus on capital for purchases.

Changes to COF for future rounds of bidding were recently announced by the Government. These recommendations include several we were proposing to include in this report.

• Match funding can be as low as 20% and potentially 10% for high priority projects.
• Up to £1 million can be awarded to any sector although it is made clear this is likely to be on an exceptional basis with £250,000 remaining the typical cap.
• Parish, town, and community councils are now allowed to bid for funds.

In addition, COF now has a delivery partner who will arrange for pre-feasibility support (up to an expression of interest stage) and development feasibility support for bids from communities with higher need projects.

These changes are good news for communities, but we can further improve the scope of COF by:

• Allocating a share of COF funds to opportunity pre-feasibility and feasibility development activity. As identified above, the typical award from funders for these activities is £5,000 to £15,000.
• Creating a focus on building a larger pipeline by setting a target for the number of new projects to be entered into the pipeline by local authorities.

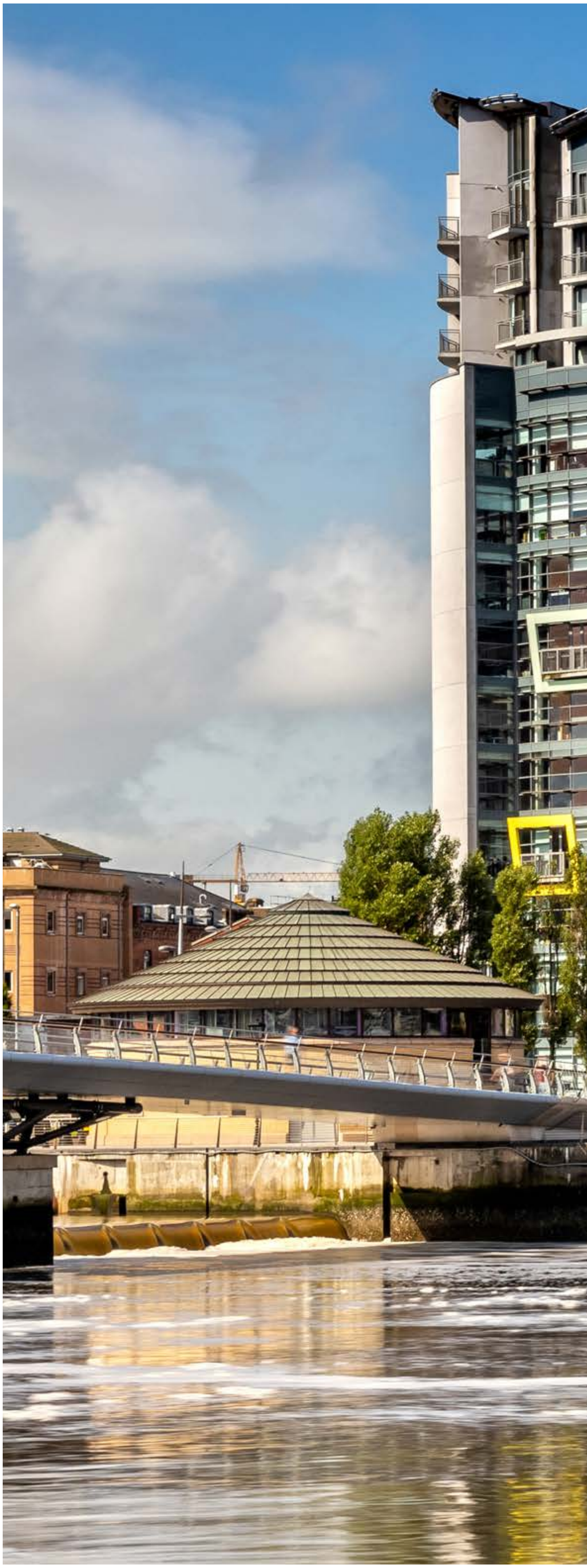
This will require work on community development to build a sustainable pipeline.
• Ringfencing a share of funding for projects originating in the top 30% of areas with high levels of multiple deprivation. To date 41% of COF funds have gone to these 30% of areas but this figure is skewed by a small number of high value awards.

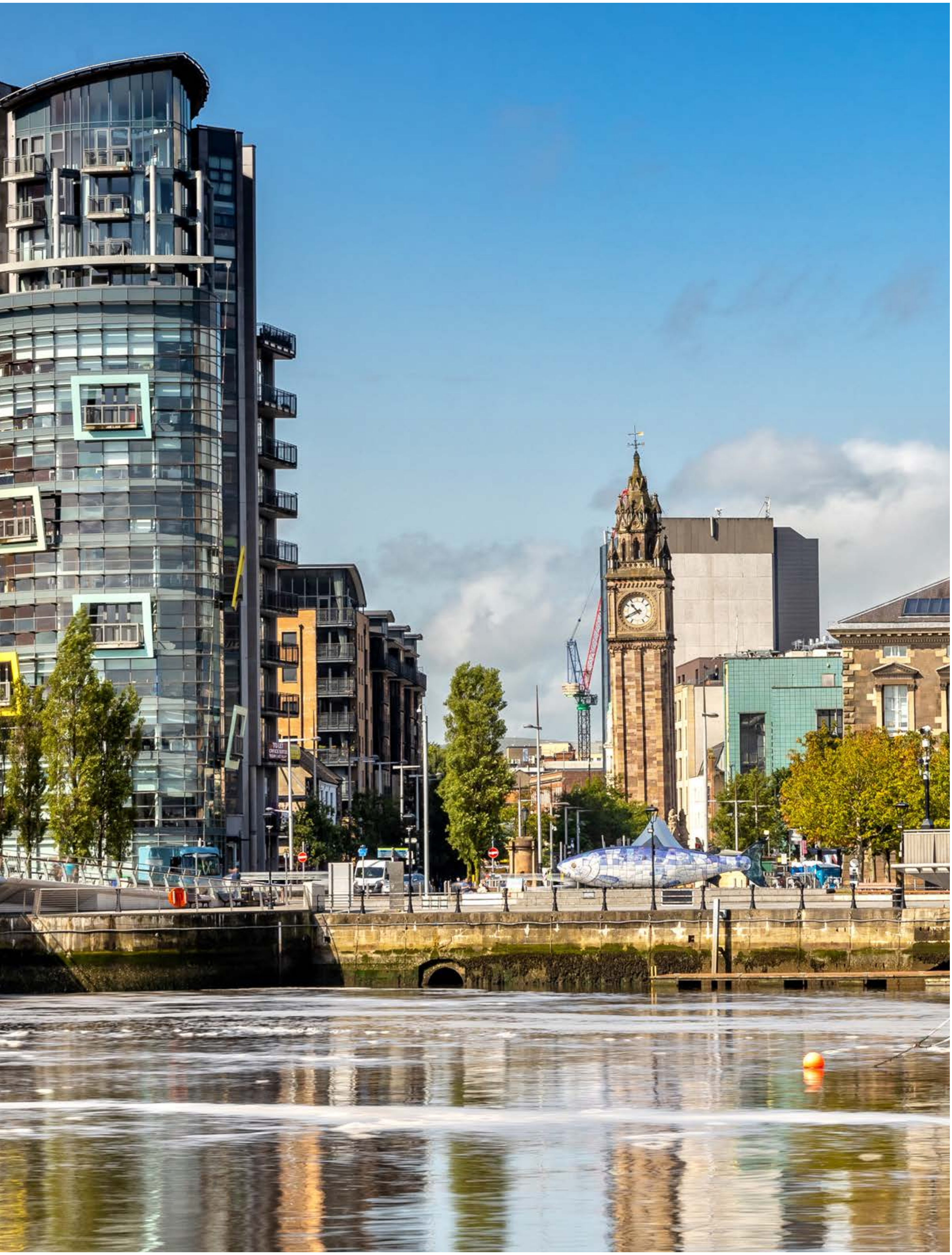
Local Authorities Must be Motivated and Resourced Effectively

In our discussions with community groups, local authorities were identified as a major influence on the level and impact of community ownership. While some authorities were identified as being community champions, others were reported as less responsive, sometimes appearing to be unsure about the role of community-led activity. But this is not just about motivation: there was widespread consensus that local authorities lack the level of resources required both to support community engagement and development, and to provide specialist assistance to community businesses at all stages of the lifecycle from development through to operation.

Introducing a Right to Buy and other changes to increase community ownership will raise the demands on local authorities who already lack the resources to provide support at the current level of engagement. We expect both the volume of activity and the complexity of work in local authorities to increase - as more owners are challenged to divest their assets, they are likely to become more engaged in trying to shape outcomes. More resources will be required to allow local authorities to service the growing demand for community support a Right to Buy will create.

This is not just about resources. Community engagement and ownership offer the opportunity to reduce the burden on local authorities: taking unused assets out of their care, creating new opportunities for citizens, and providing an alternative platform to support the delivery of public services. It will be important to ensure local authorities feel motivated and supported to engage with communities to broaden community ownership and engagement.





There is intense competition for public and private capital across the economy.

Blended Finance is Becoming More Available to Communities...

By their nature, community assets typically require support from public funds. In recent years, the amount of private capital available to community businesses has increased due to growth in the number of purposeful businesses and investors seeking to balance shareholder interests with those of other stakeholders. Impact investing is the term widely used to describe this allocation of funds.

Impact funds are typically provided as part of a blended finance model. A blend for a community asset investment will typically be a mix of some or all of:

• Capital from a public (or private philanthropic) source, such as a grant from the Community Ownership Fund (COF) or a guarantee, provided free or at below market rates of return. This is commonly known as subordinated finance or first loss capital – the providers will be the first to lose their money should the investment fail to deliver as projected.
• Community shares – equity raised from the community where an asset is located.
• Loan finance from a bank, Community Development Financial Institution (CDFI) or other source.
• Additional grants from public sources, quasi-public funders, like the National Lottery, or private philanthropic and charitable organisations.
• Investment of private capital such as from an impact fund.

Blending works by using the finance provided at a concessionary (free or below market) rate of return to allow other investors to earn their target returns. This allows the non-commercial capital to be leveraged to generate a larger amount for investment while securing economic and social benefits.

For example, Big Society Capital have generated over £2.8 billion of committed funding to invest after leveraging up their initial endowment of £600 million from Dormant Assets.

There is continuing innovation in the sources of funding available to communities:

• New investors continue to emerge. Big Society Capital and Schroders have launched a Social Impact Trust which is listed on the London Stock Exchange.
• The Music Venues Trust recently raised £2.3 million from 1,261 individual investors to support the acquisition of live music venues for community use.

... but Competition is Intense

There is intense competition for public and private capital across the economy. Communities seeking funding to acquire assets face many of the same barriers to funding, outlined in Labour's recent Start-Up, Scale-Up Review, as the small and medium sized business sector. However, because community businesses are less well understood than traditional for-profit enterprises and typically generate smaller surpluses to service funding costs (48% operated in the 30% of most disadvantaged areas in 2022) , access to finance is relatively more challenging for them than for the average enterprise.

Community organisations seeking private funding must work to position themselves to be as attractive as possible to investors. We have identified several barriers faced by community business seeking to attract private capital including:

• Lack of knowledge: The economics of community businesses and how they operate are not well understood by private investors used to dealing with traditional corporates. As a result, community assets are often perceived as high-risk investments.

• High cost: Providing finance to a sector like community business, made up of relatively small individual investment opportunities is more expensive for funders used to spreading the fixed costs of due diligence across larger scale project opportunities.

• Expertise: Investors often raise concerns over the ability of community businesses to access the appropriate level of sector expertise and support. Respondents generally felt neither LEPs nor local authorities have the expertise and resources to advise on the specific issues faced by community businesses.

• End to end funding: Communities require support through the planning and funding process, but the providers of private capital are typically unwilling to fund these early-stage activities.

In a competitive funding market, the unique nature of community businesses creates potential barriers to attracting private capital. To be successful, the funding model needs to provide investors with the information they need at the lowest possible cost to enable them to satisfy themselves that the balance of risk and reward is attractive.

Maximising the Impact of Public Funding is Essential

Organisations we met explained how, by offering capital at a concessionary rate, public funding creates the space for other investors to cover the specific costs created by the community business models, helping to address the concerns outlined above. Just as with private capital, there is competition across the economy for public funding and, with public finances under pressure, public resources are constrained. It is important therefore, that valuable and scarce public capital is used in as efficient a manner as possible, deployed to generate incremental benefits, creating new activity, not substituting for available private capital.

Several respondents stressed to us that when public capital is deployed, it is important to ensure the risk adjusted target return it enables for private capital must reflect the community value of investment. The Commission for Social investment (CSI) raised concerns about the cost of private capital in the social investment market. At the time of the report, according to the Bank of England, the effective interest rate for SMEs before the pandemic was around 4%. Social enterprises reported that the interest rates offered on social investment were between 7 and 10%. By contrast, CSI found the British Business Bank (BBB) was targeting a return of 1.5% from small and medium sized for-profit enterprises.

In common with several other funds designed to support levelling up, funding from COF has been awarded through a centrally manged process with communities bidding on a project basis for an award. We share the concerns expressed by many interested parties about the weaknesses of the top-down centralised approaches used recently to allocate funds. The issues identified include:

• A project centric basis for decision-makes it harder to develop integrated schemes for investment over time.
• The high cost of resources required to prepare bid. The costs are financial - Sheffield University estimate (conservatively) that authorities have spent over £63m on preparing bids for three key funds: Levelling Up Fund (Round 1), Future High Streets Fund, and Town Deals – and opportunity costs, diverting resources from other activities.
• There is no long-term certainty about the level of funding available as each increment requires a separate bid, each of which normally has a binary outcome.
• Opaque and often difficult to understand decision criteria used to award funds add to the costs of bidding and limit the scope for learning.
• The unrealistic timetables for preparing a bid add to the risk of sub-optimal outcomes.

Our analysis of the outcomes from COF to date suggest the top-down approach tends to be more accessible to larger groups with the resources to put together bids at the national level. Smaller groups with less resources find bidding too complex and costly.

Most criticism of the top-down approach has focussed on how it limits the ability of local authorities to develop long-term plans. However, funders told us that how public funding is delivered also influences the provision of private finance; bidding for individual projects exacerbates the concerns private investors have over costs and uncertainty when assessing opportunities to invest in community assets.

Although public funding is provided to increase the attractiveness of community investment to private investors, by increasing the costs, complexity, and the perceived risks, top-down allocation reduces the attractiveness of asset ownership to providers of private capital. In response, most private funding tends to be provided at a wholesale level at the national or sector level. With investors some way removed from projects, the likelihood is they will demand a higher return to compensate for perceived greater risk and uncertainty.

Place Based Funding is Community Centric

To be attractive to investors, the funding model for community asset investment must seek to:

• Minimise the costs associated with having to undertake due diligence on relatively small individual opportunities.
• Support the provision of the appropriate specialist expertise.
• Ensure local knowledge of opportunities is fully accessible.
• Place communities at the centre of decision-making.
• Maximise the value generated by public funding.

At a high level, there are three main options for organising a funding model:

• Top down and centrally based.
• Managed at a local level.
• Based around sector and specialist funds.

The balance of opinion from our discussions is that a place-based model, enhanced with specialist more centrally run funds to address sector specific needs and opportunities, is the approach best able to balance the interests of communities and investors. Offering place-based funding for a series of projects over a longer time horizon will allow investors to build up the knowledge they need while spreading their costs over a larger base of activity.
There was however a strong minority view in favour of a wholesale funding model, based on a specialist intermediary working with partners to allocate funds rather than top-down from central government. While recognising that this approach would most likely be less effective at engaging communities, its supporters felt this is a risk worth taking because of their concerns over the abilities of local authorities to manage place-based funding effectively. These concerns over the capacity of local authorities are not unreasonable but do reflect the current situation – this can be changed. There is an opportunity to provide the support and encouragement local authorities require to play an effective role in community engagement.
Despite these challenges and risks, we believe supporting communities means giving them the resources to deliver and trust them to do so and a place-based funding model is the best way to do this.

Local Public Funding Provides a Platform to Blend Finance for Maximum Benefit

A place-based funding model should be based around layers of finance:

• Local public funds.
• Additional public capital at concessionary rates.
• Local/Project based capital.
• Private capital.

Local Public Funds

Place-based funds can be created by switching COF from a bid based, nationally managed model, to one in which the largest share of funding is allocated to local authorities, the rest going to sector focused organisations. Labour has already announced plans to require each local authority to develop a local growth plan. To align investment to local needs and place-based outcomes, this should be expanded to a be a local growth and development plan that reflects the needs of communities and sets out the role of community ownership in delivering the plan. Local authorities and other bodies would identify projects and interventions that would help to achieve these priorities. Under this model, COF would be removed from central control and allocated to local authorities based on the local growth and development plan submissions to form the base, subordinate capital for a blended local funding model. These funds would be ringfenced for community ownership.

Additional Public Funds

In our discussions, several parties identified the potential to build on the recommendations in the Start-Up, Scale-Up Review on the use of BBB's capability and the resources held in Local Government Pension Schemes (LGPS). The Review recommended:
"Labour should convene BBB Regional Funds and the relevant pools of LGPS funds…..look at adjusting the terms of reference for LGPS funds….at the margin they could consider regional development as an investment factor,"
Drawing on LGPS funds is attractive as they are another source of local capital. However, both the Commission and the organisations we spoke to are unsure how easy it would be to draw on LGPS funds for community investment without significant changes to the current regulatory regime. As such, we propose to monitor the progress of the Start-Up, Scale-Up Review in this area and then assess if community access to these funds is feasible.

Allowing communities access to BBB funds would increase the capital available for investment. The Co-operative Party and Social Enterprise UK estimate 1% of BBB funding is worth £120 million. There is potential to deploy the full suite of BBB products including equity investment, funding for CDFIs and guarantees. Combining locally allocated public funds with BBB investment would create a larger place-based platform of public capital. This would enable local authorities to engage with both local and international philanthropic and grant funders to seek additional investment to create the largest possible local endowment.

Local and Project Based Private Capital

Once a place-based local funding platform has been established, there will be a significant opportunity to attract private capital. There was a widespread consensus, with over £210 million raised since 2012, of the central importance of community shares in supporting asset ownership in our discussions. Although they are issued on a project basis, community shares offer investors another means of accessing local knowledge through access to the expertise of the community pursuing the investment. They also tend to encourage local use of the asset by creating a sense of ownership. In addition, by offering one member, one vote they provide an important tool for governance and community engagement beyond their financial contribution. Several sources identified the potential benefits of CDFIs. These organisations offer loan finance to businesses and individuals which have struggled to secure funding off the high street banks. Operating on a regional or local basis, CDFIs base their business model on detailed evaluation of each situation they address. As such they offer another layer of expertise and evaluation to provide more reassurance to private investors further removed from the details of an opportunity.

Loan finance offered by CDFIs and others is important in providing funding to businesses once they begin operating. In the 2023 Spring Statement, the Chancellor announced a change to Community Investment Tax Relief (CITR) which it is estimated could generate an extra £20 million of funding for CDFIs. While this is a welcome change, several organisations we met with identified how much more significant the support for, and hence the impact of, CDFIs is in the USA. BBB already provides funds to CDFIs in the UK, a portion of the proposed BBB support for community businesses could be used to increase the funds for CDFIs directly and through guarantee schemes. Additionally, there is scope to work with the main UK clearing banks to encourage them to increase their existing engagement with the CDFI sector, building on existing initiatives. As CDFI lending tends to be medium-term, up to five years, it will be important to think about how to transition to other forms of loan finance such as mortgage type arrangements as operations mature.

Like private equity investors, lenders face challenges in evaluating the business models associated with community assets. In several of our discussions, the potential of guarantees or more innovative schemes, such as mutual guarantee structures, were raised as opportunities to increase the availability of lending to locally based community businesses by exploiting local knowledge and relationships. If we do believe in communities, enabling community-based guarantee arrangements is a logical development.

Several interviewees identified the much more favourable treatment community investment receives in the United States as a factor to consider. Using some of the public funding capacity to create incentives for philanthropic capital could generate significant benefits.

Building on the proposals in the Start-Up, Scale-Up Review, there is scope to review the future of Social Investment Tax Relief (SITR), the Enterprise Investment Scheme (EIS) and Community Investment Tax Relief (CITR). Concerns were raised about the historic qualifying rules for SITR in relation to property with a clear view this could be improved. In addition, the proposed reviews of Business Rates and R&D Tax Credits were identified as having the potential to support community asset ownership.

Private Capital

The combined place-based knowledge of communities and the local authority, the technical skills of BBB, supported by the analysis underpinning the local growth plan, offer the opportunity to reduce the information and resource burden faced by private investors evaluating community asset investment opportunities. Project based grant funders, such as the National Lottery would also benefit from the information available.

Armed with a mix of subordinate, philanthropic and debt finance potentially available, local authorities would then be in a strong position to use the local funding platform to engage with private funds to maximise investment in projects, or ideally the place, at socially beneficial rates of return.

Enhancing the place-based model
While place-based funding will provide the core for this model, some of the funding should be allocated to specialist organisations with a focus on either a sector or a theme. One idea that has been proposed is establishing a national High Street Buyout Fund to acquire at risk properties on behalf of communities not in a position to execute a transaction.

The success of networks to support community pubs is well-known, in addition, the Music Venues Trust have demonstrated the potential of the sector to attract private capital. Other sectors such as football, the arts, heritage and health could also lend themselves to specialist funds, with at least some of the subordinate capital being provided by industry bodies. Some of the BBB funding proposed to support community ownership could be used to support these national initiatives.

Alongside the sector-based funds, there is a need to maximise knowledge sharing as the number of community asset acquisitions increases. As well as building up a base of information to increase the comfort of private investors will community schemes, DLUHC will be in a position to ensure the collection and sharing of knowledge on best practice in areas such as fund raising, team building, governance, and revenue generation.

Generating Sustainable Revenues

The organisations and individuals we spoke to highlighted the challenges of sustaining an asset-based venture over time. In addition to the knowledge sharing activities mentioned above, Match Trading, which links funding to operational targets, was mentioned as an innovative approach to create good incentives. With owners seeking to maximise the use of their assets, opportunities to support the provision of public services and to benefit from local public procurement opportunities were also identified as potential sources of incremental revenue. The promotion of networks to share knowledge may also create opportunities for successful operations to provide a form of consulting service to their peers.

Local Authorities in New Territory

It is important to recognise a place-based funding model will create significant new demands on local authorities. They will be asked to **play a leadership role**, working with communities to allocate and manage funds, while taking responsibility for governance and measuring the impact of decisions. In addition, they will lead on engaging with private and other public funders which will require time and resources to manage and deliver – some of the skills will be new or at least currently lacking.

It may well be practical, especially in the early stages, to buy in some of this support to give time to assess what capabilities are needed in-house. In any scenario, to ensure the new responsibilities are met, the funding of local authorities will **need to reflect their new and increased** roles.

What level of public funding will be required to turn increased supply into increased ownership?

The Existing Demand for Public Funding

By increasing the scrutiny on owners and giving more power to communities, introducing a Right to Buy will increase the volume of assets available for communities to acquire. As the base layer in the place-based financing model, public funding will be required to help communities develop plans, complete sales, and manage ongoing operations. But what level of public funding will be required to turn increased supply into increased ownership?

Starting with the potential volume of activity, Power to Change in 2019 estimated that 29% of all community owned assets had been acquired in the preceding decade . This represents around 200 assets a year on average in England moving into community ownership, an estimate consistent with our analysis of the number of projects supported by community shares, through Community Asset Transfers and via donations over the last decade.

Launched in 2021, the Community Ownership Fund (COF) with £150 million to allocate over four years up to 2024-25 is the primary source of public funding for community asset acquisition. Time is required for a new fund to get up to speed, but COF appears to be significantly behind schedule. In the first two years of operation, only 97 COF awards were made in England, equivalent to one quarter of the annual average of 200 assets moving into community ownership, and, to date, COF has awarded around 28% of its available funds for England in slightly over three fifths of its four-year programme. COF has yet to create the level of incremental impact we might reasonably expect.

Our analysis of COF suggests that although the number of awards issued to date is less than we would expect, the average value of these awards is relatively high. Power to Change's 2022 survey of community businesses found the average assets owned by a community business to be £1.1 million and the median £375,000 . The average award across Rounds 1, 2 and 3 of COF has been £267,000. If we assume 15% revenue funding for each award, equivalent to £40,000 on average, this gives an average capital award of £227,000. Assuming most of these awards had 50% match funding, we estimate an average total capital value per project supported of £454,000.

This level of COF grant funding per project is high compared to both the median asset value of community assets identified by Power to Change and the average values of projects supported by community shares. Based on our analysis, the average project supported by community shares in 2021 and 2022 has a total capital value of £328,000. (We have excluded higher value energy and housing projects to allow a like for like comparison). COF funding has been awarded to relatively large projects – 65 of the 131 projects in England have been awarded £250,000 or more.

In the projects which used community shares in 2021 and 2022, the equity raised accounted for around 70% of the total capital value. As shown below, this leads to a leverage of three to four times of grant funding. There is potential for some bias in this analysis because the projects raising community shares may be those with the most favourable economics, but even allowing for this, the leverage grant funding supports in projects with community share issuance is relatively high compared to that generated by COF awards to date.

COF average funding compared to grants awarded to projects supported by community shares

Sources:
COF, Communities Doing It For Themselves, Co-Operatives UK, 2023.

Asset Type	Grant Award (£)	Implied Total Capital Value (£)
COF Average	227,000	454,000*
Community Hub	212,000	298,000
Pub	24,000	159,000
Shop	21,000	54,000
Energy	5,000	528,000
Housing	25,000	508,000
Other	85,000	217,000

*Assumes 50% match funding.

Future Demand for Funding

To estimate the required future funding to support an expansion of community ownership, we require an estimate of the likely average award in future. As the wide range in the funding levels of different types of projects above illustrates, this is not a simple task. The average COF award of around £267,000 including revenue funding is high relative to average capital values of projects, and significantly higher than the grant in a typical project with issuance of community shares.

Assuming the recommendations contained in this report are adopted, we would expect future COF awards to have a higher average match funding component due to a greater share of total funds going to projects in more deprived areas, which, due to local property market conditions, we expect would have lower average capital values. With greater targeting of awards and a higher availability and wider range of private capital available, we believe £200k (including revenue funding) is a reasonable and realistic assumption to use for the average value for future awards, representing a crude average of current grant funding levels by COF and on projects issuing community shares.

With £23.7 million of its £150 million of funds earmarked for Scotland, Wales and Northern Ireland over four years, COF has an annual average of £31.6 million available for projects in England. Using an average award value of £200,000, if COF was able to distribute all its available funding in England, we could reasonably expect an additional 150 COF awards a year in England annually.

The current rate of awards is roughly one third of this rate.

That so many schemes have succeeded without access to COF, although they may have received support from other public sources, is an encouraging indicator of the demand for community assets. It is important to ensure public funding is being targeted as effectively as possible to generate incremental benefits which add to existing activity in the market. The target should be for total project numbers significantly greater than the historic average of 200 per year.

Alongside the widespread agreement we identified in our discussions on the potential of community ownership was a recognition that the market needs to be stimulated; there is a need to create a supply of assets. The introduction of a Right to Buy is a recognition of this requirement to stimulate the market. And, in parallel with creating supply, there is a need to increase the number of communities able to identify, acquire and operate these assets. For our targets to be realised, funding is required to support acquisitions, capability development and operations.

Setting a Target for Incremental Community Ownership

The volume of projects funded by COF to date provides a useful benchmark as to a practical target. While we expect an improvement in the rate of awards granted by COF in future, especially after recent changes to its scope, we believe the failure to invest in pipeline will prevent the number of awards reaching an annual total of 150 by the end of 2024. Creating a pipeline takes time and resource and there has been no coordinated effort to build community capability consistent with the scale of resource available through COF.

To increase the level of projects and hence the benefits generated annually, an integrated set of changes is required:
• Introduction of a Right to Buy.
• Creation of place-based funding arrangements.
• Increased investment in community development and capability building.
• Additional resources for local authorities to support communities in asset acquisition and business support.
• A push for a significant increase in the level of Community Asset Transfer (CAT) activity.

Some of these changes can be made faster than others. We believe it is reasonable to set a target of an additional 150 publicly supported acquisitions in 2027, and 300 annually by 2029. This would represent a sixfold increase in incremental projects compared to the first two years of COF.

Assuming an average project value of £200k, this target translates into a requirement for £205 million of funding over the five financial years following the end of the current COF cycle in 2024/25. In addition, we estimate activity to support communities start to develop propositions will require £26 million over the period.

Supply of Public Funds

Funding for communities is provided as part of the current Government's levelling up policies. With a general election due by early 2025 at the latest, spending plans have been developed in detail through 2024-25, the last financial year of the current Parliament. After this date there is a forecast spending envelope with estimates of the increase in total budgets provided by the OBR but limited information on specific spending plans.

To increase the number of new asset acquisitions to 300 a year on average by 2029 requires £231 million over 5 years. Assuming the COF starts in 2025/26 at its current level of £31.6 million in England and is increased by the 1% real increase in departmental spending assumed by the OBR over the next Parliament, this will provide £162 million over the five years.
While we expect the changes to COF recently announced to accelerate the level of funding awarded in the final year and half of the programme, we do not believe the existing pipeline and awareness of COF are sufficiently high to enable the fund to make up the shortfall in its rate of issuing awards. We estimate at least one third of COF's allocation to England, equivalent to £40 million, will remain unspent by the end of 2024/25.

Estimated Public Funding Requirement to Deliver Community Ownership Targets

**Estimated pipeline required to support continuing growth in number of acquisitions, assuming 1 in 2 comes to fruition ** Estimated at £10k per project on average*

(All figures in £m)	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Incremental Deals	125	150	200	250	300	1025
Funding @£200k	25	30	40	50	60	205
Development projects*	300	400	500	600	800	2,600
Development funding**	3	4	5	6	8	26
Annual Funding	28	34	45	56	68	231

Assuming this £40 million can be retained for future use, there is a requirement for an additional £29 million to fund the proposed targets for community ownership over a five year period. If Labour can direct some British Business Bank (BBB) funding to community ownership, this would fill the gap - £5 million a year is a small share of total BBB funding. And while this capital is not free like COF funds, across programmes and places it should be possible to blend the sources of public finance mentioned earlier (COF and BBB) to create a strong base of public capital.

If the introduction of a Right to Buy, greater investment in community support and adequate funding for local authorities and the creation of sector funds creates the opportunity to increase the number of community ownership projects supported faster than assumed above, the proposed model also has flexibility to respond to increased demand. This would be via BBB funding in the first instance, increasing the level of community support beyond the £29 million identified over five years. If the range of projects emerging includes more marginal opportunities in financial terms but with significant social impact potential, then the additional BBB funding could be deployed to the more attractive places to allow the lower cost COF funding to go disproportionately to the most marginal projects.

In addition, the Community Infrastructure Levy (CIL) is a potential source of funds. Local authorities currently have the powers to charge developers via a Community Infrastructure Levy (CIL). In 2016/17, CIL raised £1 Billion. With increased development, the need for community facilities is likely to increase and it is also possible community-owned assets could help to either enhance or fill gaps in provision in new development schemes. With Labour's plans to increase housing development and overall economic growth, we can expect the future value of CIL to be significantly more than the £1 Billion generated in 2016/17 . If individual local authorities want to accelerate the growth of community ownership in their areas, CIL offers an opportunity to generate the funds to do so.

Other Funding

While not part of public spending, a significant amount of additional Dormant Asset is going be made available to be allocated across young people, financial inclusion, social investment wholesalers and a Community Wealth Fund, the share to each yet unspecified. There is an opportunity to link the Community Wealth Fund to COF to create a true end to end process which works with communities from a very early stage to build capacity and awareness, training future leaders and preparing for potential community ownership if this will add value locally. Once a community has reached the point of considering acquiring an asset. they could move to drawing on the capability development component of local community ownership funding.

Generating Leverage

Based on the experience of community and social investment funds and the detailed analysis of projects involving community shares, together with the proposed funding model set out in Section 5, we believe private capital of one to two times the value of public investment could be raised. While this would be higher than the leverage achieved by COF, it would be the average level achieved by projects supported by community shares. With a more effective regime, the aim should be work towards this ratio. For the proposed public base level funding of £230 million, this would imply the attraction of £250 to £500 million of private capital, creating a base of up to £750 million of funds.

As community ownership grows, knowledge of the opportunities and risks will grow, increasing investor comfort and new funding sources and models options will emerge. Over time the leverage could be greater, especially if public funding is targeted effectively, allowing for future community ownership after 2030 to develop with a lower share of public funding per deal. We believe an annual level of investment of £1 Billion annually into community ownership is a realistic long-term ambition. Set alongside Labour's aims for growth in community energy and housing, there is a prospect of a major expansion in community led activity across the country.

Local Government and Community Ownership

We have already outlined the problems the top-down allocation of funding streams creates for local authorities, communities and investors. To be true to the philosophy of Take Back Control, funding must, wherever possible, be managed at a local level. Having decisions taken closer to where they will impact, by people more aware of local circumstances and the capabilities of their communities, should, all things being equal, lead to better decisions and more effective resource allocation.

While a shift to place-based public funding received widespread support in our discussions with interested parties, there was a significant minority concerned about asking local authorities to take on the central role of facilitating community ownership. The reasons given included a perceived lack of clarity in local authorities as to the role of communities, doubts over the current capacity and capability of local authorities, and concern about the ability of communities to influence decisions.

These concerns reflect the current state of local government; a complicated devolution landscape characterised by multiple models, facing high levels of demand in a difficult economy and lacking resources after a long period of reductions in real spending levels. In addition, community ownership as currently managed, like levelling up more generally, is something that is done to local authorities rather than being done with them. Funding and allocation rules are designed in Whitehall and managed centrally. As our analysis of the Community Ownership Fund (COF) has demonstrated, this approach is not delivering for communities.

Whatever model is adopted, there is widespread agreement that community ownership can only be successful if local government has the tools and resources it requires to support communities access the knowledge and support they need. Local authorities must be encouraged and empowered to lead on community ownership, given the freedom to work in partnership with their communities, and provided with incentives which allow them to share in the benefits generated. This is a huge change; after years of being starved of resources and centrally controlled, there is a need for a transformation in the way local authorities are treated and motivated, they need to become true partners for communities.

Funding Should Reflect Local Need

Every place is unique; neighbouring local authorities often have very different local economies. Logically, as Gordon Brown's Report of the Commission on the UK's Future proposed, English devolution should be built from the bottom up, from local communities and councils. It recommends that the principle of subsidiarity should be reflected in a legal requirement, that economic growth plans should be created and owned by councils. We view this as an opportunity for communities to shape the allocation of resources and the development of their places.

Local authorities, of all types, should be required to develop a local growth and development plan that identifies the role of community ownership, the potential for asset acquisition and the resources required to deliver this. Nationally these plans can be aggregated, and resources allocated to places by relative need. In the case of community ownership, COF funds will be devolved to local authorities to manage and allocate in partnership with communities.

As part of the process of creating the plan, local authorities will be able to identify the activities required to deliver community ownership and the resources required to deliver these, whether in-house or with partners. In return for receiving the funds to acquire assets and the resources to support delivery, local authorities will sign up to deliver on targets derived from their local growth plan and to measure their performance against these.

Communities Should Be Involved in the Decisions that Affect Them

There is widespread agreement, as funding is moved away from Whitehall, communities must be embedded within the structures and processes of local authorities to shape local growth plans, decision making and resource allocation. Communities will need to be formally incorporated into decision-making and governance. This issue is also relevant across other areas of local authority responsibility, but our focus is on the process for supporting community ownership.

To meet the suggestions of the organisations we have spoken with, a process should be introduced that requires the approval of a partnership of locally accountable community organisations (PLACO) for:

- The community section of the local growth and development plan, including the resourcing requirements for local authority support.
- The allocation of community ownership-related funding within the local authority area.
- Other decisions impacting community ownership and development.

In practice it may be that the partnership of local accountable community organisations is represented by an individual drawn from the partnership to take part in decision-making processes on behalf of the partnership having gained the consent of the partnership to perform that role.

In return, it is important that with that power there is demonstrable supportive behaviour and accountability from the PLACO. The community groups should work in partnership with the council, developing solutions together and abiding by agreed decisions.

On accountability, the organisations comprising the PLACO must meet the following five tests of local accountability to be judged by the local authority, before the authorisation of the PLACO is given:
1) Earn and maintain the trust of the whole community.
2) Support everyone within their place to participate in community decisions and activities in an inclusive and equitable manner.
3) Practice dynamic local accountability and community leadership based not just on consultation and voting but on ongoing community participation, relationships and local action.
4) Work proactively to identify and address shared issues and local concerns.
5) Make decisions to promote the interest of local people rather than institutions alone.

Should an organisation not meet these tests they will not gain authorisation, or have it withdrawn if it has already been granted.

Supported by robust governance of awarded funds

No major concerns were raised in our research over the governance arrangements supporting COF awards. Several parties identified the beneficial role of private capital alongside public funding as adding an extra degree of scrutiny - our proposals to seek to include the British Business Bank and CDFIs in the funding platform were also seen as positive for creating transparency and strong governance.

The benefits of the one member, one vote structure of community shares was also cited by several people as an important tool for strengthening governance.

Current COF requirements including the restriction of funding awards to incorporated bodies were seen as reasonable and useful for ensuring local authorities will have access to financial information.

In addition to providing an assessment of the effectiveness of the use of public funds, we were told impact assessments are valuable for the useful information they provide for discussions with private funders keen to understand how they can maximise their impact.

This is the independent report of the Community Ownership Commission, published with support from the Co-operative Party.

The views and recommendations it contains are that of the Commission and authors.

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