



To have and to hold

The DTA guide to asset development for community and social enterprises

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A GUIDE TO DEVELOPING COMMUNITY ASSETS

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Background



Introduction

It is now nearly ten years since the DTA published “Asset Based Development for Community Based Regeneration Organisations”. This set out the opportunities for local community based organisations to benefit in the long term from the development of land and buildings, by taking responsibility for their ownership and control and improving and using them to meet community needs.

Since then quite a lot has changed and moved on.

Government policy

Underpinned by its vision for "Sustainable Communities" (see box), the Government's policy agenda has developed a strong focus on "neighbourhood" and "communities" across a wide range of issues:

- The provision of affordable housing
- The design as well as care of parks and the "public realm"
- Support for the voluntary and community sector
- Support for the development of social and community enterprise
- The reform of local government and citizen engagement
- Neighbourhood Renewal Policy
- Community capacity building

In addition, there is a significant strand in these policies which considers the potential for the ownership, use and care of land and buildings by community based organisations to underpin their activities, providing "anchor" organisations that have the ability to devise and deliver practical action in neighbourhoods and capture the interest and commitment of people with a continuing interest in the well-being of their area.

The Vision for Sustainable Communities

"Sustainable Communities" are characterised as communities which have:

- *A flourishing local economy to provide jobs and wealth*
- *Strong leadership to respond positively to change*
- *Effective engagement and participation by local people, groups and businesses, especially in the planning, design and long-term stewardship of their community, and an active voluntary and community sector*
- *A safe and healthy local environment with well-designed public and green space*
- *Sufficient size, scale and density, and the right layout to support basic amenities in the neighbourhood and minimise use of resources (including land)*
- *Good public transport and other transport infrastructure both within the community and linking it to urban, rural and regional centres*
- *Buildings - both individually and collectively - that can meet different needs over time, and that minimise the use of resources*
- *A well-integrated mix of decent homes of different types and tenures to support a range of household sizes, ages and incomes*
- *Good quality local public services, including education and training opportunities, health care and community facilities, especially for leisure*
- *A diverse, vibrant and creative local culture, encouraging pride in the community and cohesion within it*
- *A "sense of place"*
- *The right links with the wider regional, national and international community*

This policy environment has seen a number of new initiatives come on stream to support the development and acquisition of assets, most notably the Adventure Capital Fund in England which has been recently made a permanent fund by the Home Office. In Scotland, Land Reform has also meant a flowering of organisations that have been supported in exercising a "Community Right to Buy". It has also led to some significant changes in government regulations that have increased the potential for transfer of assets to community based organisations at less than market price without the need for central government consent¹ and changed "clawback" rules relating to the acquisition of assets using public funds² which enable community based organisations to acquire them for generating income and as security for borrowing.

Developments in practice on the ground

These changes to policy and support available from government have been matched by changes in the extent and range of asset development projects being developed by community organisations on the ground, and new alliances being formed by umbrella organisations that have a role in supporting them (see case studies at www.dta.org.uk). An example of this is the work between the DTA and other organisations concerned with the ownership and control of community buildings, such as bassac and Community Matters. They are encouraging groups that have responsibility for settlements³ or community centres in all kinds of communities to take a fresh look at their buildings and look at asset development practice as a way of unleashing their further potential.

Perhaps most significantly, concern to provide affordable housing - an asset type which has not been pursued by many DTA members - has seen the re-emergence of the Community Land Trust mechanism as a model for developing community owned assets. There are now some emergent examples of this model which are designed to enable communities to make housing affordable to local communities and provide opportunities for the development of enterprises, through community ownership and control of land and buildings. These initiatives have been given some impetus by government interest in ways to secure affordable homes and the experience of Community Land Trusts in the UK and the US that have been successful in doing so.⁴

Future development

These changes have not supported all groups and individuals who have an interest in the potential for asset based development. Amongst DTA members for example, the successful development of assets is uneven. Whilst some have been able to increase the variety of asset projects they have developed and supported, for some DTA members their first asset development project may still be in progress. For some, time is running out. The final disappearance of Single Regeneration Budget projects in particular is presenting some serious challenges.

The DTA still believes, however, that asset development represents significant opportunities to secure community benefits in neighbourhoods and a platform for generating income to sustain locally based organisations in the long term. This is needed because neighbourhood renewal and regeneration is not a short-term activity. Communities need support and advice to enable them to grasp these opportunities.

This Guide is intended to provide some of that support and advice and aims to assist any individual, organisation or group of people who want to secure benefits for their community from land and building assets in their locality.

Who this Guide is for

Individual people or groups of people who want to organise in their neighbourhood to secure benefits from the development of land and building assets - they may want to save a local building from demolition and closure, or to meet the need for housing on a site which is to be sold or redeveloped.

Community and voluntary sector organisations like neighbourhood community associations, civic societies and tenants/residents organisations. They may want to use land or buildings to give them a base for their own activities or property that will provide an income stream to support their activities.

Not for profit organisations and social enterprises that deliver local services supported with volunteers, grants and contracts with local councils, government and other statutory providers of public services (health, education and so on).

Local authorities, regional development agencies, registered social landlords and funding bodies that are considering new ways to enable long term regeneration through community led asset development.

How to use this Guide

This Guide provides information, resources and contacts that you can use to develop a land or building project that is an asset for your organisation and local community. The practical tools and case studies, references and details of other organisations focus on those that are available on-line. This is the fastest way of collecting a lot of information which, with pressure on time for everyone is important, BUT it means that you must have access to the internet in order to access them. This is easily arranged through your local library or UK Online centre. It may also be available locally through your local voluntary and community sector - contact your local council for voluntary service (www.nacvs.org.uk) to find out. You do not always have to pay.

The Guide is presented as a series of activities which are separate but of course they overlap. As a result each section of the Guide cross references to others, but this reflects real practice on the ground - you will have to carry out many of the activities covered in each section at the same time. So at the same time as you are considering your initial assessment of your project you will also have to look at what you may need to do to manage it successfully.

*The Guide is not intended to be comprehensive, nor can it be relied upon as the sole source of advice and information for developing your project. You **will** need*

to get help from your peers and professional advice along the way.

But the Guide can get you started, give you helpful pointers while you are planning, suggest ways that you can attract investment or other support, enable you to be more informed when dealing with professionals (lawyers, planners, funders and other consultants) and provide a reference tool with contacts and other sources of information to help you argue your case, plan your project, secure support for it and make it happen.

Accompanying the Guide is a series of case studies which examine the experiences of other organisations that have been through the process and what they have so far managed to achieve. These are available on the DTA website (www.dta.org.uk).

To help you make a start, the main stages of the development of a project are outlined at the beginning of the Guide. Otherwise, you can dip into individual sections that correspond with the stage you may have reached.

A note on definitions

The subject matter of this Guide is intentionally wide ranging. It reflects the fact that the audience for the Guide will find themselves in a variety of circumstances in which individuals or organisations will want to pursue land and building assets of different kinds to meet different community needs and opportunities. Most terms which are not in common use or which have a particular meaning in the context of this Guide are explained in the main text. There are other general terms used in the Guide however, which to avoid doubt, are defined as follows:

Affordable Housing - this is low cost and subsidised housing available to people who cannot afford to buy or rent a home on the open market. It includes intermediate housing which provides homes above social rent levels but below open market levels.

Assets - refers to an interest in land or buildings (freehold, leasehold).

Asset development - refers to the planning and implementation of projects which provide assets for the benefit of community based organisations.

Community - used here to include communities of place (a neighbourhood, estate or town) or interest (people with common characteristics - age, gender, etc or an issue on which they feel strongly) or common needs (people who need housing, employment or public services). Most projects must define the community they wish to benefit from asset development and how it will benefit as an important part of the development of their project.

Community based organisations - this refers to any organisation which is not for private profit and seeks to involve defined communities in its policy making, management and activities.

Community capacity building - defined as "activities, resources and support that strengthen the skills, abilities and confidence of people and community groups to take effective action and leading roles in the development of their communities".

Feasible - this refers to whether a project can be developed to meet its objectives given its context and the resources available.

Social Enterprises - businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

Sustainable - this term has become closely associated with the protection of the environment and the resources of the planet. In this Guide, it is used to refer to whether an asset can be maintained and operated into the foreseeable future. It is linked to, but different from, viability, which refers specifically to the financial requirements a project may have to sustain it over a specified period.

Viable - this refers to the ability of an asset to cover all its costs with income over a specified period. This is usually three to five years although larger projects may need longer to pay back loans that they may have needed to enable their development.

Land Reform in Scotland - how it works

The Land Reform (Scotland) Act 2003 enables rural communities with a population of less than 10,000 to establish a community body and register an interest in land or buildings, thereby providing the option to buy when the land/buildings come up for sale, following a community ballot.

The Scottish Land Fund has been established, with support from the New Opportunities Fund, to assist communities to own and develop land. Its focus has been on the Highlands and Islands and initial funds are £10 million. It is able to support preparatory costs, acquisition and development.

Community Land Trusts - what they are

"Community Land Trusts (CLTs) seek to obtain land to meet diverse community needs. Such needs vary in each locality but the provision of housing is common to most CLTs. Land may be gifted or the market price heavily discounted. In rural areas, land on the edge of a village may be bought at agricultural prices with 'exception' planning permission, allowing the CLT to develop affordable housing

to meet local need. In other situations, planning permission may be given to private developers on condition that they endow a CLT with a portion of the land for affordable housing development and/or other community purposes.

The CLT removes the land from the market, preserving planning gain and other appreciation for the benefit of the community. CLTs either rent or sell housing to local residents or lease workspace. Homeowners only buy the building they occupy. Typically, where a property is sold, the homeowner will be given a long-term, renewable lease, enabling the resident to raise a mortgage and allowing for succession rights by family members. The CLT retains the right to buy the building back at a price defined by a resale formula, which aims to provide the homeowner with a fair share in the equity built up from mortgage payments and improvements."

From www.communitylandtrust.salford.ac.uk

References

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Chapter 1: Developing Assets

1.1 Overview

Each section in Chapter 1 deals with the specific activities that any group of people or organisation are likely to be involved in when trying to secure the benefits for their community of the ownership and development of land or buildings.

Each of the sections is freestanding and is designed to enable a group of people just getting started or an established organisation to gain an understanding of the process and what is involved.

Building Local Support covers the processes of community involvement that may be relevant to your project and involving other stakeholders who can help you make your project happen.

Feasibility covers the initial process of setting objectives for your project, considering its feasibility (can it be done?) and its viability (will it survive?).

Securing Finance covers the types of finance available for community land and building projects and the conditions and requirements that have to be met to get access to them.

Business Planning covers the process of constructing a business plan for your project which provides evidence that it is feasible and viable. It includes both the physical development process of your land or buildings and their care and maintenance into the future.

The Construction and Development of Land and Buildings covers the detail of the physical development (bricks and mortar) process for land and buildings and the professionals involved.

Dealing with Professional Advisors covers ways to choose advisors, advice about their costs, and tips on getting what you want from them.

Addressing Legal Issues in Asset Development covers circumstances where it may be necessary to set up a new organisation and the legal requirements that existing organisations may need to address to carry out their project.

In Chapter 2, **Managing Assets** covers the activities related to managing land and building assets that you will need to consider when planning your project to ensure that it continues to provide community benefits into the future.

To help you start, the main stages of the process and the relevance of each section of the Guide are shown in the chart on the next page.

Existing practitioners

There is a whole range of organisations that have been through the process that you are involved in and have experience which can help you during the process. You can research which are local to you and find out more about what they have done before you make contact.

These organisations are busy with their own projects and you will make yourself popular if, before contacting them, you look at the on-line and published information about their project and then make a list of specific questions that you want to ask. It will be more productive and save their time and yours.

Members of the Development Trusts Association www.dta.org.uk, Community Matters www.communitymatters.org.uk, bassac www.bassac.org.uk, and the Scarman Trust www.thescarmantrust.org.uk can be contacted through their regional networks and offices. Community Land Trust contacts can be found at www.communitylandtrust.salford.ac.uk.

In England you can also contact your local rural community council (a list of contacts is provided by the Countryside Agency at www.countryside.gov.uk) and a database of rural community initiatives prepared by the Commission for Rural Communities can be found at www.ruralcommunities.gov.uk.

Depending on the nature of your project, you can also contact other social and community enterprises through their national and regional networks at www.socialenterprise.org.uk, www.cch.coop and www.cooperatives-uk.coop. www.nearbuyou.co.uk has an online directory of social enterprises in the UK.



	YOU	Advisors	Site	Ownership	Permissions	Funding/resources
Getting Started GUIDE Sections 1.2, 1.3 & 1.8	Community Involvement Gather support information and advice Agree project objectives Develop the group or organisation to implement the project objectives and agree to pursue them Involve potential stakeholders Establish group's aims and legal basis if a new organisation is required	Legal structures	Costs Look for site if necessary - local sources of land e.g. owners, public authorities Identify desired features to enable use to meet project objectives	Discuss potential for community ownership with landowners if possible		Volunteers Pro bono advice Grant to develop project Research on funds
Planning your Project GUIDE Sections 1.3, 1.4 & 1.5 Chapter 2	Community involvement Research potential advisors, interview, agree terms and costs Explore the options for different uses and revenue to support the project on completion and meet project objectives Begin business plan Feasibility assessment (Potentially report)	Technical support for feasibility from land and building advisors Advice on VAT Loan agreements Land/building sales/transfer Consider construction contract opportunities for local labour and training	Site investigation Consider terms of lease/sale/transfer Land survey		Advice from all relevant authorities	Estimate budget In principle agreements re grants and loans Secure resources to develop project in detail
Designing your buildings or improvements GUIDE Sections 1.5, 1.6 & 1.7	<u>Develop detailed design</u> Client agreement Community involvement Arrive at detailed brief Work with regulations	Sketch scheme though to detailed design Specification and drawings Land/building transfer/sales			Planning permission Building regulation approval	Detailed agreement on grants/loans
	<u>Tendering and contracts</u> Tendering/negotiation with contractor Selection of contractors Programme of works			Book services connections		Funding and loans for works approved and available
	<u>Works on site</u> Celebration Establish staffing for management of the project if required Maintain community support Implement marketing plans	Supervise works Site meetings Certify payments Records		Site visits		Payment of contractors
	<u>Completion</u> Accept handover of buildings	Defects inspection Snagging and retention, Issue completion certificates Record drawings to client		Complete land/building ownership transactions	Notify completion	Final accounts
Managing your Project GUIDE Chapter 2	Implement business plan People and resources for management and maintenance	Retain professional advisors to manage the organisation and the land/buildings				Receive funds from sales/rentals Repay loans Report to funders if necessary

1.2 Building Local Support

Individual projects will have different starting points but are likely to be motivated by a lack of provision of land or buildings to meet community needs in a neighbourhood.

The opportunity to raise these concerns and consider the development of land and buildings to address community needs may be triggered in a variety of ways:

- Existing community based organisations may be looking to develop a project which secures a land or building asset or improves an existing one to help them achieve the objectives of their organisation (social and community enterprises, voluntary and community groups)
- Existing organisations (local government, private individuals and companies) may be looking to transfer land and building assets into community ownership (community centres, housing, vacant buildings/land)
- Proposals for a new road
- A planning application for development
- The publication of a land use planning policy at regional or local level (the Local Development Framework, a site specific planning brief or supplementary planning guidance) which guides the development of land
- Proposals for sale and/or development of land and buildings owned by public agencies (local government, health authorities and so on)
- Concern about lack of local affordable housing provision, community facilities or employment opportunities for local residents identified by a process of neighbourhood or community planning (for example a parish or village appraisal)

Whatever the initial trigger was for your project and whether it is being promoted by an interested group of individuals or existing organisation(s), to be successful you will need to build local support for it.

This process takes time, but it will be a worthwhile investment when and if you have to draw on your supporters to ensure that your project happens. Most projects have an element of campaigning and lobbying to do and the more people who know about and understand what you are trying to do and why, the better your chances of success.

The people who have come together to develop your project will need to be given approval or a mandate by a community involvement process to take a project forward. They will then need to be a champion for the project, developing it in a way that includes people but making sure that plans and decisions are made,

action is taken and reports of progress are regularly made.

*The benefits of doing this will be:

- Agreement on community needs and an understanding of how your project will help to meet them
- Generation of enthusiasm, support, time, skills and knowledge
- Enabling individuals and organisations to act as champions for your project - arguing the case for support and driving it forward
- Enabling the development of a shared sense of purpose, values and ownership
- Access to valuable local information about issues and solutions
- Good communication
- Strong local support for planning applications where, for example, permission is sought for affordable housing in a village where land has not been designated as available for development by the local planning authority or where a proposal is particularly controversial (like a wind farm)
- Credibility of your project in the eyes of funders, stakeholders and local authorities and recognition of its mandate, leading to greater likelihood of offers of resources in the form of information, land/buildings, funds and support

To secure these benefits you will need to:

Task A

Plan and implement a process of involvement with your community to agree project objectives (see Section 1.3) and develop your project.

Task B

Identify and involve stakeholders who can make your project happen by securing formal approvals (planning permissions, financial support and sale or transfer of ownership of land or buildings) and help (providing information services for free or covering the costs of project development and implementation).

*Source: Community Land Trusts: Practitioners Handbook, University of Salford/CDs/Co-op UK (forthcoming 2006) © The University of Salford, 2005, All Rights Reserved. Moral rights of authors asserted.

Task A - Planning and implementing a process of community involvement

■ Defining your community

It is not possible to be prescriptive about how you should define your community in order to involve it in developing your project; it really does depend on where you started.

But from a practical point of view you cannot involve people and organisations in developing your project if you do not know who they are and why they should be involved. So you will have to start by defining the community for your project as the basis for planning the process.

Projects may define their community in a number of ways, for example:

- People in a defined neighbourhood or area
- People who have common characteristics (age, gender, ethnicity etc)
- People with a common interest or objective
- Users of an existing building or the services of an existing organisation
- People living on one estate with a common landlord
- People who want land or building uses of a certain type in an area - housing, workspace etc

You will need to define the community for your project in a similar way so that you can target information and invitations to people to be involved in the process and identify stakeholders who can help you make your project happen.

■ Planning a process

However you define your community it will give you a basis for planning a process of community involvement for your project. This might be relatively simple when your community is narrowly defined - for example if your project is to improve an existing building you may only need to develop and discuss the objectives of your project and plan its implementation with staff, users and management committee members of the organisation. This may involve some workshops and action planning meetings with users and the consideration of proposals and options for the project by the management committee/board.

Alternatively, if the definition of your community involves a neighbourhood or village you may need to plan a process of wider community involvement to develop your project objectives and agree the remit of a planning group or establishment of a new organisation to take the process forward and report back.

Once defined, you can plan to involve your community and will need to consider the following:

The purpose of their involvement

Your plan will need to be clear about whether you are:

- Telling them what you are doing - Informing
- Gathering information or asking for their views/help/support - Consulting
- Asking them to approve action to be taken and who will take it - Decision making

This will affect the kinds of information you produce, and the format and numbers of people involved in the discussions you might have as part of your involvement process.

The development of your project

Your plan will need to consider how development of your project - from the initial setting of project objectives through to its final completion - will take place and how your community may be involved at each stage. Section 1.3 outlines the process of setting objectives and ensuring that they are clear. To involve your community in these discussions is important and will differ from project to project but is likely to include discussions on:

- Needs that the project will meet - for housing, community facilities, workspace, surplus revenue to support or carry out other activities, etc
- How the project will meet them - the project objectives - what kind of asset will be developed, who will benefit, who will own it, who will occupy it and how it will be run and maintained
- The design and construction of the project - preparation of a brief and the appointment of professional advisors
- Securing support for the project - identifying other stakeholders who might support the project with the resources or skills needed to make the project happen
- Developing, if necessary, a new organisation to make it happen and agreeing its legal structure and governance (who its members are, how it makes decisions)
- Your community's role in the project when it is complete

How you go about this will depend on the specific circumstances of your project and the resources and skills available. Usually a combination of public meetings, conferences, workshops, exhibitions and other participative design events is included in the process and there is now a wealth of good practice and practical information that is free and easily available (see Table 1).

*Whatever methods you use for your process it is important they:

- Are planned carefully, so that participants are clear about why they are there, the benefits to themselves and the community, the process and the follow up that is planned
- Are inclusive - accept diverse agendas, constraints and varied levels of commitment and avoid jargon, and individuals are targeted from the *whole* community
- Are clear and productive - agree ground rules and boundaries - which decisions are on the table and which are not
- Encourage communication and collaboration
- Are well recorded
- Use professional advisors carefully and avoid being dependent on them
- Are followed up with all participants

Table 1 describes some specific techniques which have been used in other projects, and there are a large number of guides, toolkits and publications which can help you plan your process and implement it for your project.

Table 1: Techniques to involve communities

Planning for Real® - a tool for considering all the needs in a neighbourhood. It is particularly appropriate for considering land and buildings since it is based around a scale model. The model of a neighbourhood/village/building is created by the community and often toured in the area to promote a Planning for Real® event or series of events where the model is used to draw out views and ideas that can then be prioritised and acted upon. The packs include model making instructions, templates for publicity and agendas for events.

Village/parish appraisals - a series of community surveys are undertaken to consider all aspects of village life and encourage action by local volunteers and statutory agencies. A report of the process is then produced and launched to guide future local action and review progress.

Community planning weekends - a widely publicised weekend of design exercises, presentations and meeting site visits and discussion with professional advisors. The purpose is often to come up with a draft plan for a building or area within a weekend and present it back to the public who have participated in the events to agree how to make it happen.

Action planning workshops - an action plan on an agreed issue or concern is developed in structured workshops which are devised to be include as many people as possible and result in positive proposals for action.

Visioning - a conference or event which aims to develop and agree a shared vision of the future by people who attend. It may be focused on the future of a neighbourhood, village or site; or on a policy issue such as affordable housing in a locality.

Task B - Identify and involve other stakeholders

Involving your community will provide great benefits to your project and will include many people and local organisations with information, time and advice to help you develop your project further.

But to develop a land and building project successfully to meet community needs you may need to look for support from other stakeholders in your area or neighbourhood who can provide help in a number of ways:

- Providing land/buildings for your project at less than market value
- Providing expertise to help you develop your project
- Providing funds for its implementation

You can research the following potential stakeholders in your area and consider if they could provide support to your project.

Local government

Your local authority may be able and willing to support your project in a number of ways.

As local planning authority

As the planning authority, your local authority will be required to allocate land for uses that meet local needs and demands as well as national and regional policies to ensure that enough housing (including affordable housing), workspace, community and leisure facilities and so on are provided. It may support the planning process for your project if you can show that it meets some of these needs.

Some rural communities have used central government guidance on planning (which provides some opportunities for projects to identify sites for land and buildings which meet local needs for housing) to argue their case for development. Planning Policy Guidance Note 3 allows for housing schemes to be given planning permission in rural areas where they do not comply with the Local Plan, provided they are small and respond to local needs. Several county and district councils, with support from the Countryside Agency up to 2005, have employed rural housing enablers who adopted a systematic approach to pursue schemes which would meet these requirements. They undertake surveys of housing needs in identified rural communities which have significant numbers of people on the housing waiting list and have discussions with land owners and registered social landlords about housing development.

*Source: Community Land Trusts: Practitioners Handbook, University of Salford/CDs/Co-op UK (forthcoming 2006) © The University of Salford, 2005, All Rights Reserved. Moral rights of authors asserted.

In the future, the new local planning system arrangements for development frameworks may also provide opportunities to work with local planning authorities and landowners. The new system has a strong emphasis on community consultation to determine the type, size and nature of developments acceptable in an area, which would then inform decisions on applications.

The new system also intends to create more proactive arrangements which seek to look ahead and decide what is needed where, and consider how it could best be encouraged and "planned" rather than responding to proposals from developers.

*Conditions attached to planning consent, in particular agreements under Section 106 of the Town and Country Planning Act 1990, seek to make sure some of the value created by the granting of planning permissions is applied to offset the effects of development in the community, or to ensure it is better orientated towards local needs. The conditions may require the development to contribute to the infrastructure of the community by:

- Contributing to the cost of improvements required to transport infrastructure as a result of the development or as one of a number of developments
- Contributing to the cost of providing extra school places
- Meeting the cost of providing a community building

Local planning authorities can use these powers to support projects where appropriate.

As landowner

Local government is still an important source of land and buildings that may be appropriate for your project. The benefits that your project can offer to your community will be an important factor in persuading the local authority to sell or transfer land and building assets to your project and on what terms it is prepared to do so.

As funders

Local authorities have many powers to fund activities that help them to achieve their objectives. As a result they are often powerful allies to secure funding from European, regional and other local programmes. You may be able to secure support for the development and implementation of your project and widen your base of support from statutory service providers if you can persuade your local authority to support your project financially.

As enablers

Local authorities have considerable expertise and power at their disposal to make projects happen in partnership with community based organisations. They may assist with project management, design and legal services and as intermediaries with other developers.

Landowners

Some projects may involve the development of an asset which they already own or acquisition of a building they already occupy. Others may be having difficulty identifying a site which can be used to meet the objectives of their project. It is possible to look for a potential site for your project by finding out who owns the land in the area that you are interested in and approaching them directly. Although most landowners will want to maximise the value they get for their land, they may be persuaded to support your project if they:

- Are persuaded that planning control would prevent any other use of the site
- Support your project objectives
- Identify with the community and its needs

Local and central government departments, charitable trusts, churches and private landowners may provide opportunities to provide sites for your project and potential subsidy for its acquisition and development.

You can find out who owns the land and building in your area from the Land Registry in England and Wales (if it has been bought or sold since 2000), and from the Registers of the Scotland Executive Agency. A small fee of £2 - £10 will have to be paid.

Registered social landlords

Registered social landlords are potentially important supporters for your project, particularly if it is concerned to provide affordable housing.

Governments recognise that the market does not provide for everyone's housing needs. To fill the gap local authorities began to make substantial provision of rented council housing, supplemented increasingly after 1974 by voluntary sector housing associations which, since the Housing Act 1990, have been called "registered social landlords" (RSLs). RSLs are now almost the sole agency through which additional affordable homes are provided, using social housing grants (SHG) provided by the Housing Corporation which the RSLs combine with private loans to fund the new housing.

*Source: Community Land Trusts: Practitioners Handbook, University of Salford/CDs/Co-op UK (forthcoming 2006) © The University of Salford, 2005, All Rights Reserved. Moral rights of authors asserted.

RSLs are under acute pressure to deliver affordable homes at the lowest possible cost. Opportunities to acquire land at below the normal market value are in high demand. *A supportive housing association, usually with RSL status under the Housing Acts, can be an extremely valuable partner in your project:

- The process of land acquisition and development is a complex and lengthy one. Having an RSL partner can help your community get through to the end of the process.
- RSLs have access to social housing grant which can be used to subsidise land acquisition and building costs.
- Their involvement can provide a credible track record and financial strength to reassure other stakeholders and spread the risks associated with your project.
- Those RSLs that are involved in land and property development have a good knowledge of particular architects, quantity surveyors and other professionals and can advise on who might be employed, or even find firms that may be willing to assist you. They can also recommend builders and development partners with good track records. Their development expertise may also be helpful in negotiating a way through the planning system.
- It may be possible for them to support any intermediate market housing (and other non-housing needs) that are part of your project.
- They can help you to acquire assets rather than ownership being held by the housing association.

Some RSLs are particularly interested to work with other community based organisations. RSL members of People for Action and In Business for Neighbourhoods (a national alliance of housing associations within the National Housing Federation) are looking at the way that services are delivered at local level and working with other organisations as a way to do this.

But it should be emphasised that RSLs can deliver affordable housing projects of their own and may regard the desire of a community based organisation to own and manage affordable housing as part of its activities as unnecessary competition and complexity. They may also be particularly concerned to maintain ownership of any land and buildings assets that are created from their involvement in a project. RSL involvement in your project should therefore be carefully considered and a clear understanding of their role made at the initial assessment stages.

You can get a list of housing associations operating in your locality from your local authority or contact the National Housing Federation.

Regional development agencies

Regional development agencies have an interest in inward investment, economic improvement and regeneration, skills development, increasing employment opportunities and tackling social exclusion.

Many of the agencies own land and provide resources for larger projects. They can also influence the investment of European and other strategic funding programmes in development and implementation of projects.

You will find a list of regional development agencies in Section 1.4.



*Source: Community Land Trusts: Practitioners Handbook, University of Salford/CDs/Co-op UK (forthcoming 2006) © The University of Salford, 2005, All Rights Reserved. Moral rights of authors asserted.

Other tools and case studies

You can find the most comprehensive and practical information on community participation and planning principles, lists of methods and downloadable sample agendas, formats and checklists for you to customise for your own events at www.communityplanning.net and www.partnerships.org.uk.

You may also be able to get help and advice on community planning issues from planning aid and technical aid organisations in your area. You can find out what is available in your area by visiting www.rtpi.org.uk.

You can find comprehensive information about community involvement in other projects involving land and buildings at www.theglasshouse.org.uk. It also provides training courses and has bursaries to keep costs affordable to community based organisations and individuals.

You will find comprehensive information and case studies for community based projects in England at www.renewal.net and www.ruralcommunities.gov.uk. For projects in Scotland visit www.communitiesscotland.gov.uk.

Local government as an active partner

Manningham Mills Community Association has worked with Bradford City Council to secure the future of Manningham Mills and secure community space and other benefits from the developer, Urban Splash. Throughout the process the City Council has provided legal and other advice and negotiated with the developer on behalf of the Community Association.

References

- Burns D et al (2004) "What Works in Assessing Community Participation" Policy Press
- ODPM (1995) "Involving Communities in Urban and Rural Regeneration: A Guide for Practitioners" Office of the Deputy Prime Minister
- Skinner et al (1997) "Assessing Community Strengths: A Practical Handbook for Planning Capacity Building" Community Development Foundation
- Wates N (2000) "The Community Planning Handbook" Earthscan



1.3 Feasibility

It is important to remember that a feasibility process is just that - to see if your project is feasible - and it may not be! You will have to consider carefully the risks and liabilities, and you should not underestimate the struggle you may have to make things happen and the bureaucracy you may have to wade through to do so. The important thing is not to pursue hopeless causes and try to balance being optimistic with being realistic and prudent throughout the process.

The main activity of the feasibility process is research, which should focus on answering the following questions:

- Is your project desirable?
- Can your project be accomplished?
- Is your project viable?

At this stage of a project, resources may be needed to appoint professional advisors and enable processes of community involvement.

Alternatively, this stage may be delivered by volunteers working with professional advisors or other local organisations that are deferring fee payments or providing services at no cost to the project.

Whichever way you are able to devise and implement the process for your project, it will enable significant opportunities to engage with other stakeholders and involve your community in its development (see Section 1.2).

At the feasibility stage you will be engaged in two main activities for your project:

Setting project objectives

To decide whether your project is feasible you will need to know what you want to achieve and why at the outset - that is, agree your project objectives.

This does not mean that you cannot vary your project objectives as the feasibility process proceeds, based on the information and advice you gather. But being clear at the outset exactly what you are trying to accomplish will enable you to consider all the options and opportunities which may be uncovered in the feasibility process and allow you to be accountable to your community for any changes.

Conducting an initial assessment

This involves gathering information and advice that can support your proposals and

show how the objectives for your project can be accomplished from a technical, legal, financial and operational point of view.

To do this at such a level of detail that funding could be secured for project implementation will require significant resources and it is worth considering project feasibility as a two stage process - an initial assessment and a detailed feasibility study which will require resources to pay for more advice.

There is a tendency at this stage to assume that a lot of professional help is required to make an initial assessment of your project. This will depend on who is supporting you and the skills available. But an initial assessment is intended to be more broad brush - based on some professional advice, local research and budget estimates rather than professionally verified market information or construction cost estimates which would be part of a detailed feasibility process.

Setting project objectives

Project objectives are statements of what you want your project to accomplish.

They are developed and agreed to guide the activities of people and organisations so that they are working on the project in the same direction(s).

They may be formulated and agreed for your project from a process of community involvement (see Section 1.2) or developed by a single organisation.

Depending on the circumstances of your project, its objectives may be very general or very specific at the initial stage - you may only know that you want a building or piece of land saved or improved, or that you want a land or building asset which will make a revenue surplus for you to use for other purposes.

Thus project objectives may start as a general statement like "the objective of our project is to provide more housing in our village". As it is developed these project objectives may grow in number and become more detailed like "the objective of our project is to build twelve two bedroom affordable flats on the timber yard site in our village" and "the objective of our project is to constitute a new Community Land Trust which will own the timber yard site so that the houses on it can be always be sold or let locally".

Alternatively a general statement such as "the objective of our project is to expand and improve the facilities for young people in our neighbourhood community centre" could develop into "the objective of our project is to build a managed workspace annexe to the community centre by 2010. Revenue from the rents of the workspace will pay for a youth worker to organise activities for young people in the neighbourhood".

Whatever level of detail is possible at the feasibility stage, you can develop your project objectives using the SMART acronym below to test that they are focused and action oriented. This helps to avoid project objectives which are so general that it is difficult for a focus to develop that enables effective decision making and activity by everyone involved.

Project objectives set in this way also contribute to clarity about the way that you will measure the benefits of your project and what records you may need to keep in order to check or monitor your progress or evaluate your project at specified times against the objectives that you agree.

Specific - Objectives should specify what you want to achieve

Measurable - You should be able to measure whether you are meeting the objectives

Achievable - Is the objective you have set achievable and attainable?

Realistic - Can you realistically achieve the objectives with the resources you have?

Time - When do you want/need to achieve the objective?

You will not know for sure whether all your objectives are SMART until some of the feasibility research process is complete, but when it is, project objectives are used to inform the scope of the initial assessment and the development of the business plan.

You can also consider ranking your objectives into those that you will not compromise and those that you can be more flexible on, depending on whether they will affect the viability and feasibility of what you want your project to achieve. For example, you may initially have the objective that your project must maximise the use of local labour in construction and minimise the impact of construction on the environment (for example, using sustainable timber, providing water recycling facilities). If however these objectives push up the costs of your project so that it is not longer feasible, you may have to be more flexible and amend your objectives accordingly. But the nice thing about this is that they are your objectives - you can do what you want with them!

Conducting an initial assessment

An initial assessment of a project usually takes place when:

- Project objectives have been agreed
- A site or building has been identified for the project
- A group of people or organisation(s) is identified who can manage the process and report back to the community and other stakeholders

Your initial assessment will include the inception and feasibility stages of the development process described in Section 1.6, when there are opportunities to involve your community and stakeholders in development of a brief for the physical transformation of the land and buildings associated with your project. This process also provides the basis for estimating capital costs that can inform both the initial assessment (see below) and, later on, your business plan (see Section 1.5).

The main purpose of the initial assessment is to:

Test whether your project objectives can be put into practice and refine them in the light of the information and advice that you gather.

The initial assessment will allow for a process of refining your project objectives to improve its feasibility (whether it can be done) and viability (whether it can survive by generating income to cover its costs).

For example, it may be the objective of a project to provide a community centre or workspace that is affordable to local organisations and businesses. This objective may be at odds with the need to repay a loan needed to build it because the capital costs of its acquisition and development could not be entirely funded from grants. Alternatively it may not be a problem if you consider that you can provide a subsidy to those organisations and businesses by other fundraising efforts or from other income generating elements of your project.

In addition, your project objectives may have implications for your operational requirements when you are managing the assets into the future. For example, if your project involved providing housing for people on low incomes to rent or to buy you may need to support them through the process of renting or buying your property by providing information and one to one advice and help.

The important thing is to be as clear and specific as you can about what you are trying to achieve and how your social and community objectives (for affordability for example) are balanced with your financial requirements to cover your costs and liabilities with income.

Test whether your project is viable and sustainable and shows enough potential for success to conduct a detailed feasibility study.

The initial assessment is a process of gathering information and predicting likely costs and income for both capital expenditure on the land and buildings involved and the revenue costs of running and maintaining them into the future.

It will be necessary to undertake research into all these questions and then bring

the results together to consider a final view on whether the project has enough potential to develop in more detail and to secure the resources that might be needed to investigate feasibility fully.

The initial assessment for your project should at a minimum research and answer the following questions. The answers that are possible initially may become more detailed as more research is conducted. However, considering all of them at the initial stage and filling in the checklists will demonstrate very quickly how much research needs to be done. This will enable you to generate answers - which can be supported with evidence - that you can rely on to make your initial assessment of whether the project is feasible, viable and sustainable and later will form an important part of your business plan (see Section 1.5).

1. Checklist: What are the obstacles to the implementation of your project?

Is the potential land/building asset available? If so, on what terms - costs, conditions (for example whether a lease or freehold on land or buildings is proposed, or whether there are limitations such as restrictive covenants on their use and development)? How do you know?

Can the asset be developed to meet project objectives from a technical and legal point of view (For example, is it possible to fit what you want on the site/building, will it meet planning standards and policy)? How do you know?

Is there sufficient demand for what is proposed to make the project viable? For example is there a demand for workspace, shops or housing at the right price to enable you to cover costs? How do you know?

Are permissions necessary and are they likely to be given (planning or listed building consent for example)? How do you know?

Is there sufficient community support and an organisation or individual people who can make it happen? How do you know?

Does the organisation promoting the project have the legal powers to do what is proposed and is there a person willing and able to "champion" the project through the process? How do you know?

Is there likely to be financial support available to implement your project? Is it available on the right terms and conditions? How do you know?

Do you have enough time to plan and implement your project? How do you know?

Any there any other barriers? How can they be overcome?

2. Checklist: What is needed to implement the capital development process for your project (the land or building acquisition and its development or improvement)?

	Costs £	Income source
Land/site acquisition		
New or revised legal body and/or policies		
People (project manager)		
Construction		
Insurance		
Fixtures/fittings/equipment		
Advisors (professional fees)		
VAT		
Any other needs? (specify)		

3. Checklist: What is needed to run and maintain your project when it is complete?

	Costs £	Income source
People/skills (staff salaries)		
Running costs (see Section 1.4 and Chapter 2)		
Insurance (employers, public, professional indemnity)		
Contractors (service agreements)		
New or revised legal body (administration)		
Finance costs (loan repayments)		
VAT		
Any other needs (specify)		

4. Checklist: What time is needed to develop your plans and implement your project?

You should prepare a "time line" or Gantt chart for your project. These chart a specific timescale for your project against the tasks that have to be completed to enable you to plan for deadlines (for example funding deadlines or construction contract periods) and monitor your progress. You should take particular care when estimating the time needed for design and construction processes (see Section 1.6).

■ Assessing the viability of your project

Projects that are not viable are simply those that cannot meet all their costs over a specified period. In a land and building project that means that you cannot raise the finance to acquire and develop the asset (what we have referred to as the capital development process) or let your project to its target market at a price that covers the costs you have to pay to provide it (the revenue costs and income associated with your project when the assets have been acquired and developed). It is perfectly possible to have a project which will take some time to become viable - you may need to secure some grant subsidy to cover this gap until your income levels can grow. But you must show this clearly in your assessment and outline how you have considered the risks of the fundraising necessary to bridge your gap and cover the repayments of any loans etc.

■ You can test the financial viability of your project by:

- Using the results of your initial assessment of what is needed to implement the capital development for your project (checklist 2 above) to check that potential income exceeds costs.
- Using the results of your initial assessment of what is needed to run and maintain your project when it is complete (checklist 3 above) to check that potential income will exceed costs.

You will need to extend your assessments to cover a three to five year period and make allowances for cost increases over the period. Some projects may not generate their full revenue potential at first and your projections of income may in the initial stages include some grant revenue support to help you run the project until it is viable.

If income is greater than costs then your project is potentially viable (given that this is an initial assessment).

Using the information you have gathered from your initial assessment to consider whether there is evidence that:

- The *capital* funds can be raised to acquire the land and buildings that form part of your project and improve or develop them to meet your project's objectives. A key element of this is any subsidy available to your project from paying less than market value for the land and buildings or from grants to meet the costs of development or improvement.
- There is sufficient demand for use of your project that will generate *revenue* from sales or lettings to cover all the costs of running and maintaining the project when it is complete. This is particularly important if you cannot cover all

your capital costs from grants and subsidies and wish to borrow and commit to loan repayments.

The business plan template in Section 1.5 specifically separates your capital and revenue costs and income so that you can focus on addressing the long-term viability of your project.

■ Double checking your initial assessment for viability

In order to test your initial assessment of viability it is worth conducting some further analysis (sensitivity analysis) to see what happens if your estimates of income and your estimate of costs rise or fall by a specific percentage. This will give you an idea of the financial risks associated with your projections and what you may have to do to address them, such as securing more initial revenue subsidy or re-visiting estimates made for running costs.

■ Checking the sustainability of your project

The initial assessment of your project may show that it is viable in financial terms. For example, let us assume that your project involves the building of ten houses which are to be owned by a Trust and let to tenants at intermediate rents. You can meet all the capital costs of acquiring and building the housing with a loan and grant. The revenue costs of the managing the assets and the loan repayments will be met by the rents.

How sustainable this arrangement will be depends on whether you have considered in detail all the operational implications of maintaining and managing your housing and administering the Trust that owns and manages it. If your financial assessment of viability does not include all these implications both viability and sustainability is undermined.

Your initial assessment will need to convince you that you can overcome any obstacles to your project (checklist 1) and that you will in the end have a viable and sustainable asset from the process. You should remember that it will also need to convince others. Your assumptions about costs and income will be rigorously tested by potential funders and, if you require revenue subsidy initially to work towards viability, you will have to be able to specify the particular community benefits that the project will offer in the long term.

If you are satisfied that your project is viable on the basis of your initial assessment you are in a position to proceed with a detailed feasibility for your project.

■ Detailed feasibility

If an initial assessment results in the decision to move to a more detailed feasibility investigation you will need to agree the further work that will be required to develop it in detail and secure the resources necessary to make it happen.

The information gathered for your initial assessment will have to be researched in more detail and verified with the benefit of professional advice (see Section 1.7) and will provide important information to be included in your project's business plan.

You may choose to publish your feasibility study to enable you to seek support, but it is also possible simply to include results of the detailed feasibility process for your project in your business plan.

Either way your feasibility study and business plan should be supported by research or other evidence which supports the assumptions that you make about your projected capital and revenue income and expenditure and your ability to manage the project when it is complete.

Other tools and case studies

You may be able to get help from your local community and voluntary sector to develop your project objectives and initial assessment as part of its local community capacity building activities. There are often small amounts of funding available for this. Start in your local library or contact your local council for voluntary service.

You will find many examples and case studies from the social enterprise and development trust movements from their regional offices or other regionally based social enterprise support organisations (go to www.dta.org.uk and www.socialenterprise.org.uk).

If your project is concerned with affordable housing provision you can also visit www.communitylandtrust.salford.ac.uk and www.cch.coop for housing case studies.

Many of the tools available for business planning (see Section 1.5) include information about feasibility processes.

Setting and changing project objectives

An historic pub in east London was acquired with the objective to refurbish it as a community centre by a charitable company established by a local group to do so. As feasibility and fundraising research progressed, it realised that there were already many community facilities in the area which were underused. The opportunity arose to acquire at no cost the adjacent parkland as a garden for the ground floor of the building.

As a result the objectives for the project changed and the building was converted to a café with a garden terrace and the first floor was refurbished for workspace. The revenue income from letting the café and workspace to other operators - approximately £30,000 per annum - means that surpluses are distributed as small grants to groups in the area.

Project objectives and viability

Community Land Trusts in the US provide opportunities for renting and buying housing to people on low incomes. Since their viability is affected by residents' turnover and ability to pay and because they want to be fair and transparent, some trusts provide "resident orientation and education" programs to ensure that applicants for housing understand the process of buying and selling their property with a Community Land Trust and whether they can afford to do so.

References

Business Link (2005) "The No Nonsense Guide to Government Rules and Regulations for Setting Up your Business" Business Link
English Partnerships (1997) "Brick By Brick: How to Develop a Community Building"
Social Firms UK (1998) "Business Plan Guide" Social Firms UK
Social Enterprise Development Initiative "Social Enterprise Business Planning Guide" Edinburgh

1.4 Securing Finance

All projects will have different opportunities to secure finance for their development and implementation. These will depend on the type of assets being developed (housing, workspace, leisure for example) and the community and stakeholders involved (whether there is a sympathetic landowner involved or significant grant funding is available).

But most projects will need to secure funds in three stages:

Project feasibility

To make an initial assessment of feasibility and viability of a project it may be necessary to investigate the site/buildings, work up proposals, approach funders, pay architects and other professionals and fund the community involvement process before any finance to implement the project can be secured.

It is often difficult to find finance to undertake this work, particularly up to the level of detail that will be required to demonstrate viability and sustainability of the project convincingly.

However there are some funds available (see below) and experience from practice on the ground is that persistence pays off and the solution is often a combination of grants from project stakeholders, voluntary activity and pro bono (provided at no charge) work by professionals.

Project implementation

To bring your project to fruition, capital finance to acquire and develop your asset will be required as well as revenue financial support to develop the organisation undertaking the project and manage the assets into the future.

Ongoing support

Some projects take some time to achieve viability and may require ongoing revenue support via grants rather than income from the assets to maintain and manage their assets.

Types of finance available

Your project will have a range of options to secure finance for its implementation (see Table 3), but they will depend heavily on four things:

- a) Who you are - your legal structure, aims, history, track record and experience

- b) Your project - what it is you are trying to finance
- c) How much you are looking for - some types of finance are only available in small or very large amounts
- d) When you will need the finance - some types of finance are only available for spending over a specific period or when your project has got to a certain stage (for example after planning consent has been secured)

a) Who you are

Some types of organisation will not be eligible for some kinds of finance. Table 2 shows the effect of legal structure on access to some kinds of finance. If your project involves the establishment of a new organisation you should consider these effects on the potential finance available for your project.

Table 2			
Legal structure	Can register as a charity	Can access debt/borrowing	Can access equity/issue shares
Company limited by guarantee	Yes	Yes	No
Company limited by shares (private)	Unlikely	Yes	Yes
Company limited by shares (public)	Unlikely	Yes	Yes
Industrial and provident society (bencom)	Yes	Yes	Yes
Industrial and provident society (bona fide)	Unlikely	Yes	Yes
Community interest company	No	Yes	Yes

Source: Social Enterprise London "Step by Step Finance for Social Enterprise"

Lack of track record and funding often constitute barriers to new organisations that are trying to develop a project, even with the support of their community and other stakeholders.

You can overcome this by paying particular attention to the detail and quality of your feasibility process, the visible support of project stakeholders, and the development of your business plan (see Section 1.5). This can go some way to improving your credibility with finance providers.

b) Your project - what it is you are trying to finance

Some finance is only available for certain kinds of projects and may require a partnership with other organisation(s). Social housing grant, for example, can only be used by a registered social landlord, so if your project involves housing you may need to secure help from an RSL to access this finance at the initial assessment stage in your project’s development.

In addition, your project objectives may mean that you wish to limit the amount of loan finance that the project uses so that all the income in the project can be applied for community benefit. Alternatively you may wish to mix very commercial and high value uses (e.g. retail/private market housing) with those that need cross subsidy (e.g. community/leisure uses) so that you can limit both the need to borrow and the need for grants.

Your initial assessment and feasibility process will allow you to identify stakeholders and landowners who are able and prepared to sell land and buildings at less than market value for your project that you can then develop to meet community needs and be viable and sustainable. This is often the key to project viability and can help you to minimise the costs of the development and implementation of your project and minimise the need for all types of finance.

c) How much you are looking for

Some types of finance are only available in small or very large amounts. This is true for all the types of finance that are available. Grants from charitable trusts and government have eligibility requirements in relation to the size of projects they will support and some loan finance is only available above a certain value.

You can research what is available and consider its relevance and applicability to your project. You can also look at case studies (see www.dta.org.uk) to see how other projects have secured finance to develop and implement their projects.

Table 3: Types of Finance Available
Grants
These are non returnable funds provided for projects.
Grants available from central and local government, regional development agencies and other government bodies are affected by State Aid rules. Where the grant is considered to give the organisation that is receiving it an unfair competitive edge on other business organisations it is called State Aid and can be deemed to be illegal - refer to HM Treasury sources for the latest information on this issue. Grants from government funding

programmes may also come with conditions related to the development of the project (tendering etc) and the community benefits that are planned from its implementation. Grant conditions may also affect the use of any revenue generated by the project in the future and may require repayment or "clawback" of the grant. This type of funding may be limited for organisations which are not registered charities or do not have charitable objectives.

Equity

Equity finance is capital invested in a business for the medium to long term in return for a share of the ownership and sometimes an element of involvement in the operation of the business/organisation. Rates of return on investment that may be required by investors will vary. Equity can be raised from a share issue, venture capitalist or a business angel (who will provide some support to the organisation's development as part of the arrangement). This type of finance is not available to some kinds of organisations and is often unsuitable when the project aims to provide ownership and control of the assets and income from them to a community based organisation.

Loans

These are funds made available over a set period. The main loan has to be repaid as well as the costs of the loan (interest) with an agreed repayment schedule. They come in a large range of shapes and sizes, have very varied rates of interest and there are fees to pay when they are arranged. Some loan funds require security to cover the loan and may wish to "take a charge" on the property involved. This is registered at the Land Registry and, although it does not convey ownership or possession rights, it provides that if the property is sold, the value of the charge will go to the lending organisation. Subordinated loans are loans which are ranked below other debt in terms of priority of repayment or if an organisation closes. Lenders range from the mainstream commercial banks (some of which specialise in lending to the not for profit sector) to Community Development Finance Institutions, which may offer some concessionary terms because of their own social objectives.

Patient Capital

These are loan and grant combinations which take a long-term view of the development of community based organisations and their activities. Some are available for organisations that want to acquire and develop land and building assets; others are focused on organisations that want to deliver public service contracts in the areas of health and social care, crime reduction, education and support for children and young people.

These are all the types of funding available but, although it may be easy to decide whether to apply for or accept a grant, making decisions about loan finance and securing it is often more difficult. Not all banks are used to considering the credit needs of community based organisations that are looking for financial support. It is worth going to a provider that has some experience of community and social enterprises. These are shown Table 4.

Table 4: Sources of Funds	
Grants	Directories and Contacts
<i>UnLtd</i> Awards for individuals available on two levels Level 1 £500 - £5,000 Level 2 £10,000 to £20,000	www.unltd.org.uk www.scotlandunltd.com
<i>Community Champions</i> Grant of up to £2000 for individuals who want to make something happen in their community	www.dfes.gov.uk/communitychampions
<i>Scarman Trust</i> Small awards of up to £2,000 for individuals who have a project idea and want to make it happen	www.thescarmantrust.org
<i>Lottery Funds</i> For sports, arts, community and environmental projects	www.hlf.org www.biglotteryfund.org.uk www.lotterygoodcauses.org.uk
<i>Esmée Fairbairn Foundation</i> One of the largest grant giving foundations in the UK	www.esmeefairbairn.org.uk
<i>Lloyds/TSB Foundations</i>	www.lloydstsbfoundations.org.uk
<i>English Partnerships</i>	www.englishpartnerships.com
<i>Central Government</i>	www.governmentfunding.org.uk www.businesslink.gov.uk
<i>Local Government</i>	Contact your local council for voluntary service for what is available from local government in your area. Go to www.nacvs.org.uk , www.wcva.org.uk or www.scvo.org.uk
<i>Charitable Trusts</i>	Contact the Directory of Social Change www.dsc.org.uk for a full list of its publications that provide the details of grant giving charitable trusts in the UK. The Charities Information Bureau also provides help and advice on funding mainly in the north of England. See www.cibfunding.org.uk . www.funderfinder.org.uk produces a software programme to identify funders which is available from your local council for voluntary service - contact www.nacvs.org.uk . Some grant giving trusts are members of networks like www.communityfoundations.org.uk
<i>Scottish Land Use Reform Fund</i>	www.caledonia.org.uk www.hie.co.uk www.landreformact.com
Loans	
<i>Charity Bank</i>	www.charitybank.org

<i>Ecology Building Society</i>	www.ecology.co.uk
<i>Natwest Community Finance</i>	www.rbs.co.uk
<i>Regional Development Agencies Community Loan Funds</i>	www.lif.org.uk has links to the community loan funds supported by regional development agencies
<i>Triodos</i>	www.triodos.co.uk
<i>Unity</i>	www.unity.co.uk
<i>Local Investment Fund</i>	www.lif.org.uk
<i>ICOF</i>	www.icof.co.uk
<i>Prince's Trust</i>	www.princes-trust.org.uk
<i>Community Development Finance Institutions</i>	To contact your local CDFI go to www.cdfa.org.uk
Patient Capital	
<i>Adventure Capital Fund</i> For community organisations that need investment to develop assets and trading	www.adventurecapitalfund.org.uk
<i>Future Builders</i> For voluntary/community organisations needing investment to deliver public services	www.futurebuilders-england.org.uk www.communitiesscotland.gov.uk
<i>Venturesome Fund</i> Run by the Charities Aid Foundation	www.cafonline.org.uk
Equity	
<i>Ethical share issues</i>	www.cafedirect.co.uk www.ethicalproperty.co.uk
<i>British Business Angels Association</i> This is only for large sums on projects when there is no objection to giving away control and equity	www.bbbaa.org.uk

d) When you need the finance

As part of your planning you will have to consider how much time will be needed for each stage of your project and the order in which tasks can be implemented (see Section 1.3).

These will provide you with the basis for planning when you will need resources for each task. This is an important part of your financial planning since you will need to ensure that your contractual obligations are met as your project proceeds (i.e. resources are available to pay professionals, contractors etc).

This information can then be used to inform the development of your cash flow for your business plan.

Conditions and requirements for financial support

To secure finance for your project you will need to provide evidence that your project is worth supporting financially. These requirements will vary but the main ones are shown below:

Requirement/condition	Evidence
That your organisation or proposed organisation is capable of implementing the project and has the power to do so.	Governing documents (Memorandum and Articles or rules). Track record.
That your organisation has the financial and administrative systems to account properly for the finance of your project.	Project managers, terms of reference. Skills of governing body/management committee, volunteers and staff. Proposals for financial administration of the project and processing of payments.
That what you are doing is supported by the local community.	Evidence of community involvement processes and local market research.
That you have other financial support.	Evidence of other funding agreed or applied for.
That your project is technically feasible.	Professional advice on costs, design and site investigations. Listed building consent and planning permission.
That your project contributes to other projects and plans in your area.	Evidence that you are working with other partners to achieve common objectives.
That your project can demonstrate what it has done to secure value for money.	Evidence of processes used for selection of consultants.
That what you are doing can provide measurable benefits such as the number of new jobs, amount of new workspace, number and types of building users and so on made possible by your project.	Who are intended to be beneficiaries of your project? How have your benefits have been calculated?
That your project is viable and that your financial estimates and assumptions are robust.	Detailed business plan supported by market research evidence.
That your project will create a valuable asset.	Purchase price and estimated final value from a surveyor.
That your project is of good quality in relation to design and construction.	Detailed design and specification.
That you can report on the use of the money you spend.	Project manager's terms of reference Skills of governing body/management committee/staff.

Other tools and case studies

The regional offices for most social enterprise organisations and networks can provide case studies of other organisations and the way that they have secured finance for their project. Go to www.socialenterprise.org.uk.

Go to www.businesslink.gov.uk - this is a national service available in all regions to provide a wide range of online and published resources on funding projects and developing your plans in detail.

The finance for a CLT project - Stonesfield Community Trust

A local company in the village donated £3,000 to fund the process of developing a housing project. The land, which was valued at £3,500, was donated by one of the founders of the trust, who had been the driving force behind its development. When planning permission was granted, the land increased in value to £150,000, providing enough security to get a bank loan to fund the first four houses. Further sites were bought in the village with a loan of £80,000 from West Oxfordshire District Council. A further five houses were developed with this loan and additional contributions came from individuals (who gave £119,000 in gifts and fixed interest loans), a grant of £20,000 from the Quaker Housing Trust and other loan finance from Triodos and the Ecology Building Society. Local Quakers also donated almost £7,000 in individual donations.

Greenacres, Leicester

Chaos Enterprises is undertaking a £1.9 million project to create a new retail, arts and crafts workshops, pet centre and exhibition space on a derelict site owned by Leicester City Council. Significantly, Chaos negotiated an option on the land with the council at an early stage in order to give itself time to negotiate the full 125 year lease with the council and detail its plans with the involvement of the local community. Costs to develop the plans were nearly £85,000. This was funded by grants from the European Regional Development Fund, the Single Regeneration Budget and in-kind contributions of time from Leicester City Council officers. A significant element in raising the finance for the capital work is the land, which is being made available by the City Council for £50,000 including VAT. This security has enabled Chaos to secure landfill tax credit grants and further ERDF funds to implement the project.

References

Bibby A (editor) "Step by step Finance for Social Enterprise" Social Enterprise London
Brown J et al (2004) "Cooperative Capital" Cooperative Action, Manchester
Business Link (2005) "The No Nonsense Guide to Small Business Funding" Business Link
Social Enterprise Coalition (2004) "Unlocking the Potential: A Guide to Finance" Social Enterprise Coalition

1.5 Business Planning

This section sets out the process of producing a business plan for a land and building asset project. It could be a plan developed by an existing organisation for a project which it would include in its overall business plan or could be a plan for a new organisation which is set up to implement the project and own or manage the assets when they are complete.

Your project business plan is likely to serve a number of purposes:

- To secure support for your project
- To help you check your progress against your plan regularly and re-plan your activities if necessary
- To communicate with your community and other stakeholders

Your plan is more likely to be successful for these purposes if it is succinct and focused and based on good up to date information, supported by professional advice.

It is important that business plans for land and building projects consider not just the viability of acquiring and improving the asset (the capital development process) but also focus on its viability and sustainability after it has been acquired and developed.

Many asset development projects for community based organisations and social enterprises involve project objectives that propose to enable cross subsidy of some activities by others. For example, it is assumed that surpluses from some elements of the project (rental income from housing and workspace) will cover the costs of others (community centre facilities, community development activity or other social objectives). For these objectives to be fulfilled means that there must be a focus in the project business plan on management and maintenance of the assets involved in the project after they have been acquired and developed. Chapter 2 sets out some of the activities that may be involved which you should address when using the template to develop a business plan for your project, particularly your revenue finance projections.

The following business plan template will help you to focus on the management and maintenance of the assets by clearly separating the development of the land and building elements (capital costs and income) of your project from the maintenance and management of the assets into the future (revenue costs and income). You will need to customise it to suit the particular circumstances of your project.

Business plan template¹

1. Summary

This should be written last and should contain a summary which aims to tell the reader:

- Who you are
- What you want to do
- How you intend to go about it/do it

2. Your organisation

This should set out information on your organisation in general, not the specific project that is the subject of the business plan - this is dealt with in the rest of the plan.

You should include information on your long-term objectives, your achievements to date, the organisations you are working with and a summary of who currently benefits from your work.

If your project has set up a new organisation to undertake the project you will need to set out your overall intentions in developing the project and how it relates to your new organisation and its objectives.

Give brief details of the people involved in your organisation and project, with particular emphasis on the skills and experience they have which are relevant to your project and making it happen.

3. Introduction to the Project

Here you need to set out your project objectives and to summarise why the project is needed, the services it will provide and the benefits it will bring.

Set out clearly the capital development phases in your project and your estimate of the time needed for each phase and when it will be complete and ready for use.

Set out your plans to manage and maintain the project after it is complete, the staff or contractors involved, who will manage them and what they will do.

4. Market information

The purpose of this section is to:

- Confirm the need and demand for your project and the services and benefits it will provide, supported by evidence and professional advice

- Set out how your project will meet this demand and how you will manage the activities involved
- Support the figures used in projecting your income and costs (how you have set prices and estimated costs) in the financial forecasts that you will provide in the resources section of the plan

This should include:

- Who you are targeting your project to (your market)
- What you know about others who are providing services in your market and why your project will still meet demand
- How much you will be charging for your services and how you have arrived at your proposed prices

5. Marketing and promotion

The purpose of this section is to set out your plan for promoting and marketing your services to your market. It should include:

- The methods you will use
- Why they are suited to your market

6. Resources

A) People

Set out what people and skills will be needed to manage and maintain your project and how they will be secured (e.g. in-house employee or contractor) and their estimated costs.

B) Capital costs and income

In this section the capital expenditure needed for the project should be summarised and proposed sources of income to cover costs stated. These costs for your project should be drawn from the initial assessment and feasibility process and supported by professional estimates, trade/supplier quotations and detailed plans where possible.

Costs	Income
Land acquisition and legal fees Site investigations	Sales Grants Loans Equity
Building/construction work	
Professional fees	
Furniture	
Equipment	
VAT	
Contingency	

Depending on the size and complexity of the project this should be presented as a cash flow projection to show what assumptions have been made about availability of funds to meet the contractual commitments of the process of land and building development and align with the timescale you have projected for the capital development in Section 1.4.



C) Revenue costs and income

In this section the costs of managing and maintaining the assets created by your project should be outlined over a fixed period (usually three to five years). This may include:

Income	Costs
Rents, fees and charges	Staff salaries (including employer's national insurance, pension contributions)
Membership fees	Insurance (land/buildings/public liability/employers liability/ contents/rents and service charges)
Grants/donations	(including IT/telephone)
VAT	Professional fees - audit and legal
Service charges	Repairs and renewals
	Marketing/letting (direct costs and sub-contractors)
	Utilities (e.g. gas, electric, water)
	Security
	Training
	Administration/office costs/bookkeeping
	Rates
	Loan repayments
	Cyclical maintenance (decoration etc)
	Cleaning
	VAT
	Utility and fire compliance
	Sinking fund (reserved fund for future major works/ improvements)
	Promotion/publicity
	Allowance for bad debts/voids (unlet property)

Once these costs have been estimated they should be presented in the form of an initial one year cash flow showing income and expenditure on a monthly basis. Further projections can be shown quarterly for the rest of the period of the business plan. Explanatory notes should also be included specifying the assumptions you have made about the timing of costs and income in your projections and why you have made them.

7. Risk assessment

The purpose of this section is to show that:

- You have thought about all the risks involved in your plans
- You have plans to address them, should they arise, that are based on an assessment of their impact on your plans

This section should *outline* the results of your risk assessment, which can be developed in three steps:

Identifying risks - you should consider all the risks associated with your project, which may include the following:

Area of risk	Potential impact
Management/Governance Lack of planning, poor decision making	Potential for financial losses Reputation Staff turnover/effectiveness
Operational Poor flow of information Risk control, health and safety, contract risks, competition, relationships with suppliers Poor marketing	Financial losses Impact on service/sales Legal action Reputation Staff turnover/effectiveness Delays to plans
Environmental/ External Government policy/regulation Commitments of landowners/funders/other partners, performance of contractors Lack of planning, systems for disaster planning Market changes in demand during project implementation	Financial losses
Financial Financial assumptions in budgets and estimates are inaccurate Timing of income assumptions is inaccurate Lack of financial management and control procedures	Financial losses Cash flow difficulties Legal action
Legal compliance Data protection Copyright Disability discrimination Race relations Health and safety VAT Employment law Employee pension provision Company law	Legal action Fines and penalties Reputation Action by regulator

Risk assessment

Once identified, the risks to your plans can be assessed against two questions:

- How likely is the risk?
- What will happen if it does occur?

You can use the simple scoring system below to decide which risks to your project are most severe. Once you have done this you can address those which score highest (IV) first and work your way through each risk in turn until you are considering those which are both unlikely and will have limited impact (I).

Likelihood of occurrence (chance of happening)	III High likelihood Low severity of impact	IV High likelihood High severity of impact
	I Low likelihood Low severity of impact	II Low likelihood High severity of impact
	Level of severity of impact	

Risk control

You can develop your risk assessment into a risk control strategy by considering whether you can address each risk to your plans by sharing it, avoiding it, managing it or accepting it. Ideally you should be able to manage all of them.

For example, let us assume that a risk to your project is reduced rental income because you may have a high turnover of small business workspace tenants.

You can *avoid* this risk by either hoping it will not happen or trying to pass it on to your tenants by increasing notice periods for tenancies in letting and leasing arrangements.

You can *manage* this risk by having excellent credit control and tenant liaison processes so that problems with payments are quickly identified and by developing active waiting lists for tenancies from good publicity and marketing.

You can *accept it* on the basis that small businesses have high levels of failure and the risk is a feature of the business you are in.

Other tools and case studies

You can find other business plan templates, factsheets and case studies at www.businesslink.gov.uk, www.cbs-network.org.uk, www.socialfirms.uk and www.co-active.org.uk

www.socialenterprise.org.uk provides case studies and contacts for networks of social enterprise networks in your region.

You can find social enterprise business advisors at www.setas.co.uk and trainers and management consultants who have worked with community based organisations at www.trainersandconsultantsdirect.org.uk

References

- Business Link (2005) "The No Nonsense Guide to Government Rules and Regulations for Setting Up your Business" Business Link
- English Partnerships (1997) "Brick By Brick: How to Develop a Community Building"
- Social Firms UK (1998) "Business Plan Guide" Social Firms UK
- Social Enterprise Development Initiative "Social Enterprise Business Planning Guide" Edinburgh
- Lawrie A (2001) "A Complete Guide to Business and Strategic Planning for Voluntary Organisations" Directory of Social Change



1.6 The Construction and Development of Land and Buildings

The physical transformation of land or buildings is the process that is the focus of most professional input into projects and can sometimes be the sole focus of the project business plan. This is understandable given the work involved in design and construction. But the main focus in this process should be on what effects the design and construction decisions to be taken will have on the management and maintenance of your project into the future. These decisions will affect its potential viability and sustainability.

In many ways you will have to think about managing and maintaining your project and its assets before they are built or improved if you want to ensure that they are fit for your purposes and can be well managed and maintained into the future. Chapter 2 sets out the issues you will have to think about when you undertake an initial assessment and Section 1.5 outlines the level of detail that will be required for your business plan.

You should bear in mind that design and construction can be very time consuming and that even the most generous estimates of time required are likely to be less than the time it will actually take. Depending on the scale and kind of development involved, a construction process can take several years to develop in detail and even longer to implement on site. The most significant factors that will influence the time needed will be:

- The levels of community involvement or consultation required throughout the process, particularly in relation to agreement on initial land uses and design requirements in the detailed stages (see Section 1.2)
- The scale of the works and any phasing of the process
- When resources are available
- The skills and input from the "client" who authorises the work to take place and approves changes
- The availability and quality of professional advice

The development process

Being the client of a building project can be hugely exciting and creative. It can also be a shock when you see or have to run the finished product and you are kicking yourself that you "did not think about that".

It is important therefore that this process allows a focus on your requirements as the eventual owner and operator of the land and buildings. It is important that you

scrutinise the designs for your project as they emerge with a view to addressing the following two questions:

What will the designs mean for the people looking after the assets?

For example is it easy to clean, secure, replace broken parts and use for the purpose it is intended for? Is waste adequately provided for? Is the design of the space flexible so that its use can change if necessary? Are the proposals for heating and lighting and alarms workable given the way the building is to be used?

What will the designs mean for your running costs and income?

For example, will it use a lot of energy or water? If it involves self contained units should they be separately metered? Are there common areas/circulation spaces that are unnecessary?

Asking these questions will be particularly important as you move through the first three stages shown in the table on the next page, after that it will be difficult to change things without significant cost implications. Getting advice from someone who has built something similar to your project will help keep you focused on the practicalities.

Tables 5 - 7 show the main stages in the process of development of a land and building project, the professionals involved and the direct costs that will be incurred during the process. Appointing professionals - including contractors - in this process is covered in Section 1.7.

These tables can help you plan the overall process in more detail but every project is different in significant respects and these will have to be addressed in your planning:

Size and complexity - this will affect some elements such as the professionals involved, the fees that are payable and the requirements of the contract, which may be different depending on project objectives (some may want training provision in their building contract for example). Some larger projects may require a dedicated project manager who can also act as the employer's agent or clerk of works during the contract stage.

Availability of resources - projects may have to be phased to accommodate the resources available. Many projects combine the initial stages of inception and feasibility with the production of a report which can be used as the basis for securing resources to develop and implement the project in detail - so there may be delays between stages as funding is secured.

Decision making - projects have different stakeholders and funders, all of whom will have different requirements for involvement in the decision making about

development and construction of land and buildings. It is helpful, for example, to consider specifically the implications for your project of the roles of "client" and the employer on a construction project. This is an important role in the process since the client appoints advisors, authorises work to take place, agrees costs and timetable and appoints professionals to the project. At contract stage this role is mostly known as the employer and comes with specific liabilities. Some projects will have a community based organisation or group as client but may have difficulties with the role of employer due to its liabilities. When the contract is ready for signing, the employer for the contract is responsible for payments to the contractor and other professionals and may also take handover of the land or buildings when complete. This may prove beyond the financial capacity of a community based organisation and, depending on how the whole process is funded and who will own the land or buildings at the end of construction, there will need to be a specific discussion on who will take on the client and employer roles during the process.

Table 5 - Land and Buildings: Development Process
Project Stage
<p>1. <i>Inception and feasibility</i></p> <p>Initial project concept and development of a "design brief" or set of instructions to an architect/design team which provides "client" guidance on the specific requirements for the final buildings/improvements and the process of design development. This may include requirements for community involvement activities to enable input to the brief.</p> <p>Fees will be payable for the professional services of an architect, landscape architect and quantity surveyor to produce design sketches and cost estimates. Some site investigation - site and building condition survey work - may also be required.</p>
<p>2. <i>Develop design</i></p> <p>With an outline design and estimated costs, efforts to involve other stakeholders¹ and to secure finances² for the project can begin to move to the detailed stages.</p>
<p>3. <i>Finalise design and submit for full planning permission</i></p> <p>Fees will be due to the local planning authority and to an architect for this stage.</p>
<p>4. <i>Work up detailed design</i></p> <p>This stage may commence whilst the planning application is being considered, but professional fees will be incurred.</p> <p>The detailed design includes specialist input from structural and services engineers and suppliers of specific products or components e.g. smart technology, heating, lighting, stonework etc. From the detailed design the quantity surveyor produces more detailed costings.</p>

5	<i>Submit for building control approval</i>
This covers issues such as structural integrity, fire resistance and means of escape, thermal performance, and disabled access.	
Fees due to local authority	
6	<i>Tender/negotiate with contractors</i>
Funders may have requirements concerning the tender process and the demonstration of value for money, particularly if the project is a large one and requires a Europe-wide tender process.	
Currently (2005) the financial limits for a full European Union Procurement Exercise are as below. It should be remembered that these figures are for the duration of the contract and exclude VAT. Service Contracts = £99,695 (€154,014), Supply Contracts = £99,695 (€154,014), Works Contracts = £3,834,411 (€5,923,624).	
The tender will require a full package of drawings and written specification plus the quantity surveyor's Bill of Quantities and health & safety requirements.	
Send to three or four contractors acceptable to project client. Choose contractors who can do the work and have worked with similar organisations in the past.	
Fees due to quantity surveyor (QS), engineers and to architect at this point.	
7	<i>Tender return</i>
Official opening of tenders - check who needs to attend. Report by QS to client on returned tenders. Recommendation to proceed with a contractor. Negotiation by QS and architect of contract sum with selected contractor.	
8	<i>Sign contract and lease if required</i>
Planning permission and building control approval in place.	
Architect and QS issue contract documentation, including drawings and specifications amended as a result of any last minute planning or building control requirements and following on from negotiation with selected contractor.	

The professionals involved

Table 6 shows indicative fees for professionals involved in the process and are shown only to demonstrate the scale of fees that may be involved in relation to the overall value of the contract for the project. All the fees involved are negotiable, and can be based on lump sums, time charges or percentages of the contract sum. Not all the professionals listed are involved in all projects depending on their scale and complexity and the nature of construction involved (new or refurbishment).

The total fee package will vary with the value of the project contract but is often up to 15% of the contract sum inclusive of expenses but subject to VAT. This may increase if the project is complex, but may reduce to 12% if the overall value of the contract is large.

Table 6 - The Development Process: Professionals Involved and their Costs

Profession	Role	Fees	Payments
Architect	Produces overall design and co-ordinates specialist inputs from others May administer contract on organisation's behalf Submits planning and building control applications as agent	Fee 5-6% of contract sum	Paid in three stages 35% at planning application submission 40% at start on site 25% at completion
Quantity Surveyor	Compiles bill of quantities based on drawings and specifications (Royal Institute of Chartered Surveyors) Organises tender, checks tender returns, writes tender report Carries out monthly valuations during contract	Fee 3%	Paid in five stages 50% at issue of tender the rest paid quarterly
Planning Supervisor	Oversees health and safety procedures during design, demolition, construction and use of building Role defined under construction design and management (CDM) regulations	Fee 0.5%	Can be separate consultant or work carried out by QS and fee added to QS fee
Structural Engineer	Works with architect to design structural elements of design Provides calculations and certification to building control and specifications and details to contractor	Fee 2%	Paid 50% at start on site, remainder upon completion
Mechanical & Electrical Services Engineer	Works with architect to design heating, lighting, ventilation etc. elements of design. Provides	Fee either 2% of contract sum or, if sub-	

	information to building control and specifications and details to contractor	contractor to design systems, the fee is built in to cost of works	
Landscape Architect	Works with architect to design landscape elements of design Possible input at planning stage	Fee 1.5%	Due as work is carried out
Employer's Agent, Project Manager, Clerk of Works		May be fixed fee but are dependent on scope of work undertaken	

Contract stage

The following is a fairly typical contract process that can help you understand what is involved. It is important however that you also give consideration to the type of construction contract that may be suitable for your project.

Different contract types provide differently for factors such as³:

- Cost certainty - whether they need to be firmly fixed before starting construction
- Dealing with complexity - whether the works are large scale or particularly specialised
- Client involvement - whether the client is able or willing to be closely involved with the project
- Capacity for variations/flexibility - particularly if some aspects of the design cannot be decided in detail by the client
- Clarity of remedies if things go wrong - who bears what responsibilities
- Separation of design and management

You will have to decide which of these criteria are important to your project before seeking advice on the type of contract you should use.

Table 7 - The Contract Stage

The contract will include:-

The contract sum - the agreed cost of the works.

The contract period - the time the work should take.

The insurances the contractor and the employer will take out.

The damages due to the employer from the contractor if the works are not completed on time. These are called Liquidated & Ascertained Damages (L&A Damages) and would cover, for instance, the cost of providing a service elsewhere if the new building is not completed on time.

Pre-start Meeting

At the pre-start meeting the contractor and employer agree a start date and the contractor will issue a programme for the works up to completion. This shows the various stages the works will go through and the dates by which they should be completed. This is used to keep track of progress and enables any slippage to be measured. The contractor will also request information from the design team to enable him to carry out the works. The planning supervisor will also go through the requirements of the CDM regulations overseeing health and safety matters. Dates for all subsequent meetings are agreed.

Agreed Start Date

From the agreed start date the contractor is considered to have possession of the site and is responsible for health and safety and insurances. Building control will visit the site soon after work starts and will issue the bill for the second part of their fee. After approximately a month on site the quantity surveyor will carry out the first valuation of the works in conjunction with the contractor's own QS.

The valuation is then issued to the architect, who, having checked them, will issue interim certificates for payment by the employer to the contractor minus the 5% retention.

The contract will state how many days the employer has between the issuing of a certificate and the payment of the contractor - normally between 14 and 28.

This process of valuation and issuing of Interim certificates is then repeated at intervals throughout the contract period.

The drawing up of a valuation and the issuing of an interim certificate are usually timed to coincide with the regular site meetings between the contractor, design team and employer's representative. These meetings serve to keep track of progress, allow the contractor to report any difficulties, request further information and pre-empt future problems.

Variations

If the design team requires changes to the scope of the works as set out in the contract documents, or if new information is issued this is done under a numbered Architect's Instruction (AI). Variations to the contract sum are related to AIs, they can be used to reduce as well as add to the scope and hence value of the works. The amended contract sum is then included in subsequent documentation. Variations should be avoided as far as possible.

As a result of additional work requested under AIs or because of particularly bad weather or supply problems or other events beyond the control of the contractor he may apply for an extension of time. The design team will then assess this and the contract administrator will grant an extension in part or in full if it is considered justified. The contract period will then change and so the completion date will then be amended accordingly.

In the final weeks of the works the building control department will inspect the works to ensure everything has been done in accordance with the relevant legislation. Similarly, the fire officer, social services and environmental health officials will visit as appropriate to certify the work is fit for its intended uses. Certification will be required before the building can be used.

On Completion

Handover - at the completion of the works the architect issues a certificate of practical completion, the site is handed back to the employer/organisation and the responsibility for security and insurances passes to them.

The defects liability period begins during which the contractor is obliged to rectify any defects that may occur. The final interim certificate is issued in which the retention is reduced from 5% to 2.5%, this sum being held back for the duration of the defects liability period.

Final Account

After the works have been completed and all the contractor's costs have been collected together the quantity surveyor agrees the final account including all the variations agreed during the course of the works. This process can be quite protracted and involves much negotiation.

Once the final account is agreed and the defects liability period expired a certificate of final completion is issued. If the defects have been satisfactorily dealt with a "Certificate of Making Good Defects" is issued and the retention released. The building then becomes the sole responsibility of the employer/organisation.

Handover

This stage of the process represents the point when responsibility for the project is handed from the contractor back to the new owner/manager.

It is important to pay as much attention to detail at this point as in the initial design stage. This is particularly the case for snagging and defects rectification. You should avoid paying any retention on your contract until you are satisfied that all defects have been rectified.

These stages are notorious for finding that contractors and professional advisors are less committed to the project and you may find yourself having to deal with teething problems for new boilers and so on.

You should ensure on handover that you are given all the documentation you require to be able to deal with inspection, maintenance and repairs, which as a minimum should include a full set of drawings of the building(s) showing all services, drainage and metering arrangements, full sets of operating instructions, guarantees/warranties for space and water heating, alarm systems and so on.

Other tools and case studies

You can find other case studies for construction projects and information and guides on the overall process from the professional institutes and associations in Section 1.7. In addition the Commission for Architecture and the Built Environment (www.cabe.org.uk) and the Centre for Education in the Built Environment (www.cebe.ac.uk) have case studies of a wide range of construction projects, including green spaces and parks

References

English Partnerships (1997) "Brick by Brick: How to Develop a Community Building"
Lawrie A (2002) "A Complete Guide to Creating and Managing New Projects" Directory of Social Change
Parkes M (1995) "Good Practice Guide to Community Planning and Development" London Planning Advisory Committee
Rural Development Council Northern Ireland (2001) "Community Building Resource Pack"
Society of Chief Architects in Local Authorities and Local Government Task Force (2003) "A Guide to Standard Forms of Construction Contract"



1.7 Dealing with Professional Advisors

What kind of professional advice you will need to make your project happen will depend on the kind of project you are developing and your specific circumstances. It will also depend on whether an existing organisation is seeking to develop and implement your project or an organisation will need to be established in order to achieve the objectives of the project.

The professionals most likely to be involved however are shown below, along with the advice you will be able to get from them for your project.

Profession and Trade or Professional body (ies)	Advice available
Accountant (Chartered Institute for Public Finance and Accountancy, Institute of Chartered Accountants for England and Wales) www.cipfa.org.uk www.icaew.co.uk	Advice on financial accounting, tax and VAT.
Architect (Royal Institute of British Architects, Architects Association) www.riba.org	Design and layout of buildings. May also assist in community involvement in projects and development of brief for other advisors.
Barrister (The Bar Council) www.barcouncil.org.uk	Involved only in exceptional cases. Specialised legal advice arguing a case in court and at local planning enquiries.
Building Surveyor (Royal Institute of Chartered Surveyors RICS) www.rics.org	Combination of architecture/surveyor and engineers' services for small projects.
Building Contractors Chartered Institute of Building - larger construction contractors www.ciob.org.uk Guild of Master Craftsmen represents small and medium sized construction based businesses that want to demonstrate a high standard of quality www.gmcgroup.com National Federation of Builders (NFB) - trade association representing small and medium sized builders in England and Wales www.builders.org.uk	May provide project management, design and construction services.

Business Support Advisor (Small Firms Enterprise Development Initiative accredited) www.sfedl.co.uk	Consultancy on setting up and running an organisation/business. May include business planning, setting up systems and policies and so on.
Landscape Architect www.l-i.org.uk (Landscape Institute)	Design and budget costs for landscape works.
Lawyer/Solicitor (The Law Society) www.lawsociety.org.uk	Legal structures for organisations Legal implications of finance Advice on tax (corporation, value added, stamp duty) Insurance Contracts/debt collections Franchising Licences and leases Employment
Letting/estate agent (Association of Residential Letting Agents, RICS) www.arla.co.uk	Will provide a range of advice and services related to renting and selling property. Including market research and valuations of land and buildings <i>where professionally qualified to do so.</i>
Mechanical & Electrical Services Engineer (Chartered Institute of Building Services, Institute of Mechanical Engineers) www.cibse.org.uk www.imeche.org.uk	Advice on design of air conditioning, heating, lighting etc in buildings.
Planner (Royal Town Planning Institute) www.rtpi.org.uk	Planning system and legislation, planning applications and consents. May also assist with community involvement in project and development of brief for architect/design team.
Planning Supervisor (Association for Project Safety, formerly Association of Planning Supervisors) www.associationforprojectsafety.co.uk	Health and safety
Quantity Surveyor (Royal Institute of Chartered Surveyors)	Building costs Running/maintenance costs
Structural Engineer (RICS, Institution of Civil Engineers)	Advice on land and building conditions
Valuer/surveyor (RICS)	Can advise on land and building values

You can use most of the professional bodies or the accreditation standards bodies to find professionals in your area who can be approached for information about the services they provide and their experience and qualifications.

All advisors will be accustomed to providing evidence of their qualifications and experience and will be reassured when you ask for it - it demonstrates that you are sensible and informed.

Whatever your circumstances you should apply the following general principles to the selection of all advisors and contractors to provide advice and services:

- *They should be suitably qualified*

You can check that they are registered with a relevant professional body.

- *They should be suitably insured*

You can ask for evidence (policy certificates) that they are insured against any liabilities arising out of the work they do. This may include professional indemnity insurance and collateral warranties¹ to protect you from poor quality work and advice.

- *They should have relevant experience*

Projects are often complicated and advisors with experience working for social enterprises or not for profit community based organisations may not be easily available to you locally. But it is important for you to have someone with relevant experience, not only of what you are trying to do, but the way in which you are trying to do it.

You can identify potential advisors with relevant experience by finding out who has worked on other projects that are similar to yours (see the case studies at www.dta.org.uk) and speaking to people from the project to see if they were happy with the outcome.

You can ask potential advisors for references from previous clients. These should be followed up in writing and over the telephone with the referee, preferably a person who had direct contact with the advisors concerned.

Choosing advisors

Once you have identified advisors who are qualified and suitably experienced you can choose between them in one of three ways:

- Issue an invitation to tender for the work you want done to three to five advisors outlining the services you require. Your tender should set out a brief or instructions accompanied by specifications and drawings (if applicable). Ask all advisors to provide their costs on the same basis, at the same time, using the same documents and set a deadline for their return to you.
- Include requirements and timing for meeting with potential advisors as part of the selection process. Request a presentation on how they would tackle the work and key issues they think are involved in responding to your brief. The meeting is an opportunity to discuss your brief as well as assessing the suitability of the person(s).
- Negotiate a price for the work directly with a company or individual you have identified based on the same documentation prepared for a tender process.

A prevalent view is to appoint on the basis of the lowest price. Whilst this may be appropriate for well specified building works (even then it is questionable), it is not likely to work with design and legal advisors with whom you are likely to need more dialogue about what you are trying to achieve.

Among other factors that you could consider are:

- How accessible is the advisor to you - where are they located, will they come to you?
- Evaluate the quality of the response you receive and any meetings that are included as part of your selection or tendering process - will you be able to form a good relationship with the advisor(s)?
- Are they clear communicators?
- Will they go that extra mile, make an effort, and avoid jargon and being patronising?
- Do you think they are actively interested in what you are doing?

Briefing and instructing advisors

It is worth remembering that professional advisors are specialists who often have their own jargon and ways of doing things. They are experts who may find it difficult to communicate in simple terms.

Dealing with them will therefore require:

Preparation - a tailor made brief or instructions produced for the advisor based on the objectives of the project.

Clear communications - ensure that it is clear within your project exactly who is

empowered to issue instructions or receive advice from advisors.

All briefings/instructions to advisors should start with the objectives of your project and the issues you may face in implementing it. As a minimum it should include clear information on the following:

- What you want to achieve
- Who you want to benefit
- What problems you are trying to solve
- How you see the future of the project
- What sort of resources you are targeting
- The land and building assets you are trying to acquire/develop

You should highlight particular concerns or queries which you would like them to address or ideas that you would like them to take on board.

Specific requirements for design and building advisors

In addition to information on project objectives, a brief to a design team will also have to include as much information as possible on:

- The spaces that you need for the activities you plan and the estimated size needed to accommodate activities
- Any ideas on how you want the buildings/land to look
- Any requirements for the environmental impact of the development process and the environmental performance of the proposed buildings and landscape (energy, water, materials and so on)
- Details of any specialist uses you are planning
- Any ideas about how you want to build the building - especially if you want a self build option

Specific requirements for legal advisors

It is possible to request legal advice in two stages, the first being general advice and the second being production of the documentation you have decided you want in the light of the advice you have been given.

In addition to outlining your project objectives you should ask your legal advisor to consider all of your objectives and advise on all matters s/he considers relevant to your project, such as taxation, tenancies, leases, and entitlement to state benefits, planning, employment regulations and other regulations specific to the various aspects of your project.

If you think a new organisation may be required you can ask for advice on its structure. This is covered in Section 1.8.

You should make it clear that your own list is not exhaustive and that you want him/her to raise any other relevant issues. Then ask him/her for advice on the documentation you may need if you were to proceed.

Costs of advice

Some professional advisors offer pro bono (free) advice for the initial assessment stage of projects. It is important that no formal commitment to appointment to work on future stages of a project is made to professional advisors as this may not be acceptable to funding bodies, which may have very specific requirements for a selection process and agreement of fee costs for projects.

Different professionals charge in different ways. Professional fees for land and building professionals are covered in Section 1.6 and are mostly related to the total costs of the building contract.

For other professional advice different rates may be used - e.g. charging for advice by the hour or day and seeking reimbursement of a range of expenses associated with the work (for documents, travel expenses, subsistence etc).

It is possible to ask for the work to be tendered on a fixed fee basis and what hourly and daily rates would apply for extra work not covered by the fixed fee. You can also ask for an estimate of the expenses that will be payable in addition to the fee.

Whatever the rates being charged you should ensure that they are put to you in writing and agreed before work is carried out.



Other tools and case studies

You can find guides and examples of terms of employment for professional advisors from the professional institutes and trade associations listed in the table at the beginning of this section.

Why use a professional advisor?

The Goodwin Development Trust is a locally accountable development trust and registered charity responsible for a number of buildings in Hull. It has been involved in a number of new construction projects, including the recently opened £5 million Octagon Centre. Its bill for professional advice on VAT for a number of projects was £100,000. BUT that advice meant that it saved over £500,000.

Why employ building and design professionals?

There is now increased focus on providing good quality environments that work for people, are environmentally less damaging and make efficient use of land and other resources. Planning consent for any development requires that attention is given to what is a high priority for central government since it believes that "Planning policies should promote high-quality inclusive design in the layout of new developments and individual buildings in terms of function and impact, not just for the short term but over the lifetime of the development" and that "High-quality design ensures usable, durable and adaptable places and is a key element in achieving sustainable development "(Planning Policy Statement 1 (Key principle (iv) para 13 and para 1.27)"

The Green Homes built by the Environment Trust are green because they use environmentally friendly materials in their construction but they are also designed to limit the amount of water and energy needed to run them (bills are less than half of what a similar property without "green" features costs - making them cheaper for residents and reducing their environmental footprint in the long term." Good design has benefits at all stages of a project.

References

NACVS/Charities Information Bureau "Trainers and Consultants Direct" This is a Guide to appointing consultants and trainers and a directory of providers. It is available from www.trainersandconsultantsdirect.org.uk
Royal Institute of British Architects (2004) "A Client's Guide to Engaging an Architect" RIBA London
Social Enterprise Partnership (GB) Ltd (2004) "Guidance on Finding, Selecting and using Consultants"



1.8 Addressing Legal Issues in Asset Development*

There is a whole range of legal issues which may be raised by the development of your project. The most common are:

- Establishment of a new organisation to undertake the project
- Sales and transfers of land and building assets
- The form and content of contracts and partnership agreements with other stakeholders, professional advisors and contractors
- Taxation - Value Added Tax, Stamp Duty

The information below is to help you become more informed when briefing or instructing your advisers, but you **will** need to take legal advice for your project - your project objectives will affect the range of legal issues you will have to deal with and from time to time the law changes. In relation to not for profit and charitable activities in particular, there are likely to be changes soon, some of which are addressed below.

Setting up a new organisation

Your project may need to establish a new organisation in order to achieve its objectives. This may be because:

- There is no other organisation that can acquire a suitable interest or stake in the ownership of the land and buildings involved. For example, some projects have the objective that any housing they develop should be kept affordable in perpetuity. To do this requires the organisation to have ownership of the land and building assets involved. Community Land Trusts, by separating the rights over the use of land from the freehold ownership of land and buildings, allow for a trust to control for the benefit of the community any increases in land value and preserve the affordability of housing it provides in the long term.
- There is no other organisation that can enable the degree of community control of the project - through formal membership of the organisation - that is required.
- There is no other organisation that is willing or able to take on the implementation of the project due to their legal structure and powers, their lack of track record or financial strength. For example, charities may have to set up trading subsidiaries in order to undertake a project.

When objectives for your project have been set it is possible to evaluate the options for the legal structure of a new organisation against its intended relationship to the land and building assets and to the activities in which it may want to engage in the future. In most projects there will be a focus on capturing and protecting any value from the development and acquisition of the assets in question for the benefit of the community into the future.

There are a number of legal structures that can be evaluated in relation to the specific circumstances of your project - *the most important thing before you look at the options is to be clear about what it is you want your project - and the organisation that will make it happen - to do*. You need to have considered all the activities that you think the organisation will be involved in to make your project happen and ensure its viability and sustainability into the future.

The case studies available at www.dta.org.uk include those that have adopted most of these models as part of their project, but like them you must get detailed, specific advice based on a full and detailed brief before making any decisions.

Looking at the options

Many asset development projects will want to ensure that trustees and other participants are not exposed to personal liability on behalf of the organisation. Participants would be personally liable if the organisation takes one of the following forms:

- Unincorporated association¹
- Unincorporated trust governed by a trust deed
- Incorporated charity
- Partnership

Although some projects may start with these legal forms, embarking on an asset development project will require the establishment of an organisation with a different legal form. As projects mainly seek to carry out their activities for community benefit, consideration may also be given to whether it should apply for charitable status.

You can use the following summaries of the legal forms to consider which of them may be relevant to your project and to enable you to prepare to get detailed professional advice. The summaries particularly highlight the features of each form in relation to membership, the ability to raise finance, the use of surpluses/profits and protection of the assets to ensure that they are always used to provide community benefits.

*This Section of the report has been co-authored by Rosemary Foggitt (as lead author). Source: Community Land Trusts: Practitioners Handbook, University of Salford/CDs/Co-op UK (forthcoming 2006) © The University of Salford, 2005, All Rights Reserved. Moral rights of authors asserted.

Companies limited by guarantee

These are widely used by social enterprises and organisations seeking charitable status. They enjoy all the advantages of other private limited companies in terms of flexibility, simplicity, cheapness and limited liability. They do not issue shares and there are therefore no shareholders, but they do have members who meet and control the company through general meetings. Directors may be called a management committee or council of management, but their legal status is the same as company directors. They may qualify for charitable status if their objects meet the requirements for this. They may not distribute profits to their members and members have limited liability provided that they are not negligent.

Liability is restricted to the guarantee, which is the contribution of each member on a winding up, defined in advance. The memorandum states that the members guarantee to pay the debts of the company up to a fixed amount, which may be, and often is, £1. Of course, the more the guarantee is limited, the less the company may be able to obtain in terms of credit and borrowing because of the lack of security the company can offer, unless it owns other assets. A disadvantage with this form may therefore be the absence of security for raising loan finance if the organisation has no assets to offer as security.

Companies limited by guarantee - some key features

- Limited liability
- May have charitable status
- Inexpensive to form
- Relatively simple and inexpensive to operate
- May have difficulty providing security for loan finance (unless they have other assets or the land/buildings in your project can be used as security)
- Flexible voting rights

Public limited companies

Like private limited companies, they enjoy limited liability. They may issue shares to the public. They must raise and maintain a minimum of £50,000 of which at least one-quarter, plus any share premium, must be paid up.

There are an increasing number of community and social enterprises that may consider using the public limited company model to enable them expand and develop their organisations. Traidcraft, Wind Fund plc and the Ethical Property Company have all used the mechanism of an ethical share issue using plc rules.

Industrial and provident societies (community benefit societies)

These are governed by the Industrial & Provident Societies Acts 1965 - 2002 and

now the Co-operatives and Community Benefit Societies Act 2003² (as well as other related pieces of legislation, such as the Insolvency Act). They are regulated by the Financial Services Authority (FSA), which is responsible for their registration. Their incorporating document is referred to as their Rules (as opposed to Articles) and they are run by a Committee (as opposed to a Board). Structurally, they are similar to limited companies and the effect of registration is that liability of the members is limited and they have corporate status enabling them to own property, to enter into contracts, to sue or be sued. Succession is perpetual - unlike partnerships, they do not have to form again each time a member joins or leaves.

IPs are more expensive to register and run than other models (charges for registration and changes are relatively high) and they are relatively inflexible: they must operate on a one member, one vote basis and apply a limited return on investment. There is a maximum investment of £20,000 per individual investor, although other IPs may invest an unlimited amount as members. The FSA imposes a maximum threshold on changes, such as to profit distribution.

Shares in an IP are all of a nominal value of £1 or a minimum value prescribed by the Rules, issued to members when they join. They are not transferable but they are withdrawable.

There are two categories of IP, and an IP can only be registered if it falls into one of them:

- A bona fide co-operative which broadly focuses on services to members
- A co-operative which conducts its business for the benefit of the community ("bencom") AND can show special reasons for registering as an IP and not as a company that focuses on services to non-members

The two forms differ in that bona fide co-operatives benefit members, while bencoms benefit the community; bona fide co-operatives can distribute profits by transaction (e.g. "divis"), but "bencoms" cannot. All IPs can distribute a surplus annually through dividends declared by the Management Committee on withdrawable share capital held by members.

The FSA has a list classifying types of IP which is separate from the basic categories of "bona fide" or "bencom". These are:

- Credit unions
- Retail societies
- Wholesaling and productive societies
- Agricultural societies
- Fishing societies

- Clubs
- Housing societies
- General services societies

Model rules are available for the above categories, and use of them attracts a discount on the fee for registration according to how many amendments are made. If model rules are used, they must be submitted by the sponsoring body, which will charge a fee.³

Current fees charged by the FSA	Amount payable £ (2005)
Registration using unamended model rules	40
Registration using model rules with one to six amendments	120
Registration using model rules with seven to ten amendments	350
Registration using model rules with 11 or more amendments, or using "free draft rules" (rules specially drafted)	950
Subsequent annual fee	60 - 370, depending on total assets of the society

Industrial and provident societies - some key features:

- Limited liability
- One member, one vote
- Relatively expensive to run and register
- Limited return on investment
- Shares are not transferable
- Shares are withdrawable
- Maximum individual shareholding of £20,000
- No limit on the size of a shareholding by other co-operative(s)

IPSS thus have a number of interesting features:

- Ability to raise finance in the form of share capital
- Organisational membership
- Investment potential from other co-operatives
- The capacity to federate and form "mother" and "daughter" group structures

Private limited companies

All companies are governed by the Companies Acts 1985 and 1989.

These are regulated by the Department of Trade and Industry and a register of companies and their accounts is maintained at Companies House. They are governed by a "Memorandum and Articles", which sets out the objects of the company and the relationships between its members, as well as the powers of the Board of Directors. If the company acts outside the objects defined in its Memorandum, its actions are ultra vires, or outside its powers, and invalid. They cannot promote or market their shares to the general public. The Directors are under a fiduciary duty (a duty of trust) to act in the best interests of the company, in other words, its shareholders - NOT the community, its users or its employees (unless, of course, they are its shareholders). For that reason, it is by nature not well-adapted to an organisation whose primary purpose is to preserve assets for the benefit of the community.

Private limited companies are cheap and simple to form, register and run. They are heavily regulated and there are a number of formalities which must be observed, although these are largely based on relatively simple forms. A company can be purchased "off the shelf" for about £100 and then adapted to meet the specific requirements of its shareholders. They are therefore very flexible; they may allow or prohibit the distribution of profits and the Memorandum and Articles may be changed with relative ease (which can be a negative attribute if the underlying purpose is, say, to preserve community ownership of assets).

Limited liability partnerships

This is a new form of partnership and was introduced by the Limited Liability Partnerships Act 2000. It is a hybrid between a partnership and a company. Like a limited company, its corporate identity is distinct from that of its members and liability for debts is thus restricted. On the other hand, like a partnership, it is a much less formal creation. There must be an "incorporation document" containing certain basic, specified information:

- The name of the LLP
- Whether the registered office is to be situated in England and Wales
- The names and addresses of its members
- Which, and whether all of the members are to be "designated members"

A designated member is responsible for certain filing and administrative duties, including the filing of accounts. S/he must be a partner, and there must be at least two such members.

There does not have to be a formal partnership agreement, but the absence of an agreement is likely to generate problems in the future and even litigation, so most partnerships will be based on a detailed agreement. The agreement remains confidential and does not have to be registered. Like traditional partnerships, the existence of a limited liability partnership is founded on business in the pursuit of profit. It would therefore not be compatible in itself with charitable status nor, by definition, with an organisation not seeking to make a profit. A charity, or any other form of corporate body, may enter into an LLP with other organisations, but it will be bound by the rules governing profit-making by charities (see below). Care must also be taken in this context as to the tax implications of such ventures, and specialist advice should be sought. The proceeds of a project realised through an LLP would, for example, be subject to income tax on the same basis as the gain realised by the other partners, and the charity would not be able to benefit from the exemption from Corporation Tax it would otherwise have.

Liability of the partners is effectively governed by the partnership agreement. Usually, on a winding-up, liability will be broadly defined as the amount the partner has put in, plus the net amount drawn in the preceding five years (as well as sums the partner could have drawn or is entitled to claim from other partners).

For the purposes of taxation, partners' income is taxed in the same way as members of a traditional partnership, not as a corporate body.

The LLP thus has the advantages of simplicity, flexibility and limited liability. It has the further advantage that a partner could be another LLP or a company. There are some safeguards for those dealing with LLPs in the form of regulations compelling public disclosure of financial information about the partnership and insolvency procedures.

It is important to remember that this form of partnership is very new and still evolving, so how relevant it will be to asset development projects in practice remains to be seen.

In terms of social enterprise, there is potential for creative use of LLPs, especially where user or producer groups form a body which in turn becomes a member with its interests carefully defined and safeguarded within the partnership deed itself. Its structure, however, is essentially designed for a commercial, profit-making enterprise and the most common application in recent years for LLPs has been for solicitor and accountant practices. It is likely to be used as a social enterprise only in certain, well-defined applications.

Community interest companies

This is a new legal form only recently made available.⁴ It was specifically designed

to provide a purpose-built legal framework and a "brand" identity for social enterprises.

Community interest companies (CICs) may be companies limited by guarantee or shares with additional features created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage. This is achieved by a "community interest test" and "asset lock", which ensures that the CIC is established for community purposes and the assets and profits, are dedicated to these purposes. Registration of a company as a CIC has to be approved by the Regulator, who also has a continuing monitoring and enforcement role.

CICs may not be charities (and will therefore not benefit from the various tax exemptions that apply to them) and will be regulated more lightly than charitable registration requires. Although they will be able to pay dividends to individual shareholders (subject to a cap), stakeholders (including investors) in CICs will still have the assurance of community benefit provided by the asset lock and transparency about their activities through the requirement to produce a community interest report.

Community interest companies - some key features

- May be a company limited by guarantee or shares
- May pay dividends to shareholders, capped by the Regulator
- May not register as a charity
- Can be established for any lawful purpose, as long as their activities are carried on for the benefit of the community
- Provide a community benefit "asset lock" on winding up

Charitable status

Charities may be registered or exempt. The exemption is granted by the Inland Revenue and applies to Corporation Tax.⁵ Charities are also exempt from Stamp Duty and may also take advantage of exemption from business rates and other tax benefits.

Registered charities may be companies, unincorporated associations or unincorporated trusts.

Exempt charities are industrial and provident societies,⁶ charities in Scotland and Northern Ireland and some educational and religious institutions. The Inland Revenue must confirm in writing that an exempt charity is a charitable organisation for tax purposes.

To be recognised as a charity, an organisation must have "charitable objects". These are defined by law, originally under the Charity Uses Act of 1601. They are:

- The relief of need (poverty, suffering, ill-health, old age)
- The advancement of public education
- The advancement of religion
- Other purposes beneficial to the community e.g. public amenities, environmental conservation, public safety, racial harmony
- Facilities for recreation ... in the interests of social welfare either for "persons who have need for such facilities by reason of their youth, age, infirmity or disablement, poverty or social and economic circumstances", or "the facilities are to be available to the members ... of the public at large" (Recreational Charities Act 1958)

The overriding principle governing all charities is that they must always act for the public good. Their primary purpose cannot be to make money and they may not:

- Do things not included in their objects
- Benefit non-charitable activities
- Be politically active
- Put charitable funds at risk
- Trade except in defined ways

They may carry out the following trading activities:

- Primary purpose trading
- Ancillary trading
- Selling donated goods
- Drawing income from property
- Hold raffles and lotteries
- The charity's beneficiaries can trade



Forthcoming changes to charitable law

A new Charities Bill is before Parliament, under which a new definition is proposed for charities based on the concept of "public benefit". Charities will have to demonstrate that they are a benefit to the public in at least one of 12 key areas:

- The prevention and relief of poverty
- The advancement of education
- The advancement of religion
- The advancement of health
- Social and community advancement
- The advancement of science, culture, arts and heritage
- The advancement of amateur sport
- The promotion of human rights, conflict resolution and reconciliation
- The provision of social housing
- The promotion of animal welfare
- The advancement of environmental protection and improvement
- Other purposes beneficial to the community

Under the Bill, smaller charities (those with incomes of less than £5,000 a year) will no longer have to be registered, but can opt to register. There will be a new legal form for charities, the charitable incorporated organisation, whose purpose will be to reduce bureaucracy for charities which currently have to register both with Companies House and the Charity Commission. Mergers will be facilitated by the Charity Commission, which will provide specific advice. Larger charities will have to file a standard return containing information available to the public about their effectiveness, performance and finances. The Charity Commission will itself be reformed and an independent tribunal will be set up to which charities will be able to appeal against Commission decisions.

Charities: some key features

- Must have statutory charitable objects
- Cannot benefit non-charitable activities and assets owned by charities cannot be appropriated by non-charitable organisations (asset lock)
- Trustees cannot profit from their position (be paid or employed by the trust)
- Charitable status or objects are needed to be eligible for funding from many charitable foundations
- Charities are not accountable to their users and users cannot govern the charity

In order to make a decision as to whether you should seek charitable status you will need to consider the following issues in relation to your project and then seek legal advice.

- Will charitable status help you raise funds or unduly restrict your activities?
- Will you benefit from the tax advantages (exemption from Corporation Tax)

and Stamp Duty)? Do you feel that charitable status is consistent with the ethos of your project and organisation? How does it fit in with the accountability structures you aim for and any "self-help" culture you want to engender? Will you need it to ensure that the assets remain in community ownership? Will any other devices be as effective?

- How are income and surpluses in your project to be dealt with?
- What are your likely sources of funding now and in the future?
- Who will have a material interest in the organisation and how are conflicts of interest to be dealt with? What conflicts of interest could arise?
- What type of voting rights do you envisage? Is one member, one vote appropriate, desirable or indeed essential? What checks and balances will you need between the various people and organisations involved?
- Do you expect your local authority or a housing association to be involved? Who is providing the land/buildings? What assurances will they want and what conditions are they likely to impose?
- What are the special features of the land/buildings you hope to acquire/have acquired?
- What are the special characteristics of your community or locality?
- Will the services and/or facilities provided by the organisation be available only to members or to the wider community? Will residents be members? What voting rights will they have? How will their interests be balanced with long-term community interests?
- Do you expect other organisations to become members and what weight and power do you want them to have?
- Do you expect to employ staff at some point? Will they be members?

In order to meet the objectives of some projects and the requirements of some funders, there are often compelling reasons for considering the creation of a charitable body to hold/own the land and buildings associated with your project. It is then quite possible to link that body with another, more democratically accountable structure, which would develop and/or manage the land or buildings. This is how many development trusts, social enterprises and community land trust projects are legally structured.

Meeting regulatory requirements

Sales and transfers of land and building assets

These transactions, and the legal issues and documentation that arise from them, are many and varied. They will depend on the nature of your project and the assets involved. They will also be affected by the way your project is being funded, the type of organisation that is implementing it and the type of organisations that you are seeking agreements with.

Many asset development projects however have acquired assets which are leasehold interests in land or buildings. The box below highlights lease provisions which previous projects have identified as having significant impact on the viability and sustainability of their project and their ability to use the assets to benefit their communities.

Based on this experience you and your legal advisor should pay particular attention to these issues in the negotiations on any lease associated with achieving your project objectives.

Lease provisions	Potential Impact
Length of the lease	It is not possible to raise finance on leases that are too short (seven years as a minimum, but could be at least 15, depending on requirements of individual funders).
Assignment (transfer of the lease) and sub letting (letting by the lessee to a third party)	Conditions may prevent you from using the asset flexibly to meet your project objectives.
VAT provisions	You will need to consider this in relation to the project as a whole and in particular its effect on capital and revenue funding requirements and its affordability as a cost to your tenants when you make your plans for maintaining and managing the assets.
Obligations for repairs, maintenance and insurance (including on termination)	These will have revenue cost implications.
Sale price, rental levels and payment and rent review provisions	These will have capital and revenue cost implications.
Restrictive covenants	These may limit use of the asset including as security for borrowing, or determine the use of any revenue generated by it in the future. These may be particularly relevant to conditions for grant or loan funding for your project.
Obligations on termination of the lease (dilapidations)	These will have revenue cost implications.

Land and property acquisitions and disposals by the trustees of registered charities must by law be in the best interests of the charity and secure the best possible deal for the charity. The law also requires them to use professional advisors and to follow specific procedures when acquiring, disposing or managing the land and property assets of the charity. These procedures are not onerous, and there is free, easily accessed advice for charity trustees available from the Charity

Commission for you to consult to help you commission professional advice.

The form and content of contracts and partnership agreements with other stakeholders, professional advisors and contractors.

Some of these agreements are covered in Sections 1.6 and 1.7 relating to construction contractors and professional advisors.

Your project is also likely to need additional agreements with funders and loan providers. But they will need to meet the specific needs and circumstances of your project and will differ in each case. As a result, they will need specific professional advice.

Taxation - Value Added Tax, Stamp Duty Land Tax

You will have to give careful consideration to the implications of VAT requirements on your project, particularly if you are a registered charity.

The summary below is not comprehensive but provides an overview of the issues to help research and consider the implications of VAT and SDLT on your project and get the best out of your professional advisors.

VAT

Most business transactions involve supplies of goods or services and VAT is payable if they are:

- Supplies made in the United Kingdom (UK) or the Isle of Man
- By a taxable person
- In the course or furtherance of business, and
- Not specifically exempted or zero-rated

Currently there are three rates of VAT (a standard rate of 17.5%, a reduced rate of 5% and a zero rate).

Capital costs

VAT rates on construction works and the sale of a long leasehold vary according to the building use being created (for example some housing and community buildings that are newly built attract zero rating), the status of the building (for example whether it is listed), the nature of the construction work (whether it is refurbishment or new construction) and whether a registered charity is involved.

VAT is payable at the standard rate for all professional fees associated with the development and construction process (see Section 1.6).

Revenue costs

Reduced rate supplies are currently:

- Domestic fuel or power
- Installation of energy saving materials
- Grant funded installation of heating equipment or security goods or connection of gas supply
- Renovation and alteration of dwellings
- Women's sanitary products
- Children's car seats

Exempt or zero-rated supplies do include some aspects of construction and improvement of land and buildings and activities like betting and gaming, books, educational and training activities, food and catering and aspects of sport and leisure.

You will need to consider how the activities of your project and the organisation promoting it will affect VAT applicability to your revenue costs and income and the overall viability and sustainability of your project.

For example, if you plan to charge VAT on the rents of managed workspace you may have to think about its impact on your target market in terms of affordability.

This is a complex area of project planning and implementation but fortunately you can get very helpful advice from your local VAT office and there is a great deal of free guidance available.

Stamp Duty Land Tax

Stamp Duty Land Tax (SDLT) is a charge on the purchase of freeholds and leaseholds of land and property.

There are four rates - 0% to 4%. These rate bands are applicable based on the value of the transaction, the location of the land and buildings, and whether it is residential or non residential development. Currently the 0% rate applies to values up to £150,000 for non residential uses. New leases also attract duty in similar bands but their value is based on the Net Present Value of the lease, which is calculated by discounting the total value of the rents for each year of the term of the lease by 3.5% per year (this is the rate set by the Treasury and changes from time to time) and adding them all together.

Example: Net present value of rent payable over the term of a lease

A lease has a fixed term of five years and the rent payable in each year is as follows.

Year 1 £4,000

Year 2 £5,000

Year 3 £6,000

Year 4 £7,000

Year 5 £8,000

We calculate the net present value of the rent over this period as follows.

Year 1 $4,000/(1+0.035) = £3,864.73$

Year 2 $5,000/[(1+0.035) \times (1+0.035)] = £4,667.55$

Year 3 $6,000/[(1+0.035) \times (1+0.035) \times (1+0.035)] = £5,411.65$

Year 4 $7,000/[(1+0.035) \times (1+0.035) \times (1+0.035) \times (1+0.035)] = £6,100.09$

Year 5 $8,000/[(1+0.035) \times (1+0.035) \times (1+0.035) \times (1+0.035) \times (1+0.035)] = £6,735.78$

The net present value is the sum of the calculated values, that is, £26,779, rather than the £30,000 actually due.

This means the minimum rate of 4% for SDLT is payable = £1,071.

Source : *Inland Revenue 2005 Stamp Duty Land Tax Guides : A Guide to Leases* HMCE

Charities were broadly exempted from having to pay Stamp Duty. Relief from Stamp Duty Land Tax is available to charities on the purchase of an interest in land (a chargeable interest) if two conditions are met. These are:

1. The purchasing charity must intend to hold the chargeable interest for qualifying charitable purposes. This means:
 - For use in furtherance of the charitable purposes of the purchaser or another charity, or
 - As an investment, the profits of which are applied to the charitable purposes of the purchaser

However, details of all land transactions involving a charity must be submitted to the Inland Revenue and the relief applicable to charities claimed.

2. That the transaction must not have been entered into for the purposes of avoiding Stamp Duty Land Tax by either the purchaser or any other person.

Traidcraft

Traidcraft established its ethical plc trading company in 1985 as a sister to its existing charitable company. Both companies have overlapping directors. Mark Hayes, a former venture capitalist with 3i, guided the success of its two share issues which, in the company's first year and again in the early 1990s, raised £2 million in non voting redeemable preference shares. In good years these shares have yielded a dividend to investors. Because of the social justice nature of the business most investors have either waived the take up of this dividend or have covenanted it to Traidcraft's charitable sister company. In the past 20 years Traidcraft has grown from a small charity of six staff with a turnover of £110,000 to a social business with a turnover of £12 million.

Wind Fund plc

Wind Fund plc, which is backed by Triodos Bank, has supported the development of renewable energy in Britain using the mechanism of the ethical plc share issue to raise finance for its activities.

The Ethical Property Company

The Ethical Property Company's ethical plc share issue raised over £1.3million in 1999 to fund the development of managed workspace.



Other tools and case studies

"The VAT Guide" HMCE Notice 700 (April 2002) is a huge document but you can focus on the first eight sections which provide an introduction to all aspects of VAT.

You can find checklists and frequently asked questions about Charities and VAT in "Charities Notice 700/1" HMCE May 2004

These are available from your local tax office listed under Revenue and Customs in the phone book.

You can find a great deal of guidance on land and property for charities at www.charity-commission.gov.uk

No nonsense guides to "starting a business" and government rules and regulations relating to setting up are available via www.businesslink.gov.uk.

References

Adirondack S and Sinclair J Taylor (2001) "The Voluntary Sector Legal Handbook"
Hayes R and Reason J (2004) "Voluntary but not Amateur: A Guide to the Law" LVSC
NCVO (2005) "VAT for Voluntary organisations: A Step by Step Guide" NCVO
Social Enterprise London (2005) "Keeping it Legal"
Sawyer K (2001) "A Practical Guide to VAT for Charities and Voluntary Organisations" Directory of Social Change

Coin Street Community Builders (CSCB)

CSCB has been responsible for the transformation of part of the South Bank along the River Thames in London. It has developed housing, arts, retail and restaurant uses and looks after Jubilee Gardens.

CSCB has established a wholly owned subsidiary company to manage some of its property and Coin Street Secondary Housing (CSS), a registered social landlord, which has developed housing which is then leased by CSS to four housing cooperatives - Mulberry, Palm, Redwood and Iroko. A number of registered charities have also been established to allow CSCB to fundraise for some community development activities and pass on some of its surpluses to support them directly.

Dilapidations clauses

Different leases contain different provisions for the repair and maintenance of a property and how the costs of these are allocated between the landlord and the lessee. These provisions, if not limited, can oblige a tenant to improve a building and make it better than it was when they took it!

A schedule of dilapidations is a document usually prepared by the landlord which details breaches of the lease and requires the tenant to carry out repairs and redecoration and, in some cases, remove alterations. They may be served during or after a leasehold term and can come as a nasty shock to leasehold tenants who have not fully understood or been advised on their obligations and rights or failed to inspect the condition of the property before they negotiated the lease with the landlord.

The Goodwin Trust in Hull had not taken into account their obligations when it vacated a property on which it had a short-term lease. The result was a bill of £14,000 for the necessary works to the property. This worked in reverse for the Environment Trust who let its property to a tenant who made substantial changes to the property. When the tenant left the Environment Trust discovered that it could not recover all the costs of reinstatement of the property from the tenant which were needed to enable it to be re-let.



Chapter 2: Managing Assets

2.1 Operational Sustainability

Whether your project involves the acquisition of land and building assets via a new organisation or an existing one you will have to demonstrate that the organisation is, or will be, capable and competent both to develop them initially and manage them into the future.

There is good reason for this. Land and buildings are easily neglected. As inanimate objects they tend not to be the focus of very much interest unless something is wrong. They take a while to deteriorate but when they do they quickly become unfit for the purpose for which they were intended. Dirty community centres and parks are eventually abandoned by their users, outdated workspace and shops are quickly vacated and neglected housing becomes unfit to live in. They cease to be assets. Since many asset development projects are made possible by voluntary action and other public support including funds, this is to be avoided.

The key to avoiding this is thinking ahead - planning how you will manage your assets to a high standard and ensuring that the arrangements you make are viable and sustainable into the future.

Existing organisations can start by doing an "Organisational Health Check" (see www.dta.org.uk) or consulting an Investment Readiness Toolkit (see www.adventurecapitalfund.org.uk). These have been devised to help organisations develop action plans that will enable them to build the ability of their organisation to develop and run an asset development project and deliver benefits to their community.

The feasibility and initial assessment stages (see Section 1.3) for your project are the point at which you will need to think about all issues associated with the management of your asset after it has been acquired and developed. This is hard to do at the outset, but as the feasibility process proceeds it becomes possible to consider the issues involved in more detail.

The activities involved in managing land and building assets can be categorised broadly as follows:



- Managing the physical care and maintenance
- Managing the use of the asset
- Managing the organisation which is responsible for the asset - ensuring that the assets are managed and used for the benefit of the community. This may also include running activities and projects that are based within the buildings concerned or made possible by the revenue stream from the land and buildings.

The volume of these activities will differ from project to project depending on their objectives and overall size and complexity. Some asset development projects may require dedicated property management staff for these activities; others may require the activities to be absorbed within existing staff roles or the recruitment of new staff and/or service contractors.

You can use the following checklists to decide at the planning stage which activities will be relevant to your project and how you will address them operationally. Their purpose is to help you clarify what tasks are required, who will manage their implementation and who will carry them out. These decisions will provide important information to help estimate the financial costs involved in your operations and whether you need to employ staff and contractors or would wish to involve and supervise volunteers.

The checklists can be adapted for your project and used to inform your initial assessment (see Section 1.3) and business plan (see Section 1.5) to ensure that you estimate your costs to run the asset in as much detail as possible and you set out your arrangements to manage your operations effectively. They will also inform your consideration of design and construction work, particularly in relation to items such as security alarm arrangements, the amount of communal space and facilities that will need to be cared for, and so on.

You should note that all activities require an element of administration - for example, processing payments for services, correspondence with contractors/insurers and so on.

These activities are principally concerned with the care of the bricks and mortar of your asset to help you ensure that it will not deteriorate in use or value through physical neglect or present a danger to users and tenants or the public.

Checklist: Managing physical care and maintenance

Activity	What is required?	Who will arrange it?	Who will do it?	How will they be employed and by whom?
Insurance (Land/buildings/public liability/employer's liability/contents) For example: Develop specifications, inventories, risk assessments Negotiate and secure cover, administer renewals				
Cleaning For example: Development of specifications and contractor/employee supervision				
Gardening For example: Develop specifications and approved contractors for work Supervision of contractors/employees				
Cyclical maintenance (decoration etc) For example: Development of specifications and approved contractors for works Supervision of contractors/employees				
Health and safety For example: Development of risk assessments and policy Inspections				
Repairs and renewals For example: Development of specifications Approved contractors for works				
Security For example: Development of specifications and contractor/employee supervision				
Rates For example: Registration of property Payments				
Utility fire and health and safety compliance For example: Certifications and inspections, development of specifications				
Administration For example: Dealing with correspondence related to maintenance activities, complaints etc Keeping records, collecting monitoring information				
Others (specify)				

These activities are principally related to the marketing and letting of the asset to others. This can range enormously, from housing tenancies through small workspace units and shops to car parking spaces or market stalls. The main purpose of these activities is to ensure that your assets are well used, generating income to cover costs and providing good services to tenants/users.

Checklist: Managing the use of the asset

Activity	What is required?	Who will arrange it?	Who will do it?	How will they be employed and by whom?
Marketing/letting <i>For example:</i> Preparation and agreement of terms for tenancies/leases and licences Development of booking/hiring policies and prices Sales of property interests (leaseholds/freeholds) Specification of service contracts for employees and contractors				
Promotion/publicity <i>For example:</i> Advertising Development and production of publicity materials, web sites				
Tenants' liaison <i>For example:</i> Support programmes - individual support to tenants of housing and workspace on lettings and management issues. Inspections Credit control Liaison over repairs/improvements				
Administration <i>For example:</i> Rents/service charges administration and credit control Keeping records Collection of monitoring information - building users, numbers of enterprises, employees etc.				
Others (specify)				

These activities are principally related to the organisations responsible for the ownership, management and maintenance of the assets. Most organisations that develop assets are not simply landlords responsible for the maintenance and management of the bricks and mortar - they are also service deliverers in their own right (training schemes, advice services). These may be based within the buildings

concerned or may be made possible as a result of the income stream available from the ownership and management of the building assets. This means that they may have multiple accountabilities for services and for maintaining and managing their assets for the benefit of their community.

Checklist: Managing the organisation responsible for the asset

Activity	What is required?	Who will arrange it?	Who will do it?	How will they be employed and by whom?
Management of staff Development of contracts and supervision and management processes				
Management of contractors Development of contracts and supervision and management processes				
Governance of the organisation Developing any membership of the organisation; supporting its governing body or developing outreach or consultative events to inform future plans.				
Administration Maintaining an office/address, and communications (IT, telephone etc), company and charity reporting correspondence etc				
Financial administration Collecting rents and other income, bookkeeping, administering expenditure and income, audit and reporting/accounting for grants, loans and so on				
Legal compliance For example, health and safety as an employer, VAT/company/charity annual returns etc.				
Management of projects made possible by other fundraising or income generation from assets				
Keeping records and collecting monitoring information				
Others (specify)				

2.2 Maintaining Community Support

Most asset development projects start with their community - its ideas, needs and aspirations. As part of the development of your project you will have to consider ways in which the community can be involved in the management of the assets once they are acquired and developed (see Section 1.2). This may be through membership of the organisation (see Section 1.8 on legal structures) or through other mechanisms, such as the involvement of volunteers, project working groups or local forums where it is possible for the organisation to report on its activities, celebrate success and gather further support for other projects and initiatives.

These activities have been included in the checklists related to operational sustainability since they will have to be planned and resources identified for their implementation as part of the business planning process.

Support from your community and evidence that your project will provide benefits to the community are important elements to securing support for the development of the organisation and enabling its growth.

There is a variety of tools continually available to help you measure and continuously improve the social impact of your project as well as its environmental and economic benefits. You can use these methods to help you to maintain support from your community and stakeholders.

You can review these tools at the initial assessment and feasibility stage of your project's development to enable you to plan to collect relevant information for monitoring purposes that will help you to measure the social and environmental impacts of the organisation that will be managing the assets for the benefits of the community. They will also help you to identify the planning that you need to do to ensure that your organisation is managed effectively.

The following table outlines some of the most well used methods by community and social enterprises. Some of these methods are linked to quality standards which involve an external assessment and accreditation, others are meant to be planning tools to be used by organisations as part of their internal planning to improve their impacts in the community and collect evidence to prove that they do.

Quality standards and performance measurement

PQASSO (Practical Quality Assurance System for Small Organisations) - this is a system that helps management to run an organisation effectively and efficiently. There are three levels of the achievement and 12 standards that are part of the system, covering staff, volunteers, monitoring and evaluation and so on.

Prove It! - provides a method of measuring the effect of community regeneration projects on the quality of life of local people using participative approaches to elicit views of users and beneficiaries.

Social Accounting and Audit - enables organisations to measure their impacts in terms of their performance against social, environmental and economic objectives with all their stakeholders. There is a particular focus on involving all stakeholders in the auditing process.

Social Return on Investment - this helps organisations understand and quantify the social value they create. This tool expresses this as a monetary value and can be used to compare this value with the investment required to achieve it. This approach has been taken by a number of social enterprises that run training and employment programmes for people with special needs.

CooperativesUK Key Social and Cooperative Performance Indicators - this is primarily used by cooperatives but can be used by any organisations with a membership or user base. The ten indicators are used by the organisation to measure performance in relation to members' involvement, staff injury and absence rates, customer satisfaction, investment in other community initiatives, net carbon dioxide emissions from operations and the proportion of waste recycled/used and ethical procurement/investment decisions.

Investors In People (IIP) - this is a tool designed to advance an organisation's performance against its objectives through its employees. Although a quality standard, IIP is an internal standard of quality - not measured with stakeholders' input.

DTA Health Check - this is the community enterprise development tool. Created through collaboration between DTA staff and development trust practitioners as a practical way to help you review how you are doing and where you want to go.

Community Impact Mapping - this is a tool to help grass-roots organisations measure their impact and social return. The DTA has produced a guide which encourages trusts to examine the impact of their work in their community, and tell their story.

Other tools and case studies

There is a wide range of organisations providing good practice information on running a community based organisation and ensuring that it is sustainable and effective. Organisations with a regulatory role - like the Charity Commission and the Housing Corporation - and others that exist to address the needs of these organisations and provide them with support - like local councils for voluntary service - are a good place to find other tools to help you become operationally sustainable and examples to inspire you to improve continually.

Other tools specifically related to managing land and property can be obtained from Community Matters (see www.communitymatters.org.uk), which has a wide range of information about running and managing buildings, particularly those in community use such as multi purpose centres, community cafés and so on.

References

- Adirondack, S (2005) "Just About Managing?" London Voluntary Service Council
Community Matters (2000) "Reference Manual for Community Organisations' Advisers" Community Matters, London
Dee J et al (2001) "Enterprising Non Profits: A Toolkit for Social Entrepreneurs" Wiley
Pepin J et al (2004) "Succeeding with Social Enterprise: Quick Tips" John Pepin Associates
Hudson (2000) "Managing your Community Building" Community Matters, London
Dawson J (ed.) (2001) "Occupying Community Premises" Community Matters, London
NEF (2005) "Proving and Improving: A Quality Impact Tool for Social Enterprise"



Footnotes

Background

¹ It is now possible for local authorities in England and Wales to sell or transfer land at less than best consideration without having to get central government consent if the difference in value from the market level is less than £2 million. This is made possible by a new general consent: Local Government Act 1973 General Disposal Consent (England) 2003, which can be found at www.odpm.gov.uk.

² Clawback refers to circumstances and conditions that are attached to the giving of grants for the acquisition or improvement of assets. New advice was issued in June 2005 available, at www.hm-treasury.gov.uk/dao.

³ Multi purpose community centres which may previously have provided housing for volunteers who worked within the local community.

⁴ See www.communitylandtrust.salford.ac.uk and www.iceclt.org for examples of UK and US Community Land Trusts.

Chapter 1

1.5 - Business Planning

¹ This template is an amended version of one produced by English Partnerships, "Brick by Brick: How to Develop a Community Building". It is no longer available to purchase.

1.6 - The Construction and Development of Land and Buildings

¹ See Building Support Section

² See Securing Finance Section

³ From - Society of Chief Architects in Local Authorities and Local Government Task Force (2003) "A Guide to Standard forms of Construction contract"

1.7 - Dealing with Professional Advisors

¹ Collateral warranties are contracts that generate obligations to other interested parties such as purchasers of a site, tenants or funders with respect to the quality

of any work by professional advisors/contractors. They often stand alongside a main construction contract.

1.8 - Addressing Legal Issues

¹ Definition of an unincorporated association: *"two or more persons bound together for common purposes, not being business purposes, by mutual undertakings, each having mutual duties and obligations, in an organisation which has rules which identify in whom control of it and its funds rests and on what terms and which can be joined or left at will."* Conservative and Unionist Central Office - v - Burrell, 1982

² IPSs will now be known as co-operatives or community benefit societies; otherwise this Act tidies up various procedures, bringing these organisations into line with other types of company, and provides for matters such as disclosure of charitable status on letterheads. The Act also gives the Treasury the power to issue regulations ensuring that community benefit societies can lock in assets to protect them in perpetuity for community benefit. These regulations have not yet been tabled, but they are clearly of obvious interest and relevance.

³ These include the International Common Ownership Movement, the Community Transport Association, the Association of British Credit Unions and the National Housing Federation. A full list is available from the Registrar (www.fsa.gov.uk).

⁴ Companies (Audit Investigations and Community Enterprise) Act 2004

⁵ There are two Inland Revenue exemptions:

- De minimis, or small-scale trading (up to 20% of the charity's income can come from non-charitable activities)
- Small-scale trading within the C4 exemption, i.e. trading to secure public support which does not compete with the private sector, such as jumble sales, dinner dances).

⁶ When the Charities Bill becomes law, however, this exemption will be confined to IPSs which have charitable objectives and are registered with the Housing Corporation as social landlords.

Relevant Organisations

Adventure Capital Fund

Tel: 020 7680 1028
www.adventurecapitalfund.org.uk

bassac

Tel: 0845 241 0375
www.bassac.org.uk

Big Lottery Fund

Tel: 020 7211 1800
www.biglotteryfund.org.uk

British Business Angels

Tel: 020 7089 2305
www.bbbaa.org.uk

Centre for Education in the Built Environment

Tel: 029 2087 4600
www.cebe.heacademy.ac.uk

Charities Aid Foundation

Tel: 01732 520000
www.cafonline.org.uk

Charities Information Bureau

Tel: 01924 239063
www.cibfunding.org.uk

Charity Bank Limited

Tel: 01732 774040
www.charitybank.org

Charity Commission

Tel: 0870 333 0123
www.charity-commission.gov.uk

Commission for Architecture and the Built Environment

Tel: 020 7960 2400
www.cabe.org.uk

Communities Scotland

Tel: 0131 313 0044
www.communitiesscotland.gov.uk

Community Action Network

Tel: 0845 456 2537
www.can-online.org.uk

Community Development Finance Association

Tel: 020 7430 0222
www.cdfa.org.uk

Community Foundations Network

Tel: 020 7713 9326
www.communityfoundations.org.uk

Community Matters

Tel: 020 7837 7887
www.communitymatters.org.uk

Confederation of Co-operative Housing

Tel: 0121 449 9588
www.cch.coop

Cooperatives UK

Tel: 0161 246 2900
www.co-opunion.coop

Countryside Agency

Tel: 01242 521381
www.countryside.gov.uk

Department of Trade and Industry

Tel: 020 7215 5000
www.dti.gov.uk

Development Trusts Association

Tel: 0845 458 8336
www.dta.org.uk

DTA Scotland

Tel: 0131 220 2456
www.dtascot.org.uk

DTA Wales

Tel: 029 2019 0260 / 0259

Directory of Social Change

Tel: 020 7391 4800
www.dsc.org.uk

Ecology Building Society

Tel: 0845 674 5566
www.ecology.co.uk

English Partnerships

Tel: 020 7881 1600
www.englishpartnerships.co.uk

The Ethical Property Company

Tel: 01865 207810
www.ethicalproperty.co.uk

Future Builders England

Tel: 020 7680 7880
www.futurebuilders-england.org.uk

Future Builders Scotland

See Communities Scotland

The Glasshouse

Tel: 020 7253 3334
www.theglasshouse.org.uk

Heritage Lottery Fund

Tel: 020 7591 6000
www.hlf.org.uk

Highlands and Islands Enterprise

Tel: 01463 234171
www.hie.co.uk

Home Office

Tel: 0870 000 1585
www.homeoffice.gov.uk

ICOF - Co-operative & Community Finance

Tel: 020 7251 6181
www.icof.co.uk

The Land Registry

Tel: 020 7917 8888
www.landreg.gov.uk

Local Government Association

Tel: 020 7664 3131
www.lga.gov.uk

Local Investment Fund

Tel: 020 7680 1028
www.lif.org.uk

National Association of Councils for Voluntary Service

Tel: 0114 278 6636
www.nacvs.org.uk

The National Housing Federation

Tel: 020 7067 1010
www.housing.org.uk

Office of the Deputy Prime Minister

Tel: 020 7944 4400
www.odpm.gov.uk

Planning Aid at the Royal Town Planning Institute

Tel: 020 7929 9494
www.rtpi.org.uk

The Prince's Trust

Tel: 020 7543 1234
www.princes-trust.org.uk

Registers of Scotland Executive Agency

Tel: 0845 607 0161
www.ros.gov.uk

Scarman Trust

Tel: 020 7689 6366
www.thescarmantrust.org

School for Social Entrepreneurs

Tel: 020 8981 0300
www.sse.org.uk

Scottish Council for Voluntary Organisations

Tel: 0131 556 3882
www.scvo.org.uk

Small Business Service

Tel: 020 7215 5000
www.sbs.gov.uk

Social Enterprise Coalition

Tel: 020 7968 4921
www.socialenterprise.org.uk

Social Enterprise Partnership GB Ltd

Tel: 020 7388 1888
www.sepgb.co.uk

Social Firms UK

Tel: 01737 764021
www.socialfirms.co.uk

Tenants Participation Advisory Service

Tel: 0161 868 3500
www.tpas.org.uk

Triodos Bank

Tel: 0117 973 9339
www.triodos.co.uk

Unity Bank

Tel: 0845 140 1000
www.unity.co.uk

Unlimited

Tel: 020 7566 1100
www.unltd.org.uk

Wales Council for Voluntary Action

Tel: 0870 607 1666
www.wcva.org.uk

For a more comprehensive list with current addresses, please contact the DTA on 0845 458 8336 or email: info@dta.org.uk

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Page 1 - *Galeri, Cwmni Tref Caernarfon, Caernarfon, Gwynedd.*

Page 3 - *One Stop Shop, Burnley Wood One Stop Shop Ltd, Burnley, Lancashire.*

Page 7 - *The Quadrant, Manor and Castle Development Trust Ltd, Sheffield.*

Page 8 - *Victoria Court, Govanhill Community Development Trust, Glasgow.*

Page 14 - *Penwith Centre, Penwith Community Development Trust, Penzance, Cornwall.*

Page 15 - *Bridge House, North Medina Community Development Trust, East Cowes, Isle of Wight.*

Page 26 - *The Old School, Burton Street Project, Sheffield.*

Page 28 - *Headquarters, Millfields Community Economic Development Trust, Plymouth.*

Page 33 - *Oxo Tower Wharf, Coin Street Community Builders, London.*

Page 36 - *Burnside Resource Centre, Craghead Development Trust, Stanley, Co Durham.*

Page 37 - *4 Pinchin Street, The Environment Trust, London.*

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Page 45 - *Phoenix Business Centre, Goole Development Trust, Goole, East Yorkshire.*

Page 46 - *Goodwin Centre, Goodwin Development Trust Ltd, Hull.*

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Page 51 - *Great Bow Yard, Somerset Trust for Sustainable Development, Langport, Somerset.*

Development trusts are:

- community owned and led
- cultivating enterprise
- building assets
- securing community prosperity

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