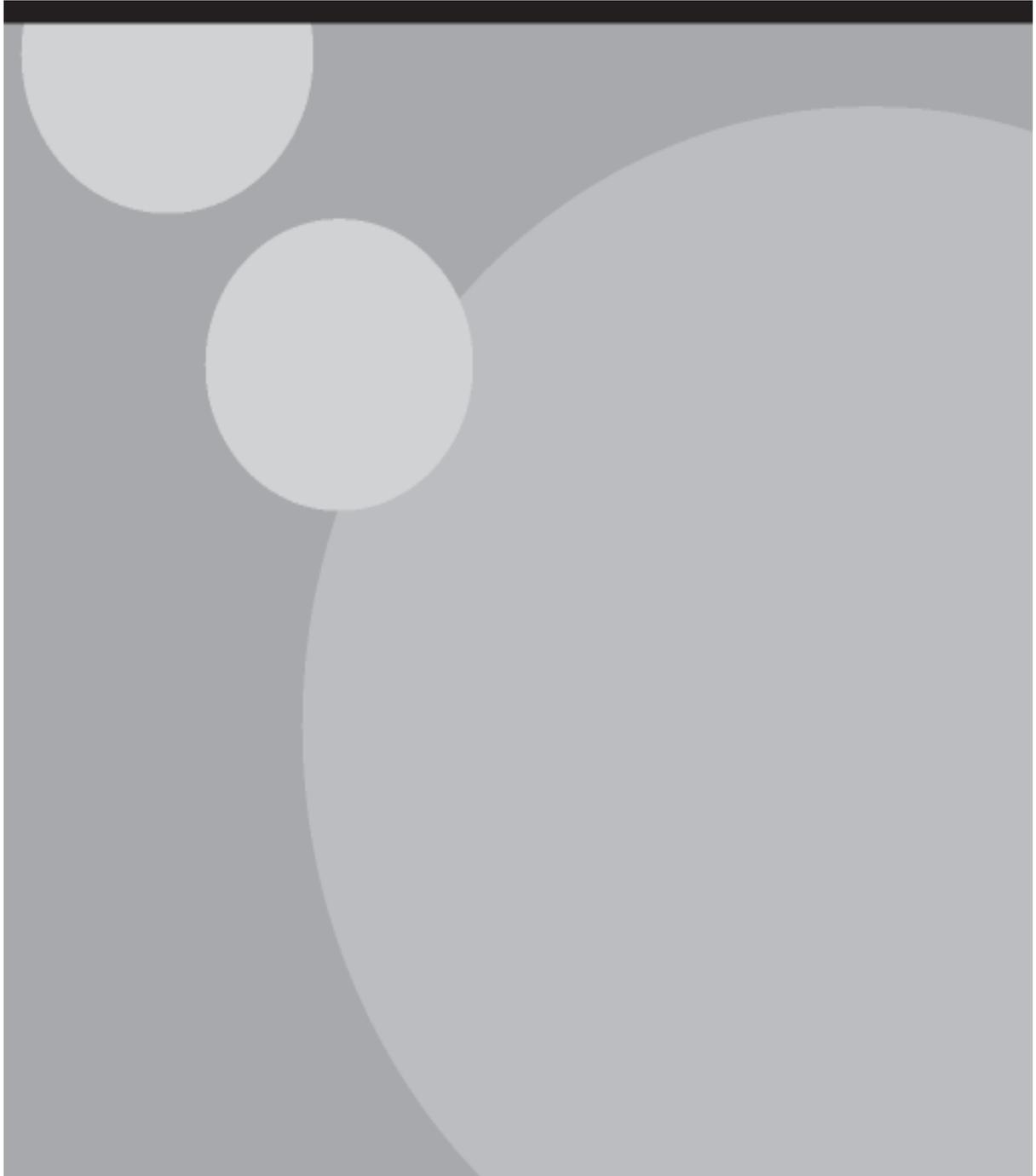




Community Right to Bid – Impact Assessment

Localism Act 2011





Community Right to Bid – Impact Assessment Localism Act 2011

June 21 2012
Department for Communities and Local Government

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<p>Title: Community Right to Bid Localism Act 2011</p> <p>Lead department or agency: Department for Communities and Local Government</p> <p>Other departments or agencies:</p>	<p>IA No: DCLG 0047</p> <p>Date: 21 June 2012</p> <p>Stage: Enactment</p> <p>Source of intervention: Domestic</p> <p>Type of measure: Secondary legislation</p> <p>Contact for enquiries: Anne-Marie Dean 0303 444 2039</p>
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Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

People value their local facilities; however in many local areas these have been closing down, leaving towns, housing estates and villages without vital amenities such as local shops, pubs, libraries and leisure centres. Community groups that want to take over these and run these and other local assets or transform them into new uses, find that they lack the time and resources to prepare to bid them and cannot compete against other bidders, often losing those amenities permanently. Government intervention will give communities the time to bid to buy these assets. This will enhance the sustainability of the amenities as they are able to use more viable business models unavailable to private or public sector owners or operators. These new opportunities will encourage the independence of those communities contributing to long term behavioural change where individuals take increasing responsibilities within their own communities, rather than relying on the state to provide.

What are the policy objectives and the intended effects?

The policy is intended to level the playing field for communities who want to save local amenities by buying the building or land which provides the amenity. It will give them a legal right to nominate as an Asset of Community Value to the local authority. It will require the local authority to maintain a list of assets of community value that have been nominated and that enhance the community's social wellbeing or social interests (i.e. recreational, cultural and sporting) in their area, such as community centres, village shops or open spaces. If any assets listed come up for sale, the legislation will allow communities the opportunity to trigger a pause in the disposal to prepare a business case and seek funding to compete on the open market to buy that local asset. The aim is that this will help communities to keep vital local facilities open, transforming their use, generating income and increasing the self sufficiency of the neighbourhood for the long term benefit of their community.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

- 1 Do nothing – Local groups struggle to compete because it takes time to prepare a business case and raise funding to be able to bid to buy an important asset in their area where there is competition from other purchasers. Local authorities have an existing power to dispose of their assets at less than market value, but this does not help preserve for community use any village shops and pubs that are closing, or other assets in private or central government ownership.
- 2 Provide time for communities to organise themselves to raise the funding to bid to buy on the open market the assets they have identified as important to their community. This would be by providing a moratorium on the sale if one of these assets is to be sold. Communities would be able to nominate these assets directly or through neighbourhood planning with the local authority making the final decision. The authority would keep and publicise a list of the assets of community value, informing communities if the asset owner intends to sell. This is the government's preferred option because it provides an appropriate balance between the interests of the community and the property owner.
3. Provide a community right of first refusal on any asset of community value. This would allow community groups to register an interest in any property in their area and, if that interest is accepted, give them the right of first refusal to buy it when it is available for sale at a price set by independent valuation. This would achieve the policy objectives and give communities greater opportunities than option 2. However, the impact on property owners would be more restrictive, especially on the sale price. The complexity and cost of implementation would be considerably greater. We consider that these disadvantages outweigh the potential to provide additional benefits to communities.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved? It will be reviewed 3 years after commencement

Are there arrangements in place that will allow a systematic collection of Yes

monitoring information for future policy review?

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

A handwritten signature in blue ink that reads "Andrew Stunell". The signature is written in a cursive style and is positioned above a horizontal line.

Signed by the responsible

Date: 21 June 2012

Summary: Analysis and Evidence

Policy Option 2

Description:

Provide a moratorium on the sale of an asset designated as an asset of community value: preferred option

PriceBase Year2010	PVBase Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£1.3m	High: £9.8m	Best Estimate: £4.2m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1		
High			
Best Estimate		£418,000	£5.2m

Description and scale of key monetised costs by 'main affected groups'

Note that annual costs differ for each year of the policy- for further details see Annex 3.

Cost to local authorities in maintaining and publicising a list of designated assets of community value:

- One-off cost to set up the list of assets of community value £379,000 (for year 1 only)
- Cost of managing the list process and five year review of the list = £2.5m per year (note costs will be lower in the first 4 years- see Annex 3 for further details).
- Compensation for loss of asset value= average of £233k per annum over 9 years
- Costs of enforcement- £35k per annum over 10 years

Cost to asset owners- Direct costs incurred by owners as a result of the delay in sale caused by the moratorium (e.g. additional maintenance, security and utility costs), estimated at £2000 per affected authority. In addition there will be potential costs incurred from loss of value of asset, total cost is estimated to be approximately £233k per annum over 9 years. The proposed compensation scheme will enable owners to reclaim costs and loss of value from the local authority incurred as a direct result of complying with any of the procedures required by the scheme.

Cost to government

- Providing grants/loans to community groups- £12m (spread over 3 years)- note the loan element will be repayable
- Cost to government of providing resource support to community groups- £13.2m (spread over 4 years)
- Indicative costs of establishing the First Tier Tribunal chamber - first year of operation, there would be setup costs of up to £39K and £32k for running costs. Running costs would increase by 4.5% on the £32K from year 2 thereafter.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		£43.1m
High	Optional		£57.5m
Best Estimate			£50.3m

Description and scale of key monetised benefits by 'main affected groups'

This policy option outlines benefits achieved if there is a high take up, but the low cost option is also shown in the cost benefit analysis. Outcome of key benefits are based on the assumption that government's initial investment includes a national support framework and funding to support communities to take up new opportunities.

Creation of jobs in communities: up to 5 jobs per transfer- estimated benefits of £1.1m per annum.

Value of increased volunteering: up to 5,800 additional volunteers per annum, with a 41% probability that unemployed volunteers move into paid employment. Assumed benefit of increased volunteering as a result = £6.3m per annum.

Note: due to likely implementation date and the transition to the new system, benefits will be lower in 2011/12. See Annex 3 for further details.

Other key non-monetised benefits by 'main affected groups'

-Amenity value, benefits of improved built environment, health benefits

-Impact on skills development and possible increased revenue to the Exchequer from tax revenues

-Growth in social capital and associated community action, leading to more self-sufficient neighbourhoods

-Increase in financial self-sufficiency of asset-owning community organisations, so reducing dependency on state funding; greater certainty for community organisation of purchasing listed asset.

Key assumptions/sensitivities/risks**Discount rate (%)**

3.5

A key assumption is that statutory provisions will only apply once the owner of the property asset voluntarily decides to place it on the market.

A key risk to the take up of this policy change would be that community organisations may lack the necessary skills, knowledge, confidence and funds to take advantage of opportunities.

The realisation of key benefits therefore depends on the availability of support to those who require it. There are existing sources of expertise in asset transfer from which community organisations will be able to draw.

An element of government investment may be necessary to develop capacity in relation to the function of the new rights, until this expertise develops.

Impact on admin burden (AB) (£m): SR Period only**Impact on policy cost savings (£m):****In****New AB:****AB savings:****Net:****Policy cost savings:****No****Enforcement, Implementation and Wider Impacts**

What is the geographic coverage of the policy/option?	England	
From what date will the policy be implemented?	12 October 2012	
Which organisation(s) will enforce the policy?	Local Authorities	
What is the annual change in enforcement cost (£m)?	Presently unknown	
Does enforcement comply with Hampton principles?	Yes	
Does implementation go beyond minimum EU requirements?	No	
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded:	Non-traded:

Does the proposal have an impact on competition?			Yes		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs:		Benefits:
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on?	Impact	Page ref within IA
Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	No	32
Economic impacts		
Competition Competition Assessment Impact Test guidance	Yes	32
Small firms Small Firms Impact Test guidance	Yes	32
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	34
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	34
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	34
Human rights Human Rights Impact Test guidance	Yes	34
Justice system Justice Impact Test guidance	Yes	34
Rural proofing Rural Proofing Impact Test guidance	No	34
Sustainable development Sustainable Development Impact Test guidance	No	35

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Act comes into force. Statutory equality duties part of the Equality Act apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence

Policy Option 3

Description:

Community right of first refusal on any asset of community value-

Price Base Year 2010	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£114m	High:-£99.2m	Best Estimate: -£106.6m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	1	Optional	
High	Optional		Optional	
Best Estimate	£1.5m		£19.1m	£161.8m

Description and scale of key monetised costs by 'main affected groups'

Note that annual costs differ for each year of the policy- for further details see Annex 3.

Cost to local authorities- in maintaining and publicising a list of designated assets of community value:

- One-off cost to set up the list of assets of community value £379,000 (year 1 only)
- Cost of assessing what goes on and off the list, managing the list process and five year review of the list = £2.5m per year (note costs will be lower in the first 4 years- see Annex 3 for further details).
- Additional one off cost of setting up the independent valuation process- £1.1m (year 1 only)
- Cost of independent valuations- £259,000 per annum
- Cost to local authorities for managing individual purchases, valuation process and legal oversight = £14.4m per year
- Compensation for loss of asset value = average of £233k per annum over 9 years.
- Costs of enforcement- £35k per annum over 10 years

Cost to asset owners- Direct costs incurred by owners as a result of the delay in sale caused by the moratorium (e.g. additional maintenance, security and utility costs), estimated at £2000 per affected authority. However the costs will be recovered from the 29 authorities affected in the form of compensation claims.

Costs to government

- Providing grants/loans to community groups- £12m (spread over 3 years)- note the loan element will be repayable
- Cost to government of providing resource support to community groups- £13.2m (spread over 3 years)
- Indicative costs for establishing a First Tier Tribunal Chamber - yr1 £39k and £32k setup and running costs. Yr2: running cost to rise by 4.5% on £32k and by the same % annually over 10 years.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	£49.3m
High	Optional		Optional	£69.8m
Best Estimate				£59.5m

Description and scale of key monetised benefits by 'main affected groups'

This policy option is likely to achieve the higher level of take up of benefits as shown in the cost benefit analysis including creation of jobs in communities: up to 5 Jobs per project (transfer) - estimated benefits of £1.3m per annum.

Value of increased volunteering: up to 6,500 additional volunteers of which there is 41% probability that those who were unemployed they move into employment. Benefit of increased volunteering as a result, £7.1m per annum.

Note: due to likely implementation date and the transition to the new system, benefits will be lower in 2011/12. See Annex 3 for further details.

Other key non-monetised benefits by 'main affected groups'

- Amenity value, benefits of improved built environment, health benefits
- Impact on skills development and possible increased revenue to the Exchequer from tax revenues
- Growth in social capital and associated community action, leading to more self-sufficient neighbourhoods
- Increase in financial self-sufficiency of asset-owning community organisations, so reducing dependency on state funding; greater certainty for community organisation of purchasing listed asset

Key assumptions/sensitivities/risks**Discount rate (%)**

3.5

A key assumption is that statutory provisions will only apply once the owner of the property asset voluntarily decides to place it on the market. A risk to the take up of this policy change will be that community organisations may lack the necessary skills, knowledge, confidence and funds to take advantage of opportunities. The realisation of key benefits therefore depends on the availability of support to those who require it. There are existing sources of expertise in asset transfer from which community organisations will be able to draw. An element of Government investment may be necessary to develop capacity in relation to the function of the new rights, until this expertise develops.

Impact on admin burden (AB) (£m):**Impact on policy cost savings (£m):****In scope****New AB:****AB savings:****Net:****Policy cost savings:**

No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	England & Wales				
From what date will the policy be implemented?	Anticipate 1 April 2012				
Which organisation(s) will enforce the policy?	Local Authorities				
What is the annual change in enforcement cost (£m)?	Presently unknown				
Does enforcement comply with Hampton principles?	Presently unknown				
Does implementation go beyond minimum EU requirements?	No				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded:		Non-traded:		
Does the proposal have an impact on competition?	Yes				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs:		Benefits:		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

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Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties²	No	33

² Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Act comes into force. Statutory equality duties part of the Equality Act apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Statutory Equality Duties Impact Test guidance		
Economic impacts		
Competition Competition Assessment Impact Test guidance	Yes	33
Small firms Small Firms Impact Test guidance	Yes	33
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	33
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	34
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	34
Human rights Human Rights Impact Test guidance	Yes	34
Justice system Justice Impact Test guidance	Yes	34
Rural proofing Rural Proofing Impact Test guidance	No	34
Sustainable development	No	35
Sustainable Development Impact Test guidance		

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

Evidence Base

No. Legislation or publication

- 1 http://www.biglotteryfund.org.uk/er_eval_grow_comm_assets_yr1_summ_rep.pdf- Big Lottery website outlining the number of grants paid out to community groups
- 2 'Growing Community Assets Evaluation- Year 1 Summary Report'- Big Lottery Fund (2010)
- 3 Urban-Rural Classification 2007-2008'- Scottish Government; the report estimates that approximately 18% of Scotland's population lives in rural areas.
- 4 <https://www.abcalculator.berr.gov.uk> – link to BIS's calculator for accessing new burden impacts
- 5 <http://atu.org.uk/Document.ashx?ID=223>
Asset Transfer Unit Evaluation Baseline Report for DTA – SQW Consulting, 2009
- 6 Economic & Social Research Council (ESRC), (2009), Seminar Series, Mapping the Public Policy Landscape, The value of Volunteers
- 7 The Coalition: Our programme for government (May 2010), p11
- 8 Prime Minister and Deputy Prime Minister's announcement on building the Big Society speech, 18 May 2010
- 9 'Community Finance Loans for Social Enterprise: Solving the Problem'- May 2008
<http://www.idea.gov.uk/idk/core/page.do?pagelid=8309883&aspect=full> and 'Promoting the growth of the community development finance sector'- New Economics Foundation (2001)
- 10 A study, led by Professor Peter John (University of Manchester) and Professor Gerry Stoker (University of Southampton), aimed to explore what citizens can do to help create and maintain a good society, and how governments and other agencies can help to stimulate citizen action, (2007-2009)
- 11 The Valuation Office Agency Rating data (Oct, 2010) - Information about the rateable values (RV) in both the 2005 and the compiled 2010 local rating lists for England and Wales .
- 12 Office of National Statistics release on Business Demography. The data contains the count of enterprise deaths of public houses for 2002-2007
- 13 Audit Commission, Room for Improvement. (June 2009)

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉	Y ₁₀
Transition costs	0.4	0	0	0	0	0	0	0	0	0
Annual recurring cost	7.0	11.2	11.1	6.2	2.8	2.8	2.7	2.7	2.7	2.7
Total annual costs	7.8	11.2	11.1	6.2	2.8	2.8	2.7	2.7	2.7	2.7
Transition benefits	0	0	0	0	0	0	0	0	0	0
Annual recurring benefits	0	10.5	9.9	9.6	6.9	4.6	4.6	4.6	4.6	4.6
Total annual benefits	0	10.5	9.9	9.6	6.9	4.6	4.6	4.6	4.6	4.6

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base

Localism Act - Community Right to Bid Impact Assessment

Background

1. *“The government believes that it is time for a fundamental shift of power from Westminster to people. We will promote decentralisation and democratic engagement, and we will end the era of top-down government by giving new powers to local councils, communities, neighbourhoods and individuals. We will introduce new powers and opportunities to help communities save local facilities and services threatened with closure, and give communities the right to bid to take over local state-run services³.”*
2. The policy aim is to fulfil the coalition Government’s commitment to pass power back into the hands of local people and to implement one of the key policies contained in Building the Big Society and incorporated in the full Programme for Government. The Prime Minister and Deputy Prime Minister’s *Building the Big Society* announcement stated: *“We want to give citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want. We want society – the families, networks, neighbourhoods and communities that form the fabric of so much of our everyday lives – to be bigger and stronger than ever before. Only when people and communities are given more power and take more responsibility can we achieve fairness and opportunity for all.”*⁴

Policy intention

3. The government wants to see a shift from central to local, with local communities having more of a say over what happens in their communities. This policy will make it easier for community organisations to bid to take over assets such as buildings or land that are important to their neighbourhoods, particularly where these are threatened with closure.
4. It will be for communities themselves to identify those assets which are of value to them, that they believe are important to the social wellbeing or social interests of the community. This commitment will enable communities to identify some privately owned facilities such as pubs and shops (especially when they are the last one in the neighbourhood), and public facilities and assets such as community centres, libraries, open spaces. It will also cover local assets which have recently ceased to serve their current purpose, but are recognised as important to the community.

The problems identified:

³ Extract from: The Coalition: Our programme for government, May 2010, p11

⁴ Prime Minister and Deputy Prime Minister’s announcement on building the Big Society Speech, 18 May 2010

5. The threat of sale and subsequent loss of community access to an asset may arise for a number of different reasons:
 - A re-assessment of the use of certain assets or community services (such as community centres or libraries) by a local authority or another public body, to alter their use, raise capital and/or reduce revenue obligations.
 - A specific public building becoming surplus to requirements due to service reorganisation or rebuilding (e.g. a school, hospital or town hall). This has been the primary basis of the asset transfer programme to date – see also paragraph 8 below.
 - A private sector facility such as a village shop or pub failing or coming on the market, due to a shift in patterns of demand, local competition or retirement of the owners. Plunkett Foundation⁵ has recently received 80 enquiries from local communities wanting to take over their local pub, and there are already 250 community-owned shops.

6. There have been closures of numerous facilities over the last decade, which are delivering key community services or assets that provide a vital hub, bringing members of the community together. Based on the Valuation Office Agency Rating data, the number of public libraries in England has fallen from 3,066 in 1998 to 2,820 in October 2010. The number of public houses has fallen from 49, 520 in 1997 to 46,060 in 2009⁶. Furthermore, since 2002 an average of 8,743 pubs has failed every year.⁷

7. The reason for these closures may have an impact on the viability of an alternative community ownership proposal. However, community ownership can allow the adoption of a different business model and therefore make the asset viable again, such as through the use of volunteers, access to charitable funding or community share investment, which would not be open to the current private or public sector owners and operators.

8. The work on this scheme is being taken forward in close alignment with the commitment to ‘give communities the right to challenge to take over local services’, as there are very clear links, particularly at the local level. It is also linked with the Community Right to Build and neighbourhood planning (also contained within the Localism Act 2011).

Existing powers

9. There are existing powers which can enable the transfer of public assets to community organisations at less than market value, thereby giving some protection to an asset which might be for community use. Before the provisions in the Localism Act 2011 there was nothing that

⁵ The Plunkett Foundation helps rural communities through community-ownership to take control of the issues affecting them, and was included in the expert group who considered the intentions of this policy.

⁶ The Valuation Office Agency Rating data (Oct, 2010) - Information about the rateable values (RV) in both the 2005 and the compiled 2010 local rating lists for England and Wales.

⁷ Office of National Statistics release on Business Demography The data contains the count of enterprise deaths of public houses for 2002-2007

gave communities the right to identify an asset of community value or provide time for communities to prepare a bid for an asset that is being sold. The existing powers are summarised below:

General Disposal Consent 2003

10. Local authorities, and certain other bodies covered by the same legislation, have the power under the Local Government Act 1972 (General Disposal Consent 2003) to dispose of assets at less than best consideration to further local well-being, up to an under-value of £2m, without seeking the Secretary of State's consent. This power has been increasingly used by local authorities in recent years in developing and implementing community asset transfer strategies. Local authorities have based their justification of community asset transfers at less than best consideration on the social as well as economic benefit that may be obtained from such transfers.

11. An independent survey in 2009 of 119 local authorities (one third of the total in England) by SQW Consulting⁸ found that four-fifths of authorities had been involved in under-value asset transfer within the last two years, and that there were a total of more than 350 asset transfers in the pipeline, which could equate to up to 1000 across the country. The Audit Commission, looking at local authority asset management found that 'the extent or impact of transferring council property to local communities has yet to meet government aspirations'. In particular, they found that, 'the volume and value of [local authority] buildings transferred have been limited'. A third of councils surveyed by the Audit Commission had not made any transfers at all during the preceding five year period. Councils visited by the Commission also said that the Quirk review (a 2007 government report on asset transfer) had not been significantly influenced their approach, and had had no great impact on the volume of transfers requested or granted⁹. The use of the General Disposal Consent 2003 is entirely at the discretion of the local authority, and is of course subject to the authority's wider approach to strategic asset management, so confers no right on a community organisation in itself. Transfers via this route can often take up to a number of years and depend often on the availability of expert advice and support to achieve the transfer. Where this has not been available, community groups remain disadvantaged and produce ineffective business plans. This has led to a failure in obtaining funding and the loss of assets considered as important to their communities.

Existing planning powers

12. The existing planning system provides several ways to give some support to communities that wish to keep local assets but these do not have a statutory basis and so provide only limited protection to these assets. Planning Policy Guidance 17 and Planning Policy Statement 4 have some considerations that are relevant to this policy and have to be taken into account before a planning application can be approved. For example PPG 17 says, "Local authorities will be justified in seeking

⁸ SQW Consulting provides research, analysis and advice on sustainable economic and social development for public, private and not-for-profit organisations, and is currently evaluating the Communitybuilders programme.

⁹ Audit Commission, Room for Improvement. (June 2009)

planning obligations where the quantity or quality of provision is inadequate or under threat” “which includes a community resource”. PPS 4 says “When assessing planning applications affecting shops, leisure uses including public houses or services in local centres and villages, local planning authorities should take into account the importance of the shop, leisure facility or service to the local community.”

13. This policy guidance would need to be strengthened to provide greater specific protection for the last asset in the neighbourhood, but could still be overridden if other considerations have greater priority.
14. The local authority could identify assets through its Development Plan Document process, and identify these in the Core Strategy. During this process, several assets or sites could be formally allocated for community use in a Site Allocation Development Plan Document and included on a 'proposals map' if there is good evidence to support the case. It would then be part of the statutory Development Plan, giving it some weight in decision making. However, the plans take several years to produce which would not suit the policy intention as it would mean that community groups would continue to be disadvantaged for some time. It is also up to each authority to decide what Development Plan Documents, if any, they develop other than the Core Strategy and the local authority would have to be prepared to spend resources on preparing a Site Allocation Development Plan Document.

Options for meeting the policy objective

15. Given that present mechanisms fail to strengthen community rights adequately, the government has considered options for reversing this position. There are two options for adding to existing powers, in order to seek to meet the policy objectives. They are set out below, and outlined with costs and benefits, alongside the option of doing nothing. Implementation of the preferred option will be subject to consultation on the details to be included in secondary legislation, during the passage of the Act
 - **Option 1: Do nothing**
 - **Option 2: Provide a moratorium on the sale of an asset designated as an asset of community value, but with no right of first refusal, for community bodies.**
 - **Option 3: Create a statutory right of first refusal for an ‘Asset of Community Value’**

Discussion with expert group

16. Proposals were discussed with partners representing the key impact groups: local authorities, businesses, private owners, public bodies, community and voluntary organisations. There was a broad support for the proposals but a number of points were raised and taken into consideration in shaping options and assessing costs and benefits. These are summarised in Annex 2.

Risks

17. A risk of this policy, a point emphasised by partners, is that community organisations may not have the knowledge, understanding, and confidence to take advantage of the opportunities that will be created. This would be a particular risk in areas of disadvantage and could lead to low take-up.
18. Much of the support that organisations need would have to be found locally. However, in the first years after the introduction of the Community Right to Bid (Assets of Community Value), focused support could be an important factor in mitigating the risk of low take-up.
19. The types of support could include:
 - A national source of technical expertise, skilled guidance, advice on raising finance from non-governmental sources and the facilitation of shared learning, and a first port of call and referral service for organisations considering bidding for a site.
 - A source of business development support for particular organisations not able to access such support in other ways
 - Some continuing capital funding, with the clear intention of enabling organisations to lever in further finance from non-governmental organisations, including that coming from the Big Society Bank.
20. There is a potential risk of project failure where community groups may fail to maintain a viable community owned asset. These risks have been considered in the cost benefit analysis, e.g. where a community group may default on a loan derived from a community bank or other funding sources. We consider that this risk would be greatly reduced because the business case for an individual bid would have had to be accepted as viable by funding providers before a bid could be made. This would be further mitigated by the potential implementation of a support framework, as detailed above. Evidence from Scotland's Right to Buy scheme shows that within the 6 years in which the scheme has been in place there has not been a case of project failure, partly due to the additional support provided to community groups.

Spreading awareness

21. Promoting the policy is essential to ensure that communities utilise the new scheme, a point raised by partners. Local authorities would need to make the list widely available and to consider a range of communications methods to draw awareness to the process. Publicity about the scheme and assets becoming available has been a key consideration incorporated within the development of each option and factored into the assessment of new burdens provisions.

Key assumptions

22. The key assumption for all options is that any statutory provisions would only apply once a property comes on the market voluntarily.
23. Further assumptions were made on the proposed level of funding likely to be invested to support implementation of the policy change. The proposed capital spending is £12 million spread over 3 years. After

that, community organisations would be able to access funding from other sources, such as via charity banks or Community Finance organisations, to make use of the opportunities that this policy brings.

24. The current Communitybuilders¹⁰ programme is a comparable business support model which could be used to offer support to community groups. Presently only not for profit/charitable organisations are eligible to receive support from Communitybuilders and current criteria require that organisations are community led and run. Whilst groups are not told what to do, their proposals are assessed to ensure that they are viable and have social value. Where there are weaknesses - for example, in the management processes of community organisations – if there is a resource element of the programme it could offer tailored support. A programme of support is being developed to support communities wanting to utilise the Community Right to Bid. It is envisaged that this will include general information on the community rights and tailored support. The intention is to make this available on commencement of the Localism Act.
25. The first step to estimating the likely benefits of the new scheme was to estimate possible demand, and the likely source of funds to meet this demand. Under the scheme, community groups and other community organisations are able to raise funds from government grants/loans, loans from other institutions such as charity banks and from any investment leveraged in from outside whether that be private investment or social investment.
26. The analysis looked at possible demand for funding under 2 scenarios:
 - In a scenario of high demand- it estimated that there would be 136 Community Right to Bid Scheme purchases per year.
 - In a scenario where demand was lower- it was estimated that there would be 94 Community Right to Bid Scheme purchases per year
27. The estimates are based on evidence from Scotland's Community Right to Buy Scheme, which has been in place since 2004¹¹. Detailed workings are outlined within Annex 3. The benefits of the scheme were then estimated based on likely take up under the 2 scenarios.
28. We have estimated the take up under our 2 options:
 - Option 2 Providing a moratorium on sale of listed assets of community value
 - Option 3 Community Right of First Refusal on listed assets of community value

Option 1: Do nothing

¹⁰ Communitybuilders is a £70m investment fund that invests in the sustainability of multi-purpose, inclusive, community-led organisations.

¹¹ Land Reform (Scotland) Act 2003: Part 2
Community Right to Bid

29. Communities could continue to seek to benefit from existing local authority powers which operate for publicly owned assets. However, evidence suggests that many would struggle because of the lack of expertise, knowledge and financial position. In the case of assets owned by public bodies other than local authorities and privately owned assets, communities would have limited or no opportunity to position themselves to take over assets and may be unaware of the sale of such an asset until it is too late to prepare a bid. This option could have a potential adverse impact on communities' wellbeing, harmony and trust, where they are unable to save or preserve an asset considered as important within their communities. This adverse impact would be of growing significance in current economic circumstances, where there is increasing pressure on both public and private owners to dispose of assets. There are no foreseen costs or benefit impacts against this option.

Option 2: Provide a moratorium on the sale of an asset designated as an asset of community value, but with no right of first refusal, for community bodies. Preferred option

30. Statutory provision to provide for a moratorium on the sale of an asset designated as an asset of community value to enable community organisations to put themselves in the position to be able to bid for the asset when it comes up for disposal. A duty would be placed on local authorities to maintain and publicise a public list of all such assets, which have been nominated by communities.
31. Listing assets can be achieved in several ways. The new neighbourhood planning process would be an important way for the community to identify an asset in their neighbourhood they wanted to preserve. Assets to be listed, whether in public or private ownership, would be identified through community nomination to the local authority. These may be made by parish councils, or by voluntary, community and social enterprise organisations with a local connection, whether incorporated or unincorporated. The definitions of these will be set out in regulations. Nominating organisations would be required to justify their proposals for listing.
32. The Local Authority will have decision-making responsibility for what assets are listed within parameters set in the Act, within the broad definition of an Asset of Community Value and taking into account specific exclusions (e.g. exclusion of a person's principal residence and operational land); the local authority would be required to make public its decisions to list or not to list an asset. Listing would be for a fixed period of five years, or until the asset is sold or is no longer of community value. In either case, an application to re-list it could be made.
33. There will be a series of exceptions for sale or disposal in particular circumstances. These include transfers between families, inheritance, mortgage default or other creditor action, insolvency, death, court orders, going concerns and business to business transfers.

34. Property owners will be informed of the intention to list the assets and will have the opportunity to make representations, with appeals being dealt with by an internal review process in the local authority. The owner will also have a right of independent appeal, against the outcome of the review. Advice from partners representing the key impact groups expressed the need to consider the length of time appeals could take and the potential cost impact on private asset owners.¹²
35. Once an asset has been listed as an asset of community value, there would be a legal requirement on the owner, if they wished to dispose of the asset, to inform the local authority. This would start the interim moratorium of 6 weeks during which eligible community groups would have the opportunity to lodge an expression of interest in bidding for the asset. If the local authority received an expression of interest, this would trigger the full moratorium period running up to 6 months from when the intention to sell was registered with the local authority. It is the duty of the local authority to publicise the content and means of access to the list in such ways as the local authority considers appropriate to bring it to the attention of local people.
36. For the full moratorium period to be effective in allowing community bidders, in particular, sufficient time to put together a credible bid and the necessary finance, a prohibition on sale for a period of six months would be triggered. However this could have an impact, particularly on private property owners. To mitigate this, the legislation would provide for an interim shorter period in which community organisation wanting to bid would have to register their intention with the local authority (6 weeks). If no community organisation registered an expression of interest during that period, then the local authority would lift the moratorium and notify the owner within a prescribed period. The time period was decided on following the debates in Parliament and taking into account responses to the consultation where there was a broad consensus in favour of an interim window of 6 weeks, a full moratorium of 6 months (in total) and a protected period of 18 months.
37. At the end of the moratorium period the asset could be sold under normal market conditions on the open market at market price. The use of the asset would be subject to any planning restrictions (or legal covenants), but not constrained in any other way. There is, however, a risk that community-based organisations could be outbid at this point, because private property developers would have better access to the finance necessary to win a bidding contest or auction. Equally, private developers may be deterred from competing with community organisations for an asset considered to be of community value.
38. **Compensation** Similarly to the Scottish Right to Buy scheme, the Act allows for a compensation scheme, the details of which will be set out in regulations. There was a broad consensus within the consultation results and from discussions with the business sector for the reimbursement of loss of value to a landowner's asset directly affected

¹² Details of key partners to include representation of the key impact groups are outlined within annex 2. Outcome from discussions are also summarised

as a consequence of adhering to the provisions. In response, the scheme has been developed to ensure that all owners, other than public authorities, will be entitled to claim compensation for loss or expense incurred as a result of listing and the moratorium restrictions.

39. There could also be a notional loss (or gain) in income to the owner, as a result of market fluctuations during the moratorium period. The extent to which these should be considered was discussed with our expert groups and formed part of the consultation. Prediction of possible market fluctuation and the effect which designation of an asset could have on the value of an asset are assessed and outlined in annex 3.
40. An **enforcement regime** will be included in regulations to deter contravention of the provisions. There are two parts to this approach – encouraging and ensuring compliance and having a strong penalty to deter non-compliance.

Encouraging compliance

41. In order to limit any unintentional non-compliance, the Act provides for listing to be a local land charge. This will forewarn a prospective purchasers of the requirements attached to a listed asset before entering into a binding agreement to sell (exchanging contracts). It is intended that information about the scheme will be promoted through relevant stakeholder groups such as the Law Society and Association of Licensed Conveyancers, local government representatives, land agents, and representatives of land owner and businesses. We also are seeking to provide that listing of land will be recorded on the Land Register so that any change of owner would have to satisfy the Land Registry that they have complied with the scheme before the sale is registered.

Penalty

42. The proposed approach is that all non-compliant sales will be deemed to be void that is the sale is deemed not to have occurred from the outset, unless the owner had not been made aware by the local authority that their asset was listed. This is an alteration from the approach proposed in the consultation and is intended to ensure that the penalty is sufficiently onerous and the approach to dealing with non-compliance as light touch as possible with a limited impact on the likely cost to local authorities.
43. The enforcement regime will impact on a purchaser from a landowner who has failed to comply with the moratorium although the local land charges would have made the new owner aware that the property were listed. In the case of a non-compliant sale the new owner would seek legal redress from the original owner and solicitors.

Consultation

44. Option 2 proposals are contained in the Assets of Community Value provisions are set out in the Localism Act 2011, with powers for the Secretary of State to specify certain aspects in regulations for England

(and corresponding powers for Welsh Ministers with regard to Wales). A consultation exercise sought views on the proposed detail of the scheme to be set out in regulations and on the type of support that would be of most assistance. The consultation ran for 12 weeks and ended on 3 May 2011.

The document can be found at:

<http://www.communities.gov.uk/publications/localgovernment/righttoBidconsultation>.

A summary of the consultation can be found at:

<http://www.communities.gov.uk/documents/localgovernment/pdf/1965426.pdf>

45. In total, 256 responses were received from local authorities and voluntary and community sector organisations:

Type of response	Number	Percentage
Local authorities	90	35.2%
Parish/Town Councils	35	13.7%
Voluntary and community bodies	61	23.8%
Businesses	26	10.1%
Landowners	9	3.5%
Land conveyancers	1	0.4%
Other public body	12	4.7%
Other	22	8.6%
Total	256	100%

46. In addition, consultation events were hosted across the English regions and meetings held with key stakeholders from the sectors affected by provisions, to include the Land Registry, voluntary and community sector organisations, local authorities, parish and town councils, businesses and landowning interests.
47. Businesses and Land-owners were concerned about the provisions. Concerns were expressed about the potential interference with the operation of the market, where a moratorium restricting them from disposing of their assets could see missed investment opportunities or assets being de-valued. Business and Landowners felt that the moratorium should be shorter and sought a series of exemptions including sales of business to business going concerns; transfers between associated companies; inherited land, transfers between family members and within trusts.
48. Local authorities and Parish Councils, although welcoming of the aim of the scheme, had concerns about the level of prescription included in the Act. There were requests for greater clarity in areas of the Act and for these to be clarified in regulations.

49. Voluntary and Community Sector organisations were largely welcoming of proposals. There was a consensus that the length of the moratorium should be longer than the proposed 6 months, however were adamant that this should not be any shorter. It was argued that a shorter moratorium would undermine the objective of the policy where communities simply would not have sufficient time to position themselves to take on asset of community value.
50. These concerns were fed into the development of the scheme, some of which will form and develop regulations and others amended on the face of the Act.

Cost and benefits

51. Sectors and Groups affected by the statutory provisions:
 - Local authorities and other public bodies
 - Private owners, including businesses
 - Communities
 - Voluntary and Community Sector (as bidders and owners)
 - Conveyancing lawyers (represented by the Law Society or the Council for Licensed Conveyancers)

Summary of the possible impacts identified through discussion with key partners are contained in the following table, below:

Identified Impact Groups	Benefits	Costs
Local Authorities and other public bodies	<p>Create greater opportunities for community involvement in the consideration of the uses of underused and redundant buildings, potentially leading to increased community benefit as a result of the re-assessment of local community assets.</p> <p>Achieve greater community well being and cohesion where communities come together to designate and bid to take over an asset. Obtain greater community trust where important assets are saved.</p>	<p>Cost to develop mechanisms to list assets, maintain and manage, including registering listed assets with the Land Registry.</p> <p>Advertising costs to promote the opportunity to list assets.</p> <p>Compensation claims by some private owners may have to be assessed and paid by the local authority.</p>
Private owners	<p>Does not restrict owner's right to sell on open market once the moratorium period is over.</p> <p>Create additional bidders to the market, thus expanding sale opportunities.</p>	<p>Could disrupt the property market and raise strong objections from representatives of property holders seeking to adjust their asset portfolio.</p> <p>Length of moratorium could restrict operation of market.</p> <p>Owners could incur costs through the delay of sale, and may lose the opportunity of selling quickly at market value at that earlier time.</p>
Voluntary & Community Organisations	<p>Provisions would increase the opportunities for Voluntary and Community Sector to acquire assets to best meet community needs.</p> <p>Voluntary and Community Sector can register interest in advance of assets coming to the market - giving them the opportunity to develop initial proposals in advance.</p>	<p>May lack the funds to competitively bid for assets.</p> <p>Voluntary and Community Sector may also lack the expertise to draw up and process complex bids or transfer requests.</p>

	<p>Asset acquisition could offer and allow for more enterprising and sustainable options for development.</p> <p>Would offer opportunities to create jobs and volunteering opportunities as a result of community organisations being able to acquire assets that they wouldn't otherwise be able to acquire.</p>	<p>As with private owners, this policy could impact adversely on Voluntary and Community Sector where they are the owner of the asset when seeking to adjust their asset portfolio.</p>
Local Community	<p>Communities have greater input into what assets are considered as important and are of community value.</p> <p>As bidders and users, would give them the freedom, within planning constraints, to determine the future use of designated assets in a way that maximises enterprise and transformative potential of their neighbourhood.</p> <p>Creation of local jobs through communities' transformative use of public or private assets</p> <p>Could bring about long-term social, economic and environmental benefits in their community, where communities have been successful in acquiring and preserving iconic buildings</p>	<p>Communities may lack the skills, confidence, knowledge or belief to respond to the opportunity to acquire assets.</p> <p>Communities could fail to secure their bid and subsequently see the closure or sale of assets considered as having community value, causing disillusion locally.</p> <p>Communities may fail, after acquisition, to viably maintain a community owned asset.</p>
Conveyancing lawyers		<p>If non-compliant sales are to be void, they will need to initiate a new procedure for checking the local authority list in order to avoid negligence actions, and providing confirmation to the Land Registry that a sale of a listed asset is compliant. If a different</p>

		enforcement method is used, other new procedures may be required.
Land Registry		Anticipated costs, if a void at disposal approach is taken would be expected to be a) the costs to the local authority of registering a listing with the Land Registry; b) costs in relation to satisfying the Land registry that a sale is compliant; c) costs for the original and subsequent owners where a sale is deemed void because of non-compliance.

Further explanation of the key benefits and costs are included below:

Key benefits:

52. The impact of this policy change in asset-owning communities could see the increased amenity value and the benefits of an improved built environment derived from communities' development of community owned assets and their transformed uses. This can result in a cultural shift towards a more enterprising approach to developing assets and services. This positive impact could increase general well being and a sense of belonging, which could in turn, support improvements in health benefits in such communities. These outcomes could potentially increase social capital associated with community action, where communities come together to designate and acquire assets of community value, leading to more self sufficient and resilient neighbourhoods. Where local authorities are in a process of re-assessing asset usage, strengthening community rights through this policy change could see community groups offering alternative options for utilising underused and redundant building and transforming them to benefit the wider community. Community groups could also offer further opportunities to private asset owners to dispose of disused or vacant assets.
53. Where a community group comes together to take over assets of community value, there is scope to derive a mixture of profit and not for profit elements in new organisations – e.g. a community café providing income to subsidise services provided below cost. This policy provides the opportunity to enhance the long-term sustainability of community organisations by diversifying their income streams, thus increasing the financial self sufficiency of asset-owning community organisations, so reducing dependency on the state.
54. This policy change could give rise to an increase in volunteering. Volunteering plays an important role in changing people's lives for the better – by giving a sense of belonging and well-being; by offering the opportunity to give something back to society; and by helping to alleviate poverty, and social and labour market exclusion. Volunteering can also make a valuable economic contribution¹³. A potential increase in numbers could range from 4,700 up to 6,800 (midrange of 5,800) additional volunteers per annum. This translates into an estimated benefit of £4.5- £6.5 million per annum from increased volunteering activity. Further details of this are provided in Annex 3.
55. In addition to the benefit of volunteering activity itself, there is also a potential benefit from increasing the probability of moving into employment amongst those people volunteering who are unemployed.

¹³ Economic & Social Research Council (ESRC), (2009), Seminar Series, Mapping the Public Policy Landscape, The value of Volunteers

The estimated benefit ranges from £0.7m up to £1.0m. Further explanation of this estimate is outlined in detail within Annex 3.

56. In addition to employment derived through volunteering activities there is the potential creation of further employment opportunities through enterprising and transformative development of projects by community organisations. This could see the creation of a further 5 jobs per project, based on evidence from the Communitybuilders programme, detailed in Annex 3. The estimated benefits range from £0.9m-£1.1m per annum.
57. The above benefits are based on the assumptions that community groups are able to raise relevant funds and have the expertise to create a viable business plan to implement and run a successful project. Where these conditions exist, it is likely to have a positive influence in building social capital, resulting in long term behavioural change where individuals take increasing responsibilities within asset-owned communities.¹⁴ However, these benefits would depend on how aware communities are of opportunities and the potential benefits this could bring.
58. Valuing social capital and community wellbeing is difficult to quantify and therefore difficult to assess. Analysis of social capital impacts are therefore not monetised within this assessment.

Key Cost Implications

59. It is estimated that there will be 700 assets listed as assets of community value each year. This is 70% of the number that we estimate (1,048). This was based on the experience of the Scottish Right to Bid Scheme and the numbers of applications receiving Ministerial consent. It is estimated that there will be 700 assets reaching the listing stage each year a total of 2,100 during the spending review and 7,000 over ten years. It is estimated that the numbers reaching successful disposal each year would range from 94-136, a mid-range of 115. Assumptions have been based on 115 disposals per year, 345 over the spending review and 1,150 over 10 years.

To local authorities

60. **Compensation Claims for expenses:** Estimates of the number of successful claims for compensation were based on evidence from the Scotland Community Right to Bid scheme, the detailed assumptions behind the estimates are outlined in Annex 3. The table below outlines the estimated number of successful claims under the high, low and central scenarios. There is no available figure that indicates the level of private assets likely to be considered as an asset of community value. It is, therefore, assumed that the level of purchases and bids obtained would be a combination of both public and private assets,

¹⁴ A study, led by Professor Peter John (University of Manchester) and Professor Gerry Stoker (University of Southampton), aimed to explore what citizens can do to help create and maintain a good society, and how governments and other agencies can help to stimulate citizen action.

private assets being the lesser number of the two. If compensation is available, it would be down to the owner to prove that extra costs have been incurred as a direct result of the provisions of the legislation.

If it is agreed to offer compensation, the potential cost of claims under the high and low scenarios has been estimated as set out in the table below:

Take up scenario	Successful compensation claims – per annum	Claims per annum at £2000 per claim (£)
High	37	73,000
Low	15	29,000
Mid-range	26	51,000

61. **Compensation claims for loss of asset value:** it is possible that an asset being sold at a later date than it would otherwise have been, as a result of triggering the moratorium could lead to a fall or a rise in the capital value of listed assets. We have estimated that there could be between 4-22 successful compensation claims, with a mid-range of 13 claims per annum. It is estimated that the number of successful claims for loss of value would be lower than that for claims for expenses (estimated at 26 claims per annum). This is mainly due to the difficulty that proving loss of value of an asset has resulted from the operation of the Community Right to Bid (rather than any other factors in play) compared to proving that asset owners incurred expenses as a result of the Right to Bid. In Scotland there have been 2 compensation claims for expenses incurred, there has being no claims for loss of asset value, except one which currently under consideration. We estimate that on average £233k per annum over 9 years will be paid out in compensation- the detailed assumptions behind this are outlined in annex 3. The monetary value for loss of value claims is greater than expenses claims, as loss of value, if relevant, is the based on capital loss which is likely to be higher than the operational expenses of maintaining property during the moratorium.
62. **Administration costs:** There are cost implications to local authorities in the setting up of the list of assets of community value, its maintenance, publicising policy, appeals, compensation processing and general overheads cost. The following cost assumptions were made and modelled on existing evidence from the Planning Listed Building & Conservations Areas Regulations 1990¹⁵,
- **Setting up a list of assets of community value'** (or add to the Local Land Charges Registry), includes publicising the list and how and why this would operate., We estimate that this would require a one

¹⁵ <https://www.abcalculator.berr.gov.uk>

off cost of 7 days of a Full Time Equivalent (FTE) local authority officer's time.

- **Assessing what goes on and off the list.** This includes assessment of requests for an asset to go on the list, informing the asset owners of the decision and also informing owners and interested parties in the decision to remove an asset from the list- we estimate that this would require recurring costs of 1.5 days of a FTE local authority authorities officer's time per month. In addition to this we estimate that LA's will incur costs associated with internal reviews of appeals, consisting of 1.5 FTE days per year.
- **Publicity and queries.** The relevant local authorities are required to publicise the list and handle any queries regarding how it operates or concerning assets on the list. We estimate that this will require 4 days of FTE per year.
- **The moratorium and sale.** Once the owner has informed the relevant local authority of their intention to dispose of the asset, the local authorities will need to record this on the register, impose a moratorium on the sale for a set period and write to community organisations who have expressed an interest in purchasing the asset. They will also need to inform the asset owner 6 weeks later of any expressions of interest in bidding for the asset. We estimate that this will require a recurring cost of 1.5 days FTE per month.
- **Compensation claims from landowners.** Using evidence on successful compensation claims in Scotland, we estimate that there will be 26 successful compensation claims for expenses (see Annex 3 for further details of how these have been estimated). We are assuming an average payout of £2,000 per claim which means that there were recurring costs of £51,000 per year from compensation pay outs.
- **Compensation claims for loss of asset value-** using evidence from Scotland, we have estimated that there could be between 4-22 successful compensation claims, i.e. a mid-range of 13 claims per annum. We estimate that on average £233k per annum over 9 years will be paid out in compensation.
- **Administering of compensation claims-** estimate a recurring costs of 1 x FTE per month to implement the compensation scheme.
- **Five year review.** After an asset has been on the list for 5 years the local authority must remove it by default. However, prior to this they will need to write to interested community organisations to inform them of this, and allow them to make a case for keeping the asset on the list. We estimate that this will require recurring costs of 4 days FTE per year. This cost would only be incurred between years 5-10.
- **Total yearly costs** to local authorities are outlined below:
 - **Year One Set up costs:** 7 FTE days x £23.63 per hour (£165.41 per day) = £1160.81 x 327¹⁶ local authorities = £378,623

¹⁶ 327 is the number of planning authorities, minus the 10 national parks authorities.

- **Years One to Three Implementation** : 41.5 days FTE x £165.41 per day = £6,846.51 x 327 local authorities = £2,244,696 + £25,500 (claims for costs) + £115,294 (claims for loss) + £35,000 (registration fee with the Land Registry) = £2,420,196
- The hourly rate has been selected to provide a mid range for the levels of staff who would be involved in this policy which deals with land title, including authorities' solicitors, senior managers, managers handling appeals and compensation, policy officers and administrative staff. The rate also includes costs for overheads, national insurance and pensions.
- These costs will be covered by central government during the SR period. After this period local authorities will have to cover their additional costs from within their budgets.
- **Enforcement costs-** Land Registry's fee for placing a restriction on registered land will be borne by local authorities as part of the enforcement procedure - £50 per asset. This will place a restriction on an asset accepted as an asset of community value and is designated for listing.

Yearly total cost to local authorities:

Y 1 £m	Y 2 £m	Y3 £m	Y 4 £m	Y5 £m	Y 6 £m	Y7 £m	Y8 £m	Y9 £m	Y10 £m
2.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3

63. A non-compliant sale could be challenged as void by either by the local authority or by an affected community group. In either case there could be an adverse impact on the local authority in terms of investigation time and associated costs. We estimate that these would be minimal due as it is the intention to implement a rigorous and robust mechanism of enforcement that will minimise cases of contravention.

To private owners

64. There could be a cost to private owners as a result of complying with the requirements of the Act and subsequent regulations. The assumption for assessing cost is based on the Scottish experience, where compensation was offered to meet costs incurred in meeting the procedural requirements of the Act. Using evidence from Scotland on the number of successful compensation claims, we estimate that there will be 26 successful compensation claims per annum (see Annex 3 for further details). Claimants on average claimed up to £2500, though the Scottish payouts on the claims were substantially lower, only £895 paid out to date in total. This low level of payout was due to claimants claiming for costs unrelated to the procedural requirements under the Act, which were not allowed. With considerations given to the level and difference of property prices in England we have assumed an amount of up £2000 cost per owner on a completed purchase in a proven case of compensation.

65. The moratorium could impact on the value of an asset. During the moratorium the value of an asset could potentially increase or decrease due to market fluctuation. We have estimated that where asset owners are able to demonstrate a fall in the value of their assets as a result of the moratorium, they will be compensated by the local authority for the loss in capital value of their asset. There is therefore a neutral impact on businesses.
66. The compensation scheme will therefore compensate for loss or expense as a direct result of complying with any of the procedural requirements of the scheme, including the listing process, or any delay in entering into a binding agreement to sell, as a result of the interim or full moratorium period. This would include loss, such as the provable reduction in the value of an asset as a result of the delay, or expense such as additional business rates or security costs. The costs would have to be additional to costs normally incurred during a transaction of land and where the owner had taken reasonable steps to avoid or minimise the expense. Proposals are subject to debate within the House of Lords.
67. We have the provision that if no group registers an interest in bidding for the asset within 4 to 6 weeks of the property being available for sale, it is released from the moratorium and can be sold immediately. Therefore there may also be benefits to business in that additional bidders will come to the market, i.e. the community group.
68. The Act provides provisions for a right of appeal against the decision to list an asset following an internal review and has been amended to allow regulations to provide for a right of appeal against a decision on compensation. We are considering the options, in discussion with MoJ and the Tribunal service. We expect that the independent appeal is likely to be heard at the First-tier Tribunal, although interim arrangements may be required, possibly using an Independent Arbitrator appointed by the SoS, if a jurisdiction cannot be established before the provisions are commenced. The First-tier Tribunal may substitute a higher or lower decision than the level determined by the local authority. Proposals are subject to negotiation with MoJ and the Tribunal Service to seek their approval for creation of a new jurisdiction to enable the Tribunal to hear these appeals and award compensation.

To government

69. Government support for Community Right to Bid will consist of a combination of capital and resource support (£12 million capital and £13.2 million resource). Capital will be made available to community groups in the form of grants and loans to support Right to Bid purchases. In our calculations we have drawn on the experience of the Communitybuilders Fund, since it is the most significant comparable programme, so have assumed a split of 60% loans and 40% grants. In addition to this, resource support will be provided to community groups to assist them in preparing Right to Bid applications.

70. There are potential costs involved in setting up an appeals process and for establishing an enforcement regime. Appeals against a decision on listing and a compensation claim will be heard by the First Tier Tribunal, or similar tribunal. The costs in establishing the First Tier Tribunal chamber are yet to be agreed. However indicative costs, provided by the MOJ, suggest that in the first year of operation there would be setup costs of up to £39K and £32k for running costs. These costs relate to amendment to the Tribunal Services IT systems and legal payroll costs. The running costs would increase by 4.5% in year 2, and by the same percentage annually. It is expected that costs to establish the tribunal chamber will be at Departmental level and therefore not fully attributable to specific programmes of work or enforcement activity. These costs have been included in this Impact Assessment.

Summary of costs and benefits

	Total costs (£m)	Benefits (£m)	NPV (£m)
<u>1) High take up</u> Assumes that there are 136 Community Right to Bid Scheme purchases per year.	47.7	57.5	9.8
<u>2) Low take up</u> Assumes that there are 94 Community Right to Bid Scheme purchases per year.	44.4	43.1	-1.3
<u>Mid range</u>	46.0	50.3	4.2

Note: all costs and benefits in this table are expressed in present value terms.

71. On the assumption that the policy change is implemented during 2012/13, monetised costs for this policy will be incurred only for 6 or 12-months in the first year. Monetised benefits generated through preparatory work and introduction during year 1 are likely to be realised cumulatively in year two when communities are fully aware of the policy and have designated and have bought assets of community value. We anticipate that a greater number of assets, particularly publicly owned asset, will come up for disposal in the first 2 years as local authorities respond to budget reductions, however, we do not anticipate that the level of public/private assets being designated on a yearly basis thereafter and successfully taken over would increase significantly from year to year.

Unquantified costs and benefits

72. The assessment provided above is only partial and only includes some of the outcomes of the policy. Given the current uncertainties surrounding this programme, assumptions had to be made regarding impact, coverage and implementation. In addition, this analysis did not take into account a number of wider costs and benefits that could potentially be generated by this programme. Possible unquantified costs and benefits include:
- Amenity value, benefits of improved built environment, health benefits
 - Impact of on skills development and possible increased revenue to the Exchequer from tax revenues
 - Growth in social capital and associated community action, leading to more self-sufficient neighbourhoods
 - The embedding of a more enterprise focused culture and approach to future development of assets and services within asset-owning communities
 - Increase in financial self-sufficiency of asset-owning community organisations, so reducing dependency on state funding.
 - Potential cost to conveyancing lawyers, e.g. to initiate a new procedure for checking local authorities' listings of assets of community value.
 - Impact on local authority where a sale is declared void due to non-compliance by asset owners, with potential involvement in court proceedings.

Specific Impact Tests

Equalities Impact Test

73. There are no foreseeable adverse impacts on any single equality group. The policy change will provide greater opportunities for those affected by closure and disposal of private and public assets to obtain and run them. Mechanisms of support will be considered for those who require it, targeting those who lack the skills, expertise and knowledge to make a competitive bid for an asset.

Competition Assessment

74. We do not consider that there would be significant impact on competition. Any impact will be proportionate to the level of take up and is dependent upon whether the interim expression of interest window (6 weeks) or the full moratorium period (6 months) is triggered. The purpose of which is to give community groups time to prepare bids and raise necessary funds, so as to promote fairer competition between all interested parties.

Small Firms and micro-business Impact Test

75. The policy could affect small firms and micro-businesses who own designated assets of community value, where the moratorium (depending on length) could restrict private owners from entering into a quick sale and could possibly reduce their options of obtaining the optimum market price, if the market happens to fall during the

moratorium period (of course, it could just as well rise). A compensation scheme will be implemented to reimburse such firms if there are costs incurred as a direct result of meeting the provisions of the Act. The impact of a change in market conditions will be limited by the existence of the interim period of 6 weeks, during which any community body wishing to bid must register its intention. If there is no registration of intention, the moratorium will be terminated, limiting the number of businesses that are subjected to the full moratorium. These mitigations actions outlined in paragraph 59 have been consulted on and discussed with representatives in the business sector.

Micro- Business Impact

76. The impact and cost to micro-business could potentially arise from three stages of the Community Right to Bid process:
- **Listing stage (upon nomination for listing an asset)** - the owner will have the right to appeal against their asset being nominated for listing through an internal review and may be able to reclaim for loss of value under the compensation scheme if they believe and can prove that the fact of their property being listed has itself reduced its value. They will also be able to appeal against the internal review decision to a Tribunal. We foresee that costs to the owner would be minimal unless they employ a legal representative to act on their behalf. No decision has yet been made on whether, if they were to win an appeal, an order for the local authority to pay their costs could be made – this is subject to discussion with the Tribunal Service.
 - **When an owner decides to sell a listed asset** - they are required to notify the local authority. This cost is likely to be minimal, since it will simply require an email or a letter to the local authority.
 - **Moratorium** - during the interim or full moratorium (as applicable) the asset owner may incur expenses and see a loss of value of their asset. Costs may arise from loss of value in the asset as a result of changes in market conditions or from expenses continued after an alternative sale may have taken place such as, security costs, empty property rates, and mortgage interest payments incurred during the moratorium.
77. BIS's Small and Medium Enterprise statistics 2009 shows that **96%** of all businesses in the UK are micro-businesses. The figures also indicate that 79% of non profit organisations are micro-businesses.
78. Using data from Scotland's Right to Buy scheme, we have estimated that 700 assets per annum in England are likely to be on the list of assets of community value. We have estimated that 60% of these are likely to be publicly owned. We estimate that 30% would be owned by private sector businesses and 10% owned by Voluntary and

Community Sector organisations. Details of these assumptions are found in annex 3.

79. Consideration has been given to whether to exclude micro-business from the Community Right to Bid provisions. However this would exclude from the provisions many types of assets that the policy aims to help communities save, such as the last local pub and the last village shop.
80. Considerations were given to the result of the consultation. 256 responses were received from businesses, Voluntary and Community Sector, and local government. A further 5 open consultation events around England, and a number of informal discussions with stakeholders from across the private, public and voluntary and community sectors were also conducted. Businesses have expressed interest in many aspects of the scheme which have helped shape development of the policy - exempt disposals and moratorium lengths being the most significant. The analysis of these responses is informing further development of the policy and will provide the basis for regulations, after taking into account the views expressed during the Act's passage through Parliament.
81. We have sought to mitigate the impact on businesses, including micro businesses:
- a) We intend that there will be compensation for owners to cover loss and expenses incurred as a result of complying with any of the procedural requirements of the scheme.
 - b) To ensure that micro-businesses understand and are supported on how to comply with provisions, a central support programme will be implemented to support those wanting to take over a community asset and will include guidance for small firms and micro-businesses.
 - c) We have taken steps to minimise the number of micro-businesses that are listed in the first place by requiring a site to further 'social' wellbeing and interests (rather than, for instance, economic wellbeing) in order for it to be listed as an asset of community value. It is also the intention to exempt all transfers between associated companies or companies in the same trading group and, likewise, transfers between trustees

As the compensation scheme will reimburse asset owners who are able to provide evidence of losses and costs incurred as a direct result of the policy, we estimate that the impact on micro businesses will be neutral. A waiver from the micro business exemption in respect of the Community Right to Bid provisions has been granted by the Economic Affairs and Reducing Regulations Committees. The Community Right to Bid provisions will therefore apply to all businesses including micro-businesses.

Environmental Impact

Greenhouse Gas Assessment

82. Environmental impacts will largely depend on the type of assets acquired and the subsequent development of them, which will be subject to local and national planning regulations.

Wider environmental issues

83. There are no foreseeable impacts on the wider environment, however, as above, these will be considered locally through existing planning regulations.

Social Impacts

Health and wellbeing

84. The policy will potentially promote greater social cohesion and build social capital strength as opportunities are being made available for communities to identify assets they consider are important and to develop them to best fit their needs

Human Rights

85. It is recognised that imposing a moratorium on sale of a listed site will be an interference with the owner's property rights under Article 1 of Protocol 1 to the European Convention on Human Rights. It is considered that the interference is justified in the general interests of the community. A power to make provision for compensation will contribute to making the temporary restriction on sale a proportionate way of achieving the benefit for the community. Regulations will include a right for a landowner to request an internal review by the local authority of its decision to list their land. In response to the results of the public consultation and to ensure Article 6 compliance, landowners will be able to claim compensation for loss of value and expenses incurred as a consequence of adhering to provisions. They will also be able to appeal against a decision on a compensation claim, details of which will be contained in regulations.

Justice System

86. It is recognised that a community right to bid scheme could give rise to new cases being brought to the Courts, by way of appeal against listing or compensation settlement. It is not considered likely that there would be many such cases, given that the moratorium period will be relatively short. There is a possibility that an owner may seek to bring a case to courts on grounds that the policy interferes with property rights. A full justice impact test has been carried out and the department is working closely with the MOJ to identify impacts and cost implications.

Rural proofing

87. Policy options and the subsequent preferred option have been developed based on the experience of the comparable Scottish Right to Buy system, which applies to rural areas. Analysis and evidence suggests that rural areas could benefit more favourably from the implementation of this policy as they are more likely to be subjected to reduced public services and closure of assets of community value, such as the last village shop or school. It will be the responsibility of the local authority to draw communities' awareness to the policy through local rural communication networks. Part of the consideration of the cost of introducing the Act has included the need to publicise the possibility of listing an asset and the benefits that would bring.

Sustainable Development

88. There are no foreseen impacts on sustainable development apart from enabling local communities to increase their own independence.

Monitoring and evaluation

89. Mechanisms will be put in place to monitor the impacts and take up of this policy, utilising existing baseline data derived from the Asset Transfer programme and the Communitybuilders programme. We will monitor progress and evaluate this policy change on an ongoing basis through feedback gathered locally or through the commissioning of an independent body with responsible for delivering support to communities.

One in One Out

90. The policy has been assessed as an IN. Given that a compensation scheme will be established to reimburse businesses for loss of value and expenses incurred in complying with the scheme, however, it has been assessed as having an Equivalent Net Cost to Business (EANCB) of £0m.

Option 3: Create a statutory right of first refusal for an asset of community value'

91. This option is a variation of option two, and involves including a statutory provision in the Localism Act which would require local authorities to establish and maintain a list of assets of community value, and would provide unlike, option two, a **right of first refusal for registered community bodies, for those assets for a set period (e.g. six months), once they come up for sale.** This option would follow a similar process as the Scottish system.

Designation of assets, valuation and length of delay

92. The process of designation would be the same as the preferred option and would be maintained by the local authority. The sale price would be defined as that set in an independent market valuation, or less by agreement. The period of protection would be defined in the Act.
93. The moratorium would be triggered in the same way as in option two, once an owner of a listed site makes it available for sale. However, the community interest group with the agreed registered interest in the asset would then have a right of first refusal to buy the asset, within the specified time period.

Key Cost Implications

To local authority:

94. A right of first refusal would give a right to buy to community groups. Local authorities would have a greater role to play in assessing and advising on the strength and viability of bids. Detailed workings for this option are contained within Annex 3.
95. Administrative costs could increase by up to £15.8m per annum from those outlined in option two to include the setting up of a valuation process, cost of carrying out valuation for an individual asset, and the on going management and assistance to groups throughout the process.(to include potential compensation to private owners), as below;
- **Setting up of the independent valuation** process and procuring the contractor - 20 days Full Time Equivalent (FTE) at £165 per day for 327 local authorities = £1.1 million in year 1 only.
 - **Cost of each valuation** - £2,000 per transfer and with an average of 130 transfers per year: = £260,000 per annum.
 - **Cost of managing, supporting and advising on each transfer:** staff costs, in addition to costs of staff to run the list already identified in new burdens = 2.5 staff at a cost of £44,235 per annum (including on costs) for an average of 130 transfers in England = £14.4 million.
- This includes the costs of lawyers for each transaction.

96. **Additional administration costs:** There are cost implications to local authorities, outlined in option 2, in setting up the list of assets of community value, its maintenance, publicising policy and appeals, compensation processing (if agreed to offer) and general overheads cost. The following cost assumptions were made and modelled on existing evidence from the Planning Listed Building & Conservations Areas Regulations 1990¹⁷:
- **Setting up a list** of ‘assets of community value’ including publicising the list and how and why this would operate. It is estimated that this would require a one off cost of 7 days of a FTE local authority officer’s times.
 - **Assessing what goes on and off the list** which includes assessment of requests for an asset to go on the list, informing the asset owners of the decision and also informing owners and interested parties of the decision to remove an asset from the list. We estimate that this would require recurring costs of 1.5 days of a FTE local authority officer’s time per month. In addition to this we estimate that Local authorities will incur costs associated with internal reviews of appeals, consisting of 1.5 FTE days per year.
 - **Publicity and queries.** The relevant local authorities are required to publicise the list and handle any queries regarding how it operates or concerning assets on the list- we estimate that this will require 4 days of FTE per year.
 - **The moratorium and sale.** Once the owner has informed the relevant local authority of their intention to dispose of the asset, the local authority will need to record this on the register; impose a moratorium on the sale for a set period and write to community organisations who have expressed an interest in purchasing the asset, or in the case of assets identified through the neighbourhood planning process, or nominated by a Parish or listed by the local authority, take such steps as they consider appropriate to publicise the sale to local people. They will also need to inform the asset owner 4-6 weeks later of whether there have been any expressions of interest in bidding for the asset, which we estimate will require a recurring cost of 1.5 days FTE per month.
 - **Compensation claims from landowners** Based on evidence from Scotland we estimate that there will be 29 successful claims for compensation per annum (this is worked out using the same methodology as for option 3 set out in annex 3) We are assuming an average payout of £2000 per claim which means that there are recurring costs of £58,000 per year from compensation pay outs.
 - **Compensation claims for loss of asset value.** Using evidence from Scotland, we have estimated that there could be between 4-22 successful compensation claims and are working on an average of 13 successful claims a year. We estimate that on average £233k per annum over 9 years will be paid out in compensation.
 - These costs include overheads, pensions and one off implementation costs.

¹⁷ <https://www.abcalculator.berr.gov.uk> – Local Authority burden calculator developed by BIS

- These costs will be covered by central government during the SR period – after this period LAs will have to cover their additional costs from within their budgets.

97. **Key benefits**

This policy change would give a right to bid to an approved community body which registered an interest in purchasing a listed asset of community value, so that, if it managed to develop a viable business plan and raise the necessary funding within the statutory waiting period, it would have a preferential right to Bid the asset at an independently agreed market valuation. This could see a greater increase in the number of purchases by community groups under this option than in option 2 where only a moratorium would exist without giving a right to Bid. An increase in take up could generate more volunteers, and more cohesion and social capital as more assets are retained for community use.

98. **Compensation costs.**

These have been considered and assessed as in option 2, with the same cost implications based on the Scottish experience, as tabled below.

Take up scenario	Successful compensation claims – per annum	Claims per annum at £2000 per claim (£)
High	43	84,000
Low	16	32,000
Midrange	29	58,000

99. **Compensation claims for loss of asset value-** using evidence from Scotland, we have estimated between 4-22 successful compensation claims. We estimate that on average £233k per annum over 9 years will be paid out in compensation.

100. **Wider impacts.**

These have been considered and assessed in the same way as in option 2 with the same outcomes.

101. This option was not considered further, due to the probable increased adverse impact this could have on private owners and much higher new burdens on local authorities.

102. Further details and summary of costs and benefits would follow those in the table illustrated in paragraph 36 of option 2, with further details of cost and benefit analysis being outlined in Annex 3.

103. **Summary of cost and benefits for this option**

	Total costs (£m)	Benefits (£m)	NPV (£m)
1) High take up Assumes that there are 157 Community Right to Bid Scheme purchases per year.	163.9	64.7	-99.2
2) Low take up Assumes that there are 102 Community Right to Bid Scheme purchases per year.	159.7	45.7	-114.0
Mid range	161.8	55.2	-106.6

Note: all costs and benefits in this table are expressed in present value terms.

Specific Impact Test

Equalities Impact Test

104. There are no foreseeable adverse impacts on any single equality group. The policy change will provide greater opportunities for those affected by closure and disposal of private and public assets to obtain and run them. Mechanisms of support will be considered for those who require it, targeting those who lack the skills, expertise and knowledge to make a competitive bid for an asset.

Competition Assessment

105. We do not consider that there would be significant impact on competition. Any impact will be proportionate to the level of take up and is dependent upon whether the interim expression of interest window (6 weeks) or the full moratorium period (6 months) is triggered. The purpose of which is to give community groups time to prepare bids and raise necessary funds, so as to promote fairer competition between all interested parties.

Small Firms Impact Test

106. The policy could affect small firms who own designated assets of community value, where the moratorium (depending on length) could lead to disputes about the independent valuation that the firm has accepted. Compensation may be considered for such firms if there are costs incurred as a direct result of meeting the provisions of the Act. However this will be mitigated by providing for an interim period of 6 weeks, during which any community body wishing to bid must register its intention. If there is no registration of intention, the moratorium will be terminated. These mitigations have been considered and discussed with representatives in the business sector.

Environmental Impact

Greenhouse Gas Assessment

107. Environmental impacts will largely depend on the type of assets acquired and the subsequent development of them, which will be subjected to local and national planning regulations.

Wider environmental issues

108. There are no foreseeable impacts on the wider environment, however, as above, these will be considered locally through existing planning regulations.

Social Impacts

Health and wellbeing

109. The policy will potentially promote greater social cohesion and build strength as opportunities are being made available for communities to identify assets they consider are important and to develop them to best fit their needs.

Human Rights

110. It is recognised that imposing a moratorium and allowing a right of first refusal on sale of a listed site would be an interference with the owner's property rights under Article 1 of Protocol 1 to the European Convention on Human Rights. It is considered that the interference would be justified in the general interests of the community. The question of whether compensation would be required to make the temporary restriction and sale at an independent valuation a proportionate way of achieving the benefit for the community has also been considered. Regulations will include a right for a landowner to request an internal review by the local authority of its decision to list their land. In response to the results of the public consultation and to ensure Article 6 compliance, landowners will be able to claim compensation for loss of value and expenses incurred as a consequence of adhering to provisions. They will also be able to appeal against a decision on a compensation claim, details of which will be contained in regulations

Justice System

111. It is recognised that a community right of first refusal could give rise to new cases being brought to the Courts, either on grounds of interference with property rights, or by way of appeal against listing. It is not considered likely that there would be many such cases, given that the moratorium period will be relatively short.

Rural proofing

112. The policy option for a right of first refusal has been developed based on consideration of the experience of the comparable Scottish Right to Buy system, which applies only to rural areas. Analysis and evidence

suggests that rural areas could benefit more favourably from the implementation of this policy as they are more likely to be subjected to reduced public services and closure of assets of community value, such as the last village shop or school. It will be the responsibility of the local authority to draw communities' awareness to the policy through local rural communication networks. Part of the consideration of the cost of introducing the Act has included the need to publicise the possibility of listing an asset and the benefits that this could bring.

Sustainable development

113. There are no foreseen impacts on sustainable development apart from enabling local communities to increase their own independence.

Monitoring and evaluation

114. Routine monitoring and collation of information on implementation and outputs would primarily lie at the local level, but it would be anticipated that we may need to supplement this work with some additional research and analysis. Annex 1 outlines the plan for reviewing this policy change post implementation.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further Annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];

We are proposing that this policy is reviewed to monitor if and how it is being implemented at the local level and that the policy is reviewed in a proportionate way to map the associated outcomes arising for representatives of those who fall within the policy's remit for accountability purposes. We are proposing that the review is undertaken between 3-6 years after the provisions are commenced. Measures would be taken to monitor and review the outputs and impacts in a proportionate way.

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

It is intended that a review would focus on how this policy has been interpreted and implemented at the local level. A focused and proportionate study to monitor how the policy is being implemented at the local level and the kinds of outputs associated (for example the effectiveness of the advertising of the list of assets which are available for community groups to bid for; take up and purchase of such assets by communities and the kinds of community services/facilities enabled as a result of this new power; the adequacy of support and the impact of providing long term social, economic and environmental benefits in communities), including any barriers to its effective implementation. It is proposed that the wider outcomes of this policy (on all of the partner organisations who fall within the policy's terms of reference including property owners; local authorities; community organisations / voluntary groups and members of the community/ local residents, to be considered as part of either a separate evaluation of major policy and as part of a thematic review of this and other policies under the Act linked to local government and local democracy issues. The review should also consider the cost-effectiveness of this policy compared with the status quo/current position and provide the evidence to correct/review the assumptions on costs and benefits set out in this Impact Assessment.

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

We are suggesting a proportionate review that provides DCLG with the evidence to monitor the implementation of the policy using where possible existing data sources including from existing programmes such as the Communitybuilders and Asset Transfer programmes. We would intend to draw upon the records and reports from Local Authorities on the administration of the policy and to consider the wider outcomes (such as behavioural, socio-economic and structural outcomes) for individuals (property owners; community members); Local Authorities and voluntary and charitable organisational sectors. The review of outcomes will be considered using a combination of qualitative and quantitative data, providing where possible feedback on process and implementation as the policy is implemented.

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

We will intend to develop the methodology for this review and potentially, for a full impact evaluation, over the months ahead. Baseline data would be drawn from existing programmes such as the Communitybuilders and Asset Transfer programmes and the existing evidence base. These data may be, if appropriate, supplemented by key expert partners representing the main affected impact groups as set out above.

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

Success will be judged on the level of take up and communities' success in saving assets of community value and the extent of increase in social, economic and environmental benefits within those communities. Modification could be made to the level of support and expertise provided to communities where difficulties arise in trying to save or take over an asset.

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]

Routine monitoring and collation of information on implementation and outputs would primarily lie at the local level, but it would be anticipated that we may need to supplement this work with some additional research and analysis.

Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

Annex 2: Summary from discussions with expert groups

Informal discussions were held with key partners.

1. Questions were asked as to why local authorities have to create a separate list given the existence of the Land Registry – Land Registry does not define assets as being of community value and only records the owner and not the use of the land.
2. It was suggested that local authorities should be the natural guardians of the list along with their other planning responsibilities.
3. The issue was raised of whether a right of appeal should be allowed, to put an asset on the list or remove it. Business representative partners thought this would cause further delays in the disposal of the asset and would not be workable.
4. Advice was given to ensure that rights across the Act are developed together ensuring they can be complementary in their implementation.
5. Partners requested the inclusion of a definition of 'community' within statutory provisions so it is clear who is entitled to nominate. How or indeed whether the geographical area of a "community" for these purposes is defined at national government level would depend on the outcome of discussions about neighbourhood planning. It was pointed out that many communities are not formed around local government geographical areas, eg, Eden Valley.
6. There was also considered to be value in renewing lists (say every five years), as the use of assets may change and their value to the community. Over and above that, any listing system should be able to accommodate "surprises", where there is a sudden and large community interest in transforming the use of an asset.

On the process of designating assets

7. It was suggested that local authorities should decide strategically which assets would go on the list, ideally working with the community using neighbourhood planning and that communities could lobby for an asset to go on the list, which could include the use of petition.
8. Care should be taken not to define "asset" too prescriptively in the statutory provision as this would limit local determination.
9. Considerations to be given to the process of providing appeals mechanisms once an asset is placed on the register, considering the length of delay in sale and the possibilities of abuse.
10. Be aware of potential conflict between community groups on the use of an asset. Communities may be content to see an asset sold and redeveloped.

11. It was advised that the community should be given a right of first refusal before opening up to the free market. This has been considered as option three with an outline of costs and benefits.

On the length of the moratorium

12. Six months was suggested as community groups would need sufficient time to prepare a robust business case. This could give opportunities to a wider number of community groups.

13. A six month window could cause assets to drop in value and incur costs in maintaining an asset, which can potentially lie vacant. Partners suggested that the window could include a break clause within the six months i.e. if no community body expressed an interest the asset can then go back on the open market.

14. Partners explained that sales of community shops could take between three – six months where there is purchasing support. Without support it could be 18 months or longer. For pubs, the average selling time is six – twelve months.

15. Concerns were raised about the possible loss to private owners caused by the delay in the sale of their assets. In terms of what costs might be incurred through a moratorium, there could be changes in the property market and business lost through leaving properties vacant. Though, in terms of pubs, they could continue business after the asset is put on sale, but at a loss.

16. Delay could also impact on wider development plans, and instead it was suggested that local authorities could separate out or exempt such assets to prevent this.

Spreading Awareness

17. Promoting the policy is essential to ensure that communities utilise the new scheme. local authorities would need to make the list widely available and to consider a range of communications methods to draw awareness to benefits this process will give to strengthen the independence of communities.

On the List

Members
Courts
Department for Work and Pensions (DWP)
Department of Health (DH)
Home Office (HO)
Ministry of Justice(MoJ)
Department of Business Industry and Skills (BIS)

HM Treasury (HMT)
DEFRA
Metropolitan Police (Met Police)
Office of Government Commerce(OGC)
Local Government Association(LGA)
Local Government Group
Worcestershire County Council
Peterborough County Council
Basingstoke and Deane Borough Council
Local Government Information Unit (LGIU)
Locality (formerly Development Trust Association -DTA)
National Association for Local Councils (NALC)
Architectural Heritage Fund
Community Matters
LB Lambeth
Chartered Institution for Public Finance Accounting(CIPFA)
Hastoe Housing Association
Action for Market Towns
Association of Chief Executives of Voluntary Organisations
Supporters Direct
Federation of City Farms and Community Gardens
Civic Voice
Theatres Trust
Action with Communities in Rural England (ACRE)
Social Enterprise UK
Architectural Heritage Fund
Association of Chief Estate Surveyors
British Retail Consortium
British Property Federation
Co-operatives UK
Plunkett Foundation
Pub is the hub
Royal Institution for Chartered Surveyors(RICS)
Country Land & Business Association
Local Government Information Unit
Savills representing a number of Land Agents
British Council of Shopping Centres
Association of Convenience Stores
Rural Shops Alliance (RSA)
British Pubs Association
Federation of Small Business (FSB)
Land Registry

Annex 3 –Detailed workings of cost and benefits

1. The exact shape of this policy is still being considered and therefore uncertainty remains around implementation, coverage and likely impacts of the new rights. We therefore make a number assumptions about:
 - **Take up rates of purchases under the Community Right to Bid Scheme**
 - **Level of investment**
 - **Employment generated**
 - **Volunteering activity generated**
 - **Costs to local authority**
 - **Costs to private owners**

Net Present Value Estimates

2. The mid-range Net Present Value (NPV) of the Community Right to Bid is **£4.2 million** over a 10 year period. Given the uncertainties associated with this policy, we have considered a range of assumptions which delivered an associated range of NPV. These range from an **NPV of £9.8 million** under a scenario where take up was high; to an **NPV of minus £1.3 million** under a scenario where take up was low.

Assumptions underpinning modelling of Community Right to Bid

3. We estimated the NPV under 2 scenarios:
4. **High take up.** We assumed that purchases resulting from the Community Right to Bid Scheme will be high, with 136 Community Right to Bid Scheme purchases per year based on evidence from Scotland's Community Right to Buy scheme (see below for explanation about how this demand was estimated). These purchases would be financed by a combination of government funds (£12 million in the first 3 years in the form of grants and loans),from other sources; that the investment created 5 jobs per project, 40% of which is additional; and 5% of capital was invested in volunteering.

The NPV in this scenario was £9.8 million over 10 years.

5. **Low take up.** We assumed a lower take up of Right to Bid, with 94 Community Right to Bid Scheme purchases per year based on evidence from Scotland (see below of explanation of how these figures were derived). These purchases would be financed by a combination of government funds (£12 million in the first 3 years in the form of grants and loans) from other sources; the investment created 5 jobs per project, 40% of which were additional; and 5% of capital was invested in volunteering

The NPV in this scenario was minus £1.3 million over 10 years.

6. Take up rates of purchases under the Community Right to Bid Scheme

The first step to estimating the likely benefits of the new scheme was to estimate possible demand, and the likely source of funds to meet this demand. Under the scheme, community groups and other community organisations are able to raise funds from government grants/loans (the money which is bid for), loans from other institutions such as charity banks and from any investment leveraged in from outside whether that be private investment or social investment.

The analysis looked at possible demand for funding under 2 scenarios:

- **A scenario of high demand-** estimates that there are 136 Community Right to Bid scheme purchases per year and demand for funds is £40.9m.
- **A scenario where demand was lower-** estimates that there are 94 Community Right to Bid scheme purchases per year and demand for funds is £28.3m.

The estimates are based on evidence from Scotland's Community Right to Bid Scheme, which has been in place since 2004. The estimates are outlined in detail below. The benefits of the scheme were then estimated based on likely take up under the 2 scenarios.

We have initially estimated the take up under our 2 options:

- Option 2- Providing a moratorium on sale of assets of community value
- Option 3- Community Right of First Refusal on any assets of community value

Evidence from Scotland's Community Right to Buy scheme shows that in the 6 years in which the scheme has been in place, there have been 115 applications for Right to Buy, of which 12 have been successful (a success rate of approximately 10%).

However, it should be noted that in Scotland Community Right to Buy is only available in rural areas, in communities with a population of under 10,000 people. These figures were then extrapolated up to estimate the demand in the whole of Scotland, using estimates from the Scottish Government¹⁸ on the share of the population living in rural areas. This was then extrapolated up to estimate the demand in England, based on ratio of England's population to Scotland's population (using ONS's Mid

¹⁸ 'Urban-Rural Classification 2007-2008'- Scottish Government; the report estimates that approximately 18% of Scotland's population lives in rural areas.

Year Population estimates 2008). This provided the estimate of 1,048 right to Bid applications per year in England, of which 102 are likely to be successful (see table below for breakdown). This is our best estimate for the number of right to Bids under option 3, the right of first refusal. The Community Right to Bid scheme under option 2 is different from the scheme in Scotland, with a moratorium for 6 months over assets deemed to be of community value but no right of first refusal. We have therefore revised the success rate down slightly under the low take up scenario to 9%, **which means that we estimate that there will be 94 Community Right to Bid scheme purchases per year under the low scenario of option 2.**

7. It is important to note that the estimation for number of take up of 1,048 relates to the number of application and not the number of listings. Using the experience of the Scottish Right to Buy Scheme and the numbers of application receiving Ministerial consent, it is estimated that of the number of application (1048) submitted, 700 of these would be successfully listed by the local authority, after the definition of assets of community value and the relevant exemptions have been taken into consideration.

	Over 6 years	Per Annum
No. of RTB applications in Scotland in rural areas	115	19
Of which: lead to purchase	12 (10%)	2
% of Scottish population located in rural areas	18%	18%
Estimated no. of RTB applications in Scotland (urban and rural areas)	632	105
Of which: estimated no. which lead to purchase	58	10
Ratio of England population : Scotland's population	10:1	10:1
Estimated number of CRTB bids in England	6,289	1,048
Of which: estimated no. which lead to purchase under Right of First refusal (low scenario)	612	102
Estimated number which lead to purchase under option 2- moratorium on sale of assets (low scenario)	566	94

8. This is likely to be only some of the assets bought under the Community Right to Bid scheme, because in Scotland community groups are able to purchase assets outside the Act (on the open market), without seeking Scottish ministerial approval. It is therefore likely that there were purchases which went through which were stimulated by the legislation but were purchased outside the Act.
9. We have looked at a high take up scenario where 13% of applications were successful (as opposed to 9% under the low take up scenario). This assumes that nearly a third of the applications in Scotland which were withdrawn at some point in the process prior to purchasing the land were eventually successful. **Therefore, in the high take up scenario there are approximately 136 Community Right to Bid scheme purchases under option 2.**
10. Under right of first refusal, we estimate that the take up rate will be marginally higher. We have therefore assumed that 15% of applications will be successful, and so **there will be 157 Community Right to Bid scheme purchases under the right of first refusal option.**
11. Therefore, in summary, we estimate that the following take up rates for our 2 options under consideration.
 - **Option 2- Moratorium on the sale of assets of community value.** High take up scenario where there are 136 Community Right to Bid scheme purchases, Low take up scenario where there are 94 Community Right to Bid scheme purchases.
 - **Option 3- Right of first refusal.** High take up scenario where there are 157 Community Right to Bid purchases. Low take up scenario where there are 102 Community Right to Bid purchases.
12. The remainder of this Annex looks at the assumptions underlying the estimates of the benefits, using the take up rates of option 2. The estimates under option 3, right of first refusal, are based on the same methodology, only using slightly different take up rates.

Value of Community Right to Bid scheme purchases

13. We estimated the value per purchase as £0.3m. This is based on evidence on grants awarded in support of Community Right to Bid in Scotland under the Big Lottery Fund, which was a key source of funding for community groups in Scotland since funding was not made available by the Scottish government to support the right to Buy.

14. Evidence from the Scottish Land Fund Programme ¹⁹, a Big Lottery Fund scheme which provided funding to community groups in Scotland to enable them to purchase assets under the Community Right to Buy Scheme, suggested that 150 grant awards were made averaging £100,000 per award. The Growing Community Assets programme, which succeeded this programme, showed that £23 million had been awarded across 74 projects, an average of £310,000 per project. ²⁰ We have therefore assumed an average value of £300,000 per project. It is likely that the majority of purchases will be leaseholds rather than freeholds and that much of the expenditure will be on refurbishment of existing buildings.

	Low Take up	High Take up
Estimated number of CRTB applications	1,048	1,048
Of which: estimated no. which lead to purchase	94	136
Estimated value per purchase (£m)	0.3	0.3
Estimated demand for funds per year (£m)	28.3	40.9

15. The estimated demand for funds per year was used as a way of estimating the likely benefits from Community Right to Bid. These funds will come from government in the form of grants and loans (£12 million over 3 years), and from other organisations.

Benefits

16. We used the demand for funds under the 2 scenarios to estimate the likely benefits from introducing the Community Right to Bid scheme in England.

Employment

17. This relies on the assumption that there are 18 projects (based on evidence from the Community Builder's Programme) which lead to 5 full time jobs at the mean national wage. It is further assumed that only 40% of these jobs will be additional (based on evidence from regeneration projects which suggests that employment additionality ranges from 40% upwards). We are assuming that the sort of investment generated by

¹⁹ http://www.biglotteryfund.org.uk/gca_yr1_030609.pdf

²⁰ 'Growing Community Assets Evaluation- Year 1 Summary Report'- Big Lottery Fund (2010)
http://www.biglotteryfund.org.uk/er_eval_grow_comm_assets_yr1_summ_rep.pdf

these activities would have low employment density, e.g. post offices. We assume that these benefits continue for 10 years.

18. We assume that these employment benefits above come about from the baseline assumption of £28.3 million of funds. From this we estimated the number of additional jobs created per £1 of investment, of 0.000001.

(a) Total Investment (£m)	28.3
(b) Number of projects	18
(c) Jobs per project	5
(d) Which: additional	40%
(e) Additional jobs created (b*c*d)	36
(f) Additional jobs per £1 investment	0.000001

This was then multiplied by the total amount of funding available under the 2 scenarios, and the median wage to estimate the employment benefit.

	Investment per annum (£m)	Additional jobs generated per annum	Median Wage (£)	Employment benefit per annum (£m)
1) High take up	40.9	52	25,600	1.3
2) Low take up	28.3	36	25,600	0.9

Value of increased volunteering and social capital

19. We assume that 5% of capital would be used for these purposes. The value of volunteering was derived from analysis carried out by Cambridge Economic Associates²¹ for the department on the benefits of regeneration activity (this report is currently in draft form).

²¹ 'Development work to value the impact of regeneration- Draft Final Report Volume 1'- Cambridge Economic Associates June 2010

20. This report uses an Institute for Volunteering Research study which provides estimates of gross costs per unit across 8 different volunteering programmes providing details on the cost of volunteering associated with 85,500 volunteers. This generated a weighted average gross cost per gross volunteer of £163. Adjusting for 2009/10 prices using the GDP deflator gives a gross cost per gross output of £205. A separate evaluation of the South Yorkshire Infrastructure Partnership by CRESR at Sheffield Hallam University provided some useful evidence on additionality, which suggested that deadweight was of the order of 25% and displacement in the region of 5%. Taking these into account suggested that a reasonable estimate of the cost per net additional volunteer might be in the region of £300. Applying this to the estimated annual expenditure on this activity under the 2 scenarios generates an estimate of net additional volunteers.

21. We then used the minimum wage of £5.80 per hour to value the volunteering activity undertaken. We used findings from the Citizenship Survey which suggests that those who engage in formal volunteering did so for 12.6 hours in the previous 4 weeks. Therefore the value per net additional volunteer was £950 per annum.

22. This figure and the estimated number of volunteers (given the costs of the activity and the funding available) are then used to estimate the total benefits of volunteering. The benefits from volunteering activity are assumed to halve after the first 4 years.

	Low take up	High Take up
(a) Available investment per annum (£m)	28.3	40.9
(b) Of which: spent on volunteering	5%	5%
(c) Expenditure (£m) (a*b)	1.4	2.0
(d) Public sector cost per net additional volunteer (£)	300	300
(e) Net additional volunteer (c/d)	4,720	6,810
(f) Value per net additional volunteer (£)	950	950
(g) Value of net additional benefit p.a. (e*f) (£m)	4.5	6.5

Value of increased volunteering and increasing the probability of employment of unemployed people

23. In addition to the benefit of volunteering activity itself, there is also a potential benefit from increasing the probability of moving into employment amongst those people volunteering who are unemployed. Information from the Citizenship Survey 2009/10²² suggests that 25% of adults in England formally volunteered at least once a month for the last 12 months. Evidence from the Helping Out Survey²³ suggests that 35% of unemployed people formally volunteered at least once a month for the last 12 months. Applying these proportions to the number of adults in England and the number of unemployed people in England, provides an estimate of the proportion of volunteers who are unemployed and looking for work of 6.4% (see table below).

(a) Number of adults in England (millions)	42.4
(b) Proportion of adults formally volunteering at least once a month in last 12 months (%)	25%
(c) Number of adults formally volunteering at least once a month in last 12 months (a * b) (millions)	10.6
(d) Number of unemployed people in England (million)	1.9
(e) Proportion of unemployed people formally volunteering at least once a month in the last 12 months (%)	35%
(f) Number of unemployed people formally volunteering at least once a month in the last 12 months (d * e) (millions)	0.68
(g) Proportion of volunteers who are unemployed (c / f)	6.4%

24. Oxford Economics²⁴ estimated that 41% of jobless people who participated in volunteering activity subsequently moved into employment, therefore we have assumed the same proportion of people volunteering move into employment. Based on evidence on the employment additional of New Deal for Communities and regeneration activity, we assume that 50% of these jobs are additional. We also assume that these individuals moved into full time employment lasting at least a year, at minimum wage of approximately £11,000 per annum to estimate the benefit from volunteering of increasing the probability of employment amongst participants.

²² 'Citizenship Survey 2009/10' - CLG <http://www.communities.gov.uk/documents/statistics/pdf/164191.pdf>

²³ 'Helping Out: A national survey of volunteering and charitable giving' – Office of the Third Sector (2006/07) http://www.volunteering.org.uk/NR/rdonlyres/BFC9C41E-7636-48FB-843C-A89D2E93F277/0/OTS_Helping_Out.pdf

²⁴ 'Explanation of the SROI calculation for Crisis Skylight Education, training and employment centres for Homeless people' - Oxford Economics (October 2009) http://www.crisis.org.uk/data/files/donate/oxford_economics_crisis_skylight_sroi_report_october_2009.pdf

The table below outlines the benefits under the 2 scenarios.

	Low take up	High Take up
(a) Net additional volunteer	4,720	6,810
(b) Proportion of volunteers who are unemployed	6.4%	6.4%
(c) Probability of moving into employment as a result of volunteering	41%	41%
(d) Additional employment	50%	50%
(d) Net additional number of people moving into employment (a*b*c*d)	62	90
(e) Minimum wage (£)	11,000	11,000
(f) Benefit of increased employment as a result of volunteering (£m) per annum	0.7	1.0

Repayments on loan

25. **Previous programme** - dependant on previous programme and on capital being “recycled” from Communitybuilders.

26. **Community Right to Bid Scheme loan**- based on evidence from the Communitybuilders programme, we assumed that 60% of the funds available from government would be a loan with the remaining 40% as a grant. We also assume that there is a 12% risk of default on loans made, based on evidence on the default rates of community finance loans made to social enterprises and community groups²⁵. We also assumed that the loan element would be repaid after 10 years.

Adjustments to benefits in 2012/13 and 2013/14

27. To reflect the likely implementation date of Community Right to Bid and the transition to the new system, we have made adjustments to the benefits in the first 2 years. As outlined earlier, we have assumed that costs for this policy will be incurred only for 8 months in the 2012/13. Monetised benefits generated through preparatory work and introduction during 2012/13 are likely to only be realised in 2013/14 when

²⁵ See ‘Community Finance Loans for Social Enterprise: Solving the Problem’- May 2008 <http://www.idea.gov.uk/idk/core/page.do?pageId=8309883&aspect=full> and ‘Promoting the growth of the community development finance sector’- New Economics Foundation (2001) <http://www.jrf.org.uk/publications/promoting-growth-community-development-finance-sector>

communities are fully aware of the policy and have designated and have bought assets of community value.

28. We have therefore adjusted the annual benefits by 25% to reflect this and that benefits attributable to applications beginning in 2012/13 will only be realised in 2013/14. The table below summarises the adjustments that have been made, using the High take up as an example.

	<u>1) High take up</u> Assumes that there are 136 Community Right to Bid Scheme purchases per year.	<u>2) Low take up</u> Assumes that there are 94 Community Right to Bid Scheme purchases per year.
Employment (£m)	12.3	8.5
Volunteering (£m)	40.5	28.0
Volunteering benefit in terms of increasing probability of employment for unemployed (£m)	3.2	2.3
Repayments of loan (£m)	6.3	6.3
Repayments from previous programme (£m)	6.0	6.0
Total (£m)	68.3	51.1

	<u>(a) Benefits prior to adjustment (High take up) (£m)</u>	<u>(b) Adjusted benefits (a*25%).</u>	<u>(c) Benefits in 2013/14 (a+b)</u>
Employment (£m)	1.3	0.3	1.7
Volunteering (£m)	6.5	1.6	8.1
Volunteering benefit in terms of increasing probability of employment for unemployed (£m)	1.0	0.3	1.3

Summary of benefits

Costs

29. The table below outlines the costs of the Community Right to Bid programme.

Expenditure	Total over 10 year period (£m)
Capital Expenditure-providing loans and grants (£m)	12.0
Resource cost (£m)	13.2
Default on loans (£m)	0.8
Additional burdens cost (£m)*	24.3 ²⁶
Compensation for loss of value (£m)	2.3
Total over 10 year period (£m)	52.6

* Includes compensation costs for expenses incurred but not loss of value

30. **Capital expenditure.** This is the money that will be available to community groups in the form of grants and loans. £12m will be made available over the first 3 years of the scheme. Based on evidence from the Community Builders programme, we have assumed that the split will be 60% loans and 40% grants, therefore 60% of the capital element will be repaid. This split may change as the policy is further developed, but for the time being we assume that it is the same as in the previous programme.

31. **Resource cost** This covers the cost of providing support for asset transfers under Community Right to Bid. £13.2m will be made available over the first 3 years of the scheme.

32. **Additional burdens costs.** Local authorities would face additional burdens of dealing with Right to Bid requests. See paragraph 62 of the

²⁶ This includes ongoing costs to local authorities of dealing with Right to Bid requests, beyond the Spending Review Period

Impact Assessment for a breakdown of these costs and the next section provides details of how the compensation costs for expenses were estimated.

33. **Risk of default.** We assume that there is a 12% risk of default on loans made, based on evidence on the default rates of community finance loans made to social enterprises and community groups²⁷.

34. **Compensation for loss of value of asset.** We have done some more detailed work looking at the potential compensation payable by local authorities to asset owners for loss of capital value of the asset. We have set out the key assumptions and evidence supporting these assumptions below.

Assumptions used to estimate compensation payments for loss of asset value

Due to uncertainties around the number of assets likely to be listed, the types of assets and the likely fluctuation of asset values in the future, it is very difficult to estimate the likely compensation payments from loss of asset value. We have attempted to estimate this by using figures from Scotland's Community Right to Buy scheme to estimate the number of assets likely to reach full moratorium stage, and therefore which may be subject to compensation claims. Although the scheme is slightly different from that which is likely to operate in England, they do have a moratorium stage which lasts 6 months, during which time the asset owner is not permitted to sell their asset.

We have then estimated the proportion of these likely to make successful compensation claims, a breakdown of the types of assets claiming and the possible fluctuation in asset values based on historical fluctuations in the value of pubs and land used for residential build.

Numbers reaching the moratorium stage

The latest information from Scotland indicates that there have been **85 Right to Buy applications approved by ministers (which we are using as our proxy for the number of listings)** since the scheme began over 6 and a half years ago (19 applications per annum), of which 26 cases have been given the chance to purchase under the Right to Buy (and therefore the moratorium has come into force). However, of these, 4 applications have been withdrawn, we therefore estimate that in Scotland 22 cases are most likely to have reached the moratorium stage. Extrapolating this up to England as we did previously with the take up figures, suggest that 183 assets per annum are most likely to reach the full moratorium stage.

²⁷ See 'Community Finance Loans for Social Enterprise: Solving the Problem'- May 2008 <http://www.idea.gov.uk/idk/core/page.do?pageId=8309883&aspect=full> and 'Promoting the growth of the community development finance sector'- New Economics Foundation (2001) <http://www.jrf.org.uk/publications/promoting-growth-community-development-finance-sector>

	Total over 6 years and 7 months	Total (per annum)	As a percentage of listings
No of RTB applications approved by ministers (listings)	85	13	
<i>Of which:</i>			
Numbers given the chance to purchase	26	4	31%
<i>Of which:</i>			
No of applications withdrawn	4	1	5%
Numbers most likely to have reached the full moratorium in Scotland	22	3	26%
Numbers most likely to have reached the full moratorium in England	-	183	26%

We propose that private land owners only subject to a period of delay resulting from the Community Right to Buy should be entitled to compensation for proved expenses incurred. This would exclude property owned by public bodies. We estimate that at least **60% of assets listed will be local authority or assets owned by other public bodies**. This is because the types of assets likely to be listed, such as community centres, libraries etc, are likely to be publicly owned. Therefore we assume that of the 183 assets reaching the full moratorium, 110 assets would not be eligible for compensation.

Of the remaining assets reaching moratorium, we have looked at two scenarios:

- 100% make compensation claims and
- 50% make compensation claims.

To estimate compensation costs for expenses we used the success rate of claims in Scotland for expenses (in Scotland 2 out of 4 compensation claims for direct expenses were successful) for the high scenario. However, it is likely that the success rate of claims for loss of asset value will be lower than that for direct expenses incurred due to the difficulty of proving loss of asset value as a direct result of the moratorium. So, we have looked at a scenario where the success rate of loss of value claims is 10% and one where the success rate is 30%. The 2 scenarios are outlined in the table below.

	High cost scenario	Low cost scenario
No of assets most likely to reach moratorium	183	183
Of which: publicly owned assets	110	110
% of remaining assets likely to make a compensation claim	100%	50%
No of remaining assets likely to make a compensation claim	73	37
Success rate of claims	30%	10%
Estimated number of successful compensation claims per annum	22	4

Breakdown of different types of compensation claims

The fall in asset value, average value of the asset and hence compensation payable will depend on the particular type of asset. We have broken down the compensation claims into 2 categories of asset:

1. **Assets which generate a profit-** this can be further broken down into 3 categories:
 - a. **Those which continue as a going concern in their existing use-** this category would include assets such as pubs, village shops etc which are profit making businesses (although they may not be at the time of being listed).
 - b. **Those which may be sold for residential use-** the value of the asset may not be in its existing use but in its most valuable alternative use. Some assets listed could potentially be sold and redeveloped for residential use, which would mean those assets are more valuable in their alternative use.
 - c. **Those which may be sold for non residential alternative use-** there also may be some assets which are sold for non residential alternative use, in which case the change of value will differ.

2. **Community Assets likely to be just for community use where there is no alternative use eg Community centres, swimming pools etc-** the value of these is unlikely to fluctuate significantly and so therefore we would not anticipate any compensation payments arising from assets in this category.

To try and split out assets into these categories we have used information from the Valuation Office Agencies (VOA) data which provides a breakdown of organisations paying Non Domestic Rates by their sector. We have estimated a rough split of assets as follows:

- **Category 1 (a), (b) and (c):** Community Assets which generate a profit in either their current form or in an alternate use: **64%**

- **Category 2:** Community Assets which are unlikely to have any alternative use: **36%**

It should be noted that this is a very rough estimate based on limited data and significant assumptions. The split provided by the VOA does not lend itself to making an accurate split between assets falling in the 2 categories because assets within the same sector group are likely to vary from place to place depending on the particular circumstances of the local community in terms of whether they can be seen as community assets. Furthermore, this assumes that this split would hold true for assets listed on the register as they do for all assets on the VOA's database. This should therefore be treated with caution.

To split out the number of assets featuring in categories 1a), 1b) and 1c), we used data from the business agent Fleurets, who produce an annual index of the prices of pubs. This indicated that 50%²⁸ of pubs which were sold in the year to 30th September 2010 did not stay as pubs. Of these, a further 50% were sold for residential use. The table below outlines our estimated breakdown of compensation claims:

Number of assets likely to make a successful compensation claims	High	22
	Low	4
<i>Of which:</i>		
1) Those likely to generate a profit	<i>Percentage</i>	64%
	High	14
	Low	2
Percentage of pubs sold for alternative use		50%
<i>Of which:</i>		
a) Pubs/Shops etc	High	7
	Low	1
b) Sold for Alternative Use		
Residential	High	3
	Low	1
All non residential uses	High	3
	Low	1
<i>Of which:</i>		
2) Those likely to be purely community use with no alternative use	<i>Percentage</i>	36%
	High	8
	Low	1

Asset value

Pubs/Shops etc (categories 1a and 1c)

We have used data from the business agent Fleurets on the average value of Freehold Pubs which they have sold, and the average price change since 1999.²⁹ We have used estimates of the value of pubs as a proxy for all profit

²⁸ <http://www.fleurets.com/>

²⁹ <http://www.fleurets.com/market-intelligence/market-reports/2010-Survey-of-Prices.pdf>

generating community assets which are unlikely to have alternative use because they are likely to be more homogenous than shops, where there may be a wide variety of different types of shops classified as community assets. It is likely that the average value of pubs used here is larger than that of shops and other assets falling into this category, and therefore estimates of the compensation payable are likely to tend towards the more pessimistic end.

The Fleurets data shows that on average Freehold pubs have been increasing in value by 7% per annum since 1999. There have only been 2 years in which the values have been falling, in 2008 and 2010, when they fell by 22% and 23% respectively. We have used the average fall in prices during years where prices have fallen to estimate the compensation payable to asset owners. It should be noted that estimating asset prices going forward is an extremely uncertain exercise, and so there is a lot of uncertainty over whether these estimates are a fair reflection of what is likely to happen to the value of these community assets.

Average price change of freehold pubs sold by Fleurets per annum (1999-2010)	7%
Average price change per annum in the years where prices have fallen (2008 & 2010)	-22%
Largest fall in prices (2010)	-23%
Average value of Freehold Pubs (2010)	£430,620

The estimated change in value of these assets and compensation payable is outlined below. Due to the likely implementation date of the Community Right to Bid and the likelihood that claims will only be made after the 6 month moratorium period has expired, we have assumed there will be no compensation claims in 2011/12. As with the reshuffling of benefits earlier, we have assumed claims related to assets listed in 2011/12 are made in 2012/13 at the earliest, with some also falling into 2013/14.

Pubs	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Estimated percentage change in value for assets losing value	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%
Estimated compensation payable (£)	75,000	120,000	90,000	70,000	55,000	45,000	35,000	25,000	20,000	15,000

Assets that could be sold for residential use (category 1b)

As outlined above, we estimate that approximately 15% of assets making successful compensation claims could potentially be sold for residential use. We have used DCLG estimates of the average valuation of residential building land with outline planning permission³⁰. This estimates the average valuation of residential building land on a per hectare basis since 1994. For simplicity's sake we have assumed that the average size of community sites is 1 hectare, there may be a number which are smaller (such as village shops, pubs etc) but on the other hand some could be larger sites (schools, cottage hospitals, sports grounds). It is also possible to use the change in average house prices over a number of years to estimate loss of value, however residential land values are likely to show the biggest falls and therefore give us an estimate of compensation payable if there is a particularly large fall in land value.

The data shows that between 1994 and 2010, residential building land has **increased in value by 8.6% per annum on average**. There have been 2 years in which the prices have fallen, in 2009 and 2010, and in this time the **average fall was approximately 22.6%**. The largest fall in value was in January 2009, when value fell by approximately 32.6%.

Average price change of residential building land per annum (1994-2010)	8.6%
Average price change per annum in the years where prices have fallen (2009 & 2010)	-22.6%
Largest fall in prices (2010)	-32.6%
Average value of residential building land (2010)	£2.36 million

The estimated change in value of these assets and compensation payable is outlined below.

Assets sold for residential use	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Estimated percentage change in value	-22.6%	-22.6%	-	-	-	-	-	-	-	-
Estimated compensation payable (£)	210,000	325,000	250,000	195,000	150,000	115,000	90,000	70,000	55,000	40,000

For assets sold for alternative use which was not for residential purposes the table below outlines the estimated change in value and compensation payable. We have used the same assumptions as for pubs, as we are assuming that they will be sold for a profit generating purpose.

³⁰ <http://www.communities.gov.uk/documents/housing/xls/141389.xls>

Assets sold for other alternative use	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Estimated percentage change in value	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%	-22%
Estimated compensation payable (£)	40,000	60,000	45,000	35,000	30,000	20,000	15,000	15,000	10,000	10,000

Overall estimate of compensation payable

The table below outlines our overall estimate for compensation payable for loss of asset value over the period in which Community Right to Bid is in operation. Overall, we estimate that £2.3 million will be paid out over a 9 year period.

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Estimated compensation payable (£)	325,000	500,000	390,000	300,000	235,000	180,000	140,000	110,000	85,000	65,000

Compensation cost for expenses

We have used the same methodology as above to estimate the compensation costs for expenses. The table below summarises the estimated number of compensation claims and the estimated cost of compensation. We have assumed that the success rate of compensation claims for expenses is likely to be higher than for loss of value, since it will be easier to prove that expenses were incurred as a result of the moratorium compared to proving that there had been a fall in the value of the asset as a result of the moratorium. For the high cost scenario, we used the same success rate as Scotland for claims (Scotland has had 4 claims for expenses of which 2 were successful, a 50% success rate).

We have assumed the average value of successful claims will be £2000. In Scotland, claimants on average claimed up to £2500, though the Scottish payouts on the claims were substantially lower, only £895 paid out to date in total. This low level of payout was due to claimants claiming for costs unrelated to the procedural requirements under the Act, which were not allowed. With considerations given to the level and difference of property prices in England we have assumed an amount of up to £2000 cost per owner on a completed purchase in a proven case of compensation. This gives an estimated annual cost of compensation of between £29,000-£73,000 (with a mid range of £51,000).

We tested this estimate by looking at the number of successful claims in Scotland compared to the number of asset transfers. In Scotland, there was 1

successful compensation claim for every 4.5 asset transfers, which when applied to the estimated number of asset transfers in England works out as 26 successful compensation claims. Applying the average compensation payout of £2000 gives an annual cost of compensation of £51,000.

	High cost scenario	Low cost scenario
No of assets most likely to reach moratorium	183	183
Of which: publicly owned assets	110	110
% of remaining assets likely to make a compensation claim	100%	50%
No of remaining assets likely to make a compensation claim	73	37
Success rate of claims	50%	40%
Estimated number of successful compensation claims for expenses per annum	37	15
Average compensation payment (£)	2,000	2,000
Estimated annual cost of compensation for expenses (£)	73,000	29,000

Summary of costs and benefits

The table below summarises the costs and benefits of Community Right to Bid, expressed in present value terms.

	Total costs (£m)	Benefits (£m)	NPV (£m)
<u>1) High take up</u> Assumes that there are 136 Community Right to Bid Scheme purchases per year.	47.7	57.5	9.8
<u>2) Low take up</u> Assumes that there are 94 Community Right to Bid Scheme purchases per year.	44.7	43.1	-1.3
<u>Mid range</u>	46.0	50.3	4.2

Note: all costs and benefits are expressed in Present Value terms.

35. Unquantified Costs and Benefits

The assessment provided above is only partial and only includes some of the outcomes of the policy. Given the current uncertainties surrounding this programme, assumptions had to be made regarding impact, coverage and implementation. In addition, this analysis did not take into account a number of wider costs and benefits that could potentially be generated by this programme. e.g.

- Amenity value, benefits of improved built environment, health benefits
- Impact on skills formation
- Possible increased revenue to the Exchequer from tax revenues generated
- Growth in social capital, cohesion and associated community action