

Reference: Local Government and Housing Committee inquiry

Date issued: 24 June 2022

Inquiry into community assets

Audit Wales response

We have referred to relevant aspects of previous work and work in progress that are potentially relevant to the scope of the Committee's inquiry. Please note that our answers to Q1-4 reference work from 2018. Our answer to Q4 also includes information from on-going study work. We would be happy to discuss any aspects of our audit work at a local and/or national level in more detail with the Committee.

1 **Whether the current statutory and policy framework empowers communities in Wales to develop community assets**

Our review of 2018 ([Provision of Local Government Services to Rural Communities: Community Asset Transfer](#)) showed that the approach was variable and policy documentation did not consistently support the successful transfer of assets to communities. We found that CAT policies often lack detail on the criteria used to decide on transfers, in particular demonstrating financial health and proven record of accomplishment. We found that too often authorities did not differentiate between the size of asset to be transferred and operated a 'one size fits all' policy.

We noted that local authorities needed to do more to make CATs simpler and more appealing, help build capacity, provide clearer guidance in raising finance, and look to support other community development models such as social enterprises that add social value and widen citizen involvement. We found that clear rationale of the risks associated with the transfer were not always set out. Further, business cases to support transfer were often lacking in detail focussing too much on why the local authority needed to make a transfer rather than setting out how they would ensure the transfer was sustainable and successful in the long-term.

2 **The extent the Community Asset Transfer scheme promotes and supports effective development of community assets**

Our review showed that transfer policies fell short of this and to be successful need to have key building blocks in place. We identified these as consisting of:

- a. A clear policy for Community Asset Transfers that sets out how the process works and the respective responsibilities of all parties.
- b. Identification of all assets, their current condition, running costs, lease conditions and future maintenance needs.
- c. Guidance and training on completing expressions of interest and/or business cases for a CAT.
- d. Signposting potential CAT recipients to guidance, financial options, and support.
- e. Identification of risks and liabilities associated with each asset.
- f. Clearly setting out the aftercare and support provided by the authority post CAT.
- g. Short end-to-end approval processes with agreed review times to judge success and identify learning.

3 **To explore barriers and challenges faced by communities in taking ownership of public or privately owned assets, including finance and support services**

Part 2 of our report focuses on the challenges facing communities in successfully taking on assets. We found that local authorities needed to do more to support community groups to take on assets, because they often did not have the capacity and skills to be able to take on and manage assets in the future. To do this we highlighted that local authorities and community groups needed to agree some operating principles ([Exhibit 6 - 'Helping to build community capacity'](#)).

The main risk to ensuring a successful transfer of a community asset is ongoing support and robust arrangements post transfer. We found that community groups often require ongoing support from local authorities following transfer, but this is variable and has many risks. We concluded that a constructive and ongoing dialogue with transferees is essential. This is to help ensure that the original aims of the CAT are achieved, and also increase the likelihood that any ongoing investment is secure and that future opportunities are maximised. We concluded that to do this requires

the following to be agreed and set out up front (Exhibit 7 – ‘Providing ongoing support’):

- a. Identifying risks and agreeing appropriate mitigation actions.
- b. Supporting the development of a strong and qualified community organisation management team.
- c. Recognising multiple community asset transfers are trickier and need more legal and governance assurances.
- d. Providing ongoing support to community groups to help them become financially self-sufficient and have the skills to manage the CAT in the medium term.
- e. Some projects take some time to achieve self-sufficiency and may require ongoing revenue support to enable them to develop so that they generate a profit.
- f. Maintaining good relationships between the controlling community group and local authority.

4 **To discover what lessons can be learnt from beyond the Welsh border**

In our 2018 report (pages 14-15), we included some good practice examples of strategic approaches to Community Asset Transfers, from outside of Wales.

Based on the evidence we are reviewing in respect of on-going work relating to social enterprises, we understand that legislation in Scotland promotes opportunities for community bodies to be proactive. Part 5 of Community Empowerment (Scotland) Act 2015 introduces a right for community bodies to make requests to all local authorities, Scottish Ministers, and a wide-ranging list of public bodies, for any land or buildings they feel they could use better. This means that community bodies can request ownership, lease, or other rights, as they wish. Our social enterprise study may offer some comparison with the position in Wales, and set out evidence of some benefits of enhanced community empowerment. We will likely be in a position to provide an update on our emerging findings by August 2022.