

Finance Committee inquiry into the process of
Asset Management.



Response from Wales Council for Voluntary

Introduction to WCVA and DTA Wales

1. Wales Council for Voluntary Action represents campaigns for, supports and develops voluntary organisations, community action and volunteering in Wales.

It represents the sector at UK and national level; and together with a range of national specialist agencies, County Voluntary Councils, Volunteer Centres and other development agencies, it provides a support structure for the third sector in Wales. It has over 3,000 members, and is in touch with many more organisations through a wide range of national and local networks.

WCVA's mission is to provide excellent support, leadership and an influential voice for the third sector and volunteering in Wales.

2. The Development Trusts Association Wales (DTA Wales) is an independent practitioner based membership organisation promoting the work of and supporting the growing network of development trusts in Wales.

DTA Wales is part of the UK wide Development Trusts Association, the leading community enterprise and regeneration network and fast growing movement of 500 development trusts and more than 43 in Wales, with community owned assets worth £560 million.

Development Trusts are community owned and led organisations operating as community or social enterprises. Development Trusts unlock potential, develop skills and deliver practical and sustainable local solutions. They are engaged in trading and provide local services, grow enterprises and own and manage community assets investing surpluses back into communities.

Issues for the Committee to consider

3. It is difficult for us to comment in detail on many of the consultation questions put forward by the Committee as they relate to areas outside of our experience or expertise. The sector is, however, able to comment on public sector organisations' approaches to improve utilisation of assets by communities and offer suggestions on what more could be done to make improvements in this area.
4. Following a Third Sector Partnership Council meeting held July 2011, a number of work streams were established, one of which was to work with the Welsh Government's Estate Services team to investigate and develop solutions to a number of areas under the asset transfer agenda such as:
 - Engaging with the sector to assess the appropriateness of using the asset transfer protocol with Third Sector partners.

- E-PIMs the strategic database on the estates across Wales has established a third sector section however access by the sector has to date been very limited. The Estate Services team have indicated they would like to identify organisations who could act as gatekeepers for the system on behalf of the Third Sector at a local level. A number of pilot schemes have been proposed to trail this approach between the CVC's and the estates service however this yet to come to fruition.

Whilst progress on these matters has been slow and the working group has been less productive than we would have hoped the sector is still keen to engage and will be seeking to push these proposals forward.

5. The sector welcomed the joint efforts of Big Lottery Fund in Wales (BIG) and the Welsh Government in establishing the £13m Community Asset Transfer programme (CAT). This innovative Programme has encouraged asset transfers from a number of public bodies to be completed, with a diverse range of projects across Wales. The CAT Programme also provided development funding, as part of a 2 stage Application process, to enable organisations to develop their business plan and model and their Capital development plan.

Two of the earlier projects awarded monies under CAT were;

- Llangefni Town Hall in Anglesey, undertaken by Menter Môn, which was a fast track CAT Project and was awarded £594,875 grant towards a £2.5 million project. The first example of an asset transfer on Anglesey whereby the Local Authority transferred a building to a "not for profit" third sector company. Under the ownership of Menter Môn applications for funding were made that were not previously possible.
 - ProMo-Cymru for its EVi Project providing capital and revenue funding to support the transfer of the Ebbw Vale Institute from Blaenau Gwent Borough Council to community ownership. The grant is also allowing the redevelopment of the building
6. Early indications are that CAT could have a substantial influence on changing the perceptions, attitudes and decision-making processes on the part of public sector organisations whilst also changing the culture of third sector organisations to one of enterprise and away from a grant dependency culture.
 7. There are a number of obstacles to overcome if Wales is to develop land and building strategies that encourage community ownership and improve utilisation. CAT alone is not sufficient to bring about the scale of change required and there are concerns regarding the perceived lack of a broader strategic vision for community capacity development and how this links into the asset management and transfer agenda.

The key needs as identified by our work in this area are:

8. **Encouragement** - Public authorities and the third sector need to be encouraged to work together to find solutions for the successful transfer of assets. This entails some specified risk sharing or support from the public authority to best maximise the opportunity for success and sustainability of the building. Most transfers will require a specified time of redevelopment and then a lead in time before they can become

self sustaining, because of this it is important to address and put in place support mechanisms during this critical initial period. The third sector needs to be encouraged to take some risks in acquiring assets from the public sector as many remain risk averse and reticent to borrowing because of fears over the risk of assets becoming more of a liability and draining vital resources away from their charitable activities. Public authorities must in turn be encouraged to view asset transfers as a medium term commitment rather than a short term asset disposal process. Changing these attitudes can only be achieved through supporting organisations and then highlighting the success stories.

9. **Promotion** - The benefits of asset transfer need to be explained to the sector and good practice guides and/or events should be developed to increase awareness of the benefits of asset transfer across all sectors. Both WCVA and DTA Wales have some excellent examples below are three such examples of where the acquisition of buildings has been used to grow an organisations asset base;

- Cynon Valley Crime Prevention Association (CVCPA) applied for a Communities Investment Fund (CIF) loan from WCVA in 2008 to buy the former Trecynon Police Station in Aberdare. Since the purchase CVCPA has increased its turnover from £500,000 to over £1 million, extended its services across the South Wales valleys and created 19 new jobs. In line with its mission as a Charity to help tackle the issues of crime they have been a previous winner of the British Crime Prevention Award for helping to reduce burglary in the Cynon Valley by 38 per cent through a range of initiatives. Purchasing the premises has helped CVCPA develop the capacity to grow both its core work in crime prevention, its security installations business and has provided the platform for future growth in environmental enterprise.
- Valleys Kids is a charity based in South Wales with a 34-year track record of working with disadvantaged children and families. In 2008 they applied to CIF for a loan to enable them to buy 'the Pop Factory' in Porth to consolidate their existing community development aims and turn the building into a community hub. Since purchasing the building the organisation has gone from strength to strength, expanding its delivery of key youth work whilst also renting out space in the building to create a strong source unrestricted income to support the organisations charitable activities.
- Galeri Caernarfon is a development trust, with assets in the region of £10million and £1.5million turnover. Established as Cwmni Tref, a town centre development trust in 1992, they have regenerated and own 28 properties in Caernarfon and a further 11 in the surrounding former slate mining valleys. Building on this track record the Trust had land transferred to it to develop the £7.5million, Galeri Creative Enterprise Centre, which includes a theatre, café, recording studios and 19 managed workshops for local companies or artists working in the creative industries. A recent report by Arad notes that Galeri now contributes almost £2.5 million to the economy of Gwynedd and Ynys Môn each year and the additional spend and economic impact as a result of activities within the Centre is £1.3 million. The Trust has a significant impact on the economy of the wider region and acted as a catalyst for further investment in Doc Fictoria, where derelict land adjacent to Galeri has been regenerated, with housing, retail outlets restaurants and hotel, backed by investment of £4.3million from the Welsh Government and £23million of private sector investment

10. **Information** - Different levels of advice are needed at different stages of an asset transfer project, to this end DTA Wales has recently developed an 'Asset Portal' (assetsportal.dtawales.org.uk) for organisations that may be interested in the development of land and buildings assets that can be used for community or public benefit. The Portal is a source of information to any organisation that wishes to own, develop or manage assets. The portal assumes that those using it have no knowledge about any aspect of asset development and asset transfer so that it can provide an introduction to those who are curious or wondering if it is an activity appropriate for them or their organisation. But it also includes detailed information and signposts to other resources that can allow those who want to pursue an asset development or transfer project to do so. The information and resources available are designed to be useful for:

- Any civil society organisation that has an interest in asset development and transfer, including representatives from the voluntary and community sector, social enterprises, charities, community based organisations, etc
- Statutory sector representatives that have a remit to support civil society organisations, including local authority officers from property, valuation and asset management, strategy, land use planning, finance, regeneration, policy and community development.
- Funders, councils for voluntary services, advisors and supporters of organisations from the social enterprise and community and voluntary sector.

Medrwn Mon has established up a communities facilities network, which is looking to develop a more strategic approach to third sector management of community halls on Anglesey. DTA Wales has also worked with professional bodies (RICS and CIPFA) and Locality's Asset Transfer Unit to promote Asset Transfer to Public Authorities and provide advice in the development of Asset Transfer policies to Local Authorities and other public bodies such as the Forest Authority.

11. **Skills** - DTA Wales undertook research for the Welsh Assembly ,at the end of 2008, on the potential for 'Taking Forward the Quirk Review of Community Ownership of Assets in Wales' and made a number of recommendations many of which are still currently relevant. Taking on an asset is often a new experience for third sector organisations and so central to making any transfer a success is the provision of training where there are identified skills gaps. The Big Lottery and Welsh Government CAT Programme and DTA Wales training seminars have increased awareness but there are still barriers and risk aversion in both the public and third sectors. Training is required for both senior management and trustees to fully understand what they are being asked to take on and how then to make a success out of it. In addition to training it is important third sector organisations can access specialised consultancy support especially around feasibility studies, business planning and funding brokerage. DTA Wales has run a series of 'Viability not Liability' and 'Assets for Enterprising Communities' Seminars each year, to increase skills and knowledge in the third and public sectors relating to the acquisition ,development ,management and finance for asset development. Peer-to-peer learning needs to be encouraged and embedded within this process with existing sources of business support and advice better targeted and signposted in this regard. Advice, support and model policies have been provided by DTA Wales and the Asset Transfer Unit to Cardiff Council who have developed the first Local Authority Community Asset Transfer Strategy in Wales.

12. **Funding** - In taking on asset transfers it is important that community groups are not expected to make overnight successes of the assets they acquire, and the funding mix employed should take into account a realistic timeframe for becoming sustainable. Employing a realistic timeframe for sustainability backed with a suitable funding package would manage the expectations of both the public sector and third sector and allow the project time to develop and prosper.

The need for flexible finance instruments and co financing specifically for community asset development, these should include a combination of grants, patient capital, loans equity and shares (including community shares). Four stages of finance and investment are required for community asset development - investment readiness, capital development, capital and post investment finance (early trading and working capital).

There is huge potential for expansion of this type of activity but the aims for growth must be matched by adequate funding and access to capital. Once a community enterprise has built up buildings, land or endowment assets of around £1m it is well on the way to sustainability. This can only be achieved by a mixture of asset transfer, loan finance, and grant funding. Grant funding is an important element of any package and attracts loan providers through the provision of equity or interim support of revenue costs whilst the organisations grows.

Finance for the sector comes mainly from grant funding, especially through regeneration programmes; and loan finance, but:

- Many grants programmes tend to be risk averse, oriented towards short-term spend, and value activity over outcome. They are therefore not well suited to encourage asset development and enterprise.
- Commercial loan finance is rarely available for the sector other than for the most advanced community enterprises, as lenders regard the risks as high and returns as low.

There has been a significant increase in social investment and loan funds available in Wales for asset development, experience of take-up by community enterprises has been positive. Loan finance is available through vehicles like the Community Investment Fund and other intermediaries such as CDFI's, Unity Trust Bank and Charity Bank.

Communities Investment Fund (CIF) is a Welsh Government backed Social Investment loan fund that is investing in not-for-profit organisations across West Wales and the Valleys. Investment are made to help organisations become more sustainable through generating further incomes or reducing costs, the purchasing of assets is one such method of increasing sustainability that CIF can support by providing finance.

Public service organisations should consider providing ongoing financial support on a sliding or tapering scale after the asset has been completed, to similarly „smooth the passage“ of community organisation towards financial sustainability.

Lessons and Good Practice outside Wales

13. **Scotland** - There has been significant progress and a major increase in community ownership of assets, particularly in the Highlands and Islands but more recently in

urban areas as well. This has been driven in part by the introduction of the Land Reform Act 2003, new Disposal of Land Regulation in 2010 and subsequent Regeneration and efficiency strategies. It is anticipated that further rights will be granted to communities in terms of community ownership in the Community Empowerment and Renewal Bill, due for enactment in 2014.

There are innovative examples in Scotland include communities such as the Isle of Gigha who have bought their island and a ferry service, improved poor quality housing and installed wind turbines to generate an income. The emphasis has been community enterprise and resilience for a large number of communities across Scotland that are managing community owned assets.

DTA (Locality) in England managed a 3 Year funded Advancing Assets Programme and also manages the Asset Transfer Unit and web resources and more recently the Community Right to Bid programme.

Summary

14. Community assets can include land, as well as buildings, for food and growing, new build amenities and housing, biodiversity management, outdoor and sports and leisure activities, and natural assets including forests, water resources and land for renewable energy generation.
15. Asset management is conceptually linked to the wider public service delivery agenda in that the third sector organisations benefiting from an asset transfer are expected to and can play a role in enhancing the delivery of services to the community. Asset transfer projects are important as they provide local organisations with greater security and independence, whilst enabling them to better meet the needs of the communities they serve. Equally this should result in more effective partnership working between local authorities, local communities and third sector organisations.
16. Local Service Boards are a potentially a key platform to engage a broader base of public service organisations in the development of strategic asset management approaches at a very practical level. Such as public service organisations specifying an officer whose task is to act as a broker between the community organisation and the various departments involved. Welsh Government should lever its role of working with Local Service Boards on public service delivery to strengthen this dimension and promote the integration of a third sector role in asset management agendas.
17. The rationalisation and centralisation of Public Assets may also have impacts on the wider economy and environment by creating vacant and often energy inefficient buildings in communities. Energy efficiency is a key issue in community owned and public assets and groups are often unprepared for projected ongoing significant rising energy costs. There may be opportunities for employment and skills relating to the green economy in improving assets energy management and efficiency.
18. Investment Readiness and need to access development finance and specialist support for asset transfer and development, alongside capital grants and loans, is still a key issue for the sector.

19. Community management and ownership of assets is not appropriate for all organisations, there has to be a strong business case, an opportunity to develop community enterprises on the back of the asset and 'sweat 'the asset ,to generate income.

We would be happy to offer any further information to the Committee as required.

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