

# *Speaking Out on Taking over*

## Perspectives on community ownership, community control and sustainability



The Big Lottery Fund commissioned the Scottish Community Development Centre, in conjunction with Community Enterprise, to examine the following three questions:

- 1. The ownership of assets is claimed to be a good way to increase and improve the strength and resilience of disadvantaged communities adversely affected by inequalities.**
  - a. What are the benefits and challenges of asset ownership for communities?
  - b. Is leasing or managing assets as effective in helping communities tackle inequality, and if so, what are the challenges faced using these arrangements?
- 2. Over the past 15 years, the Big Lottery Fund has invested around a total of £95 million in over 400 community ownership projects.**
  - a. What proportion of these projects are (i) thriving, (ii) surviving and (iii) struggling?
  - b. What are the main reasons the projects are in these positions?
  - c. What challenges do communities face in trying to make assets sustainable - both financially and more generally?
  - d. How have projects that are 'thriving' become viable?
- 3. Do different ownership/leasing arrangements work better for (i) different types of asset and (ii) different communities?**

This is the Big Lottery Fund's interpretation of the researchers' main findings as compiled by Eric Samuel

# ASSET OWNERSHIP

Why do communities choose ownership?	Ownership works best...	Challenges
<ul style="list-style-type: none"><li>• It gives confidence, stability, financial control and independence.</li><li>• It corrects inequality arising from the historically contentious issue of land ownership, especially in rural areas.</li><li>• It counters the threat of diminishing services and depopulation, particularly in rural areas.</li><li>• It gives communities access to various resources, and the ability to organise cultural, sporting, environmental and green activities.</li><li>• It provides autonomy to negotiate better trade and commercial terms, to control the use of accommodation, to develop new projects and innovate, and to access new income streams.</li></ul>	<ul style="list-style-type: none"><li>• As a means of continuing or securing project development when faced with an unsupportive landlord.</li><li>• When the nature of the asset necessitates that it be owned (e.g. renewable energy projects, or the importance or uniqueness of the location).</li><li>• When the current owner is only interested in selling, not leasing.</li></ul>	<ul style="list-style-type: none"><li>• Scale and complexity.</li><li>• New skills are needed as the project moves through its natural development phases.</li><li>• It takes up substantial time and effort. (One project only started operating a decade after it was first mooted!)</li><li>• A substantial workload often falls on a few shoulders. Succession planning is vital.</li><li>• While experts can be helpful, their procurement and management can present challenges, and prove time-consuming and costly.</li><li>• Obtaining suitable loan finance and earning revenue from the letting of accommodation.</li><li>• Sustainability!</li></ul>

# LEASING

Benefits	Challenges
<ul style="list-style-type: none"><li>• Can be used as a stepping stone towards full ownership and a way of testing out ideas and developing business plans. Robust, genuinely concluded short leases can help to ‘try before you buy’.</li><li>• Can be quicker, more straightforward and relatively easier than ownership.</li><li>• Long leases (e.g. 150 years) may be functionally equivalent to ownership, providing a stable basis for partnership working, community participation and business relationships.</li><li>• May be necessary if the current owner/landlord does not want to sell.</li><li>• Where projects want to focus on the practicalities of their work rather than managing a building it can free up time, capital and resources which can be used for core purposes instead.</li></ul>	<ul style="list-style-type: none"><li>• Stability and longevity. The implications of unilateral action by the asset owner can be severe.</li><li>• Workload and the requirements of regulatory and legal compliance can be just as demanding as for ownership.</li><li>• Limits community control, in some cases even restricting the potential for (re)development, expansion and creativity.</li><li>• Short term leases can compromise security.</li><li>• Full repair leases can be demanding and expensive.</li><li>• Capital repairs and ongoing maintenance costs can be contentious when it comes to asset valuation and the setting of rent.</li><li>• Where it causes revenue to leach out of the community (e.g. community renewable energy projects).</li><li>• Successful leases require positive and productive relationships between the asset owners and the lessees.</li></ul>

Leasing and ownership bring their own specific opportunities and drawbacks which are experienced differently, at various times and in different circumstances, by different communities and projects. Moreover, as creating a *sense* of wider community buy-in and ownership does not appear *necessarily* to be determined by tenure, it seems that both leasing and ownership can support communities to tackle inequalities.

# CHARACTERISTICS OF THRIVING, SURVIVING AND STRUGGLING PROJECTS

Thriving	Surviving	Struggling
<ul style="list-style-type: none"><li>• Tend to undertake excellent, ongoing community engagement and have a strong sense of self-reliance and independence.</li><li>• Typically forward looking and good at ongoing development of new ideas and projects. This means they are able to attract and retain appropriately skilled board members to help them through the developmental stages. It often helps them deliver on more than their initial outcomes.</li><li>• Able to access funding and support when and where required. Appear more successful in leveraging in grant and commercial income.</li><li>• Had access to regular income by way of a mixed economy of social enterprise activity and significant service contracts or grant funding. This spread of risk supports resilience to shock.</li><li>• Able to meet proposed outcomes to good standard without necessarily looking to grow and develop further in the short term.</li><li>• Had more volunteers and paid staff.</li><li>• Had higher levels of financial turnover.</li><li>• Received more support of various kinds from agencies and other organisations.</li></ul>	<ul style="list-style-type: none"><li>• Notably more positive about their ability to advance community interest.</li><li>• Notably positive about developing new community spaces from which to deliver a range of community activities.</li></ul>	<ul style="list-style-type: none"><li>• Tend to have fewer staff and volunteers.</li><li>• Appear to be more motivated by the need to save an asset and to raise funds for it.</li><li>• Instability at Board level is compounded by a lack of succession planning. This accelerates the loss of skills, pushing projects to a crisis point from which it is difficult to extract themselves.</li><li>• Undermined by compounding and self-reinforcing problems and challenges.</li><li>• Report lower levels of community, economic and organisational benefits.</li><li>• Beset by multiple and overlapping challenges.</li><li>• Lower ability to access grant funding.</li><li>• While all projects experienced challenges, struggling were most affected by them.</li><li>• Faced challenges at both the planning stage and in later development phases.</li><li>• Underused capacity was a particular problem. This resulted in a loss of revenue and ongoing engagement with the community. It occurred when market analysis and the resultant planning assumptions appeared to be wrong, or</li></ul>

- Identified strong growth potential in the creation of spaces from which third sector organisations can deliver services.
- See opportunities based on strong relationships with potential partners and explore these systematically to maximise their value.
- Whilst generally financially sound, they could be spending more time than ideal chasing funding.

where circumstances had changed, rendering original assumptions unsafe.

- Were disconnected from their communities, possibly due to local politics.
- Share a certain ‘stuckness’ and inability to move forward.
- Were less able to make the most of the wider policy, economic, social and cultural environments in creative ways.
- Were less confident in their ability to address consistent balance sheet deficits.

## SUMMARY OF OVERALL FINDINGS

**Vitality and confidence** - Organisations are delivering a wide variety of very useful services. While they've had a variety of both positive and challenging experiences along the way, they're making community control of assets work locally.

**Ownership and leasing** - Most respondents remain committed to ownership for a number of reasons. For many communities, owning and developing community assets is an important step towards empowerment. The policy and funding framework underpins this approach. However, this research highlights the existence of a diverse ecology of community control in Scotland which includes ownership, leasing and combined approaches. Some of the most successful groups are making leasing work as an alternative and/or complementary mechanism to ownership : known success factors such as continually encouraging extensive community participation and a sense of local ownership can be fostered in both owned and leased assets. As the potential of the Community Empowerment (Scotland) Act 2015 is realised, leasing is likely to become a more important part of the community control landscape in Scotland.

**Success factors - Thriving, surviving and struggling projects** - The majority of projects that participated in the research described themselves as *thriving* and *surviving*. Despite the researchers' best attempts, due to the reticence of some projects, they acknowledge that they may have undercounted those who may be *struggling*. However, project status is seldom due to a single feature, but rather is determined by a range of inter-related factors. The relationships between the factors that contribute to success or failure are dynamic and, as a consequence, projects can move between periods of stability and instability. Even the most robust projects are vulnerable to shocks which undermine them, but the most successful can deal with these.

**Partnership is everything** - The most successful projects are those where transfer is only the start of their journey and where community ownership and commissioned service delivery sits alongside public investment and social enterprise activity. The spread of both income sources and risk in this way suggests that this model should be explicitly developed wherever practical.

**Support - what, when and if things go wrong** - Skilled support is valuable, especially at key points of transition. Further help with community capacity building support to strengthen organisations, and for specialist assistance with business planning, market analysis and technical issues (like VAT) would be welcome. The fact that support needs change over time is a challenge. Although a significant amount of support is already available from a variety of sources, the quality of this support can be variable and would benefit from co-ordination at programme and project level. Ongoing support like that provided by Highlands and Islands Enterprise or East Ayrshire Council should be replicated more widely, and include both generic advice and more specialist skills if required.

**Financial realities** - Although most organisations self-reported that they were breaking even or generating surpluses, analysis suggests that the financial position of projects is more complex than this. Even the most successful relied heavily on grants or contract income and were generating much less from the sale of goods and services directly to communities. Most projects had limited unrestricted reserves with which to withstand shocks.

**Fair transfer process** - Most organisations found the process of taking over assets - whether through leasing or ownership - tiring, legally complex and challenging for volunteers, especially without significant support. Whilst it was acknowledged that the pressure on local authorities to obtain 'Best Value' could create tension in the shape of unexpectedly high property valuations or harsh clawback arrangements, there was a sense that culture and practice shifts were needed to put the developmental outcomes of public service reform to the fore of relationships, and that behaviours needed to deliver more achievable outcomes for both community projects and public services.

## RECOMMENDATIONS

**Dialogue for development** - The Fund should share the research findings with the Scottish Government, local authorities and others to help seed optimum conditions for successful community control, including long term partnerships with community ownership projects in a public service reform context as the Community Empowerment (Scotland) Act 2015 is implemented.

**Combating inequality and extending tenure options** - As the opportunities presented by the Community Empowerment (Scotland) Act 2015 unfold, some communities will need further support before they can acquire and maintain key assets: even leasing may be challenging for them. Community use options, where groups share the running and financial responsibility for assets along with public agencies, may be a viable option for some communities as part of a menu of transfer options.

**Enabling choice** - The Fund should work with others to help develop a common process for exploring all tenure options and progression between them so as to ensure that communities can choose the best route for them, as well as secure the funding they need to realise their aims.

**Safe self-evaluation** - The Fund should support the co-production with projects of a revised system of self-assessment so that the projects can discuss challenges without being judged and gain better access to support which will hopefully prevent and address problems. More research is required to better understand struggling projects as, overall, these projects were more reticent about engaging with the research.

**Improving support** - The Fund should co-promote discussion on the availability of project support, collaborate in addressing gaps, and consider how best to enable co-ordination at project and programme level.

**Sound financial planning** - The Fund should further explore financial trends in order to support financial planning. This should include what can be sustainably generated from the social economy given the contraction of the subsidy environment and economic conditions in communities themselves. Some contributors to the research suggested that a national fund should be established to assist projects that find themselves in justifiable financial difficulties.

**Promoting fairness** - The Fund should contribute to the development of model leasing agreements or clawback clauses to ensure more equity and fairness in transfer deals, irrespective of tenure.