

The BIG Lottery Fund



Evaluation of the Community Asset Transfer Programme

Stage 3 Interim evaluation Final report

Date: May 2016
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Contents

Executive Summary	i
1. Introduction	1
1.1. Context of this stage of the evaluation.....	1
1.2. Evaluation approach	2
2. CAT programme policy context	3
2.1. Policy developments to date	3
2.2. Current Policy context.....	6
2.3. Looking ahead.....	9
3. Experiences and progress of the CAT 1 Projects to date	11
3.1. CAT 1 Projects to date.....	11
3.2. Asset transfer and maintenance.....	12
3.3. Enterprise activities.....	14
3.4. Community engagement and capacity building	16
3.5. Partnership working and developments.....	18
3.6. Third sector organisational capacity	20
4. Conclusions	22
5. Stage 4 Evaluation	23
Annex 1 – CAT programme Theory of Change maps	25

Executive Summary

CMI was commissioned by the Big Lottery Fund to undertake a longitudinal evaluation of the Community Asset Transfer Programme. The evaluation accompanies the programme over eight years in order to capture what outcomes and impacts are achieved through the 16 funded projects. This is the third of four evaluation stages.

This evaluation report is aimed at the wider Community Asset Transfer community in Wales where there has been strong interest in the Community Asset Transfer agenda in recent years. The 16 original CAT 1 projects are an important showcase for what can be achieved in different settings and using different approaches.

Policy context

In respect of the current Policy context regarding Community Asset Transfer, it is clear, as noted by a member of the Evaluation Panel, that *“the world is a different place with regard to the environment for asset transfer compared to even 2011”* In particular, an earlier reluctance to transfer assets to community groups on the part of Local Authorities has been replaced by a great deal of Community Asset Transfer activity being undertaken. However, the picture remains highly varied in respect of the approach of Public Sector Organisations (PSOs) to working with Third Sector Organisations (TSOs) and the strength of the strategic vision behind Community Asset Transfers. In this landscape, the evaluation concludes that the CAT Programme and the CAT 1 projects as they have been implemented have played an important role in shaping broader Community Asset Transfer practice in Wales.

In addition, since many of the CAT projects have had a high profile, greater confidence has been generated within PSOs helping to develop clearer processes and greater enthusiasm for such projects. However, while the greater enthusiasm may have led to a great deal of attention being given to asset transfer opportunities, the result was described by stakeholders as often more re-active in defence of public and community services or buildings rather than being a pro-active attempt to create new opportunities for communities.

Stakeholders were strong in their judgement that the CAT 1 projects represent a specific type of Community Asset Transfer project which is distinctive and different from most of the general discussion around asset transfer opportunities. In this sense, stakeholders were clear that CAT 1 has not been simply a tool to save community assets, but rather an opportunity to deliver community benefits by a strong focus on enterprise and the development of robust business models. The longer term objective of CAT 1 is therefore seen clearly as aimed at empowerment and capacity building within communities and this remains true today.

The experience of the CAT Programme and of the projects shows that the challenge will always be about Third Sector Organisations creating, and being supported and encouraged to create, a vision for the asset, a robust funding model around which to make the asset work and a viable and sustainable model that will create revenue while providing or enabling services and products that are of direct and indirect benefit to the communities served. In achieving this, stakeholders are clear that strategic thinking rather than emotion is necessary to make sense of asset transfer opportunities.

An appropriate balance between public, private and third sector roles in developing sustainable business models and securing the necessary finance and skills base to deliver services is desirable. In this context, the implementation support offered under CAT 2 and the insistence on a 99 year lease or outright freehold transfer is regarded as key. This is particularly the case where mixed funding models including income, capital and revenue grant and commercial lending may be necessary for larger CAT

projects. Stakeholders and project managers are clear that without an asset, commercial lenders will not consider supporting a CAT project.

Experience of the CAT 1 projects

While the 16 CAT projects are characterised by combinations of a number of different factors, in terms of the 'project journey' and 'distance travelled', all of the projects have moved, or are moving, through a broadly familiar CAT 1 journey taking in the asset transfer process, capital build and modernisation projects and the launch of enterprise or community service elements.

Asset transfer and maintenance

Across all 16 CAT projects, the asset transfer process and the transformation of the assets from their previous use to their new third sector use have worked broadly according to their plans. Some exceptions are where delays in the transfer itself or the transformation of the asset have caused more significant delays to the projects themselves.

CAT project managers report a number of challenges that they have faced where, across the 16 projects, a number of commonalities may be identified. For example:

- Dispute with architects and/or contractors. Where professional expertise and advice has been available either from the Board or from, relatively expensive, professional advisers, projects have been able to find a negotiated position with contractors and so avoid the need for a legal engagement. Others feel that they have been let down by their PSO where better advice and support could have improved matters.
- Restrictive conditions associated with and transferred to the Third Sector Organisation (TSO) with the assets were also a common challenge faced by many of the CAT 1 projects.
- Additional, unforeseen, costs relating to the transfer and transformation of the assets have also been identified. However, where the building or asset has previously been occupied for broadly similar purposes fewer '*skeletons in the cupboard*' have been encountered.
- Across many CAT 1 projects the importance of having access to a sufficient volume of volunteers and an appropriate skill set amongst both Board members and volunteers is emphasised. For example, the availability of experienced and skilled construction teams and project managers and access to local quantity surveyors.

Enterprise activities

In the majority of CAT 1 projects, enterprise activities have been launched broadly as planned. There are, however, many cases where delays in launching income generating activities and services have occurred principally due to delays in the asset transfer and asset transformation stage of the overall project.

A number of CAT 1 projects that have a core asset of office space for rent and/or a café with good levels of access to community groups can be identified as amongst the most successful, to date at least, in generating sufficient income to be sustainable. However, even in these cases, a solid baseload of income generation from their office and workshop tenants or from a café users is vital. To be successful, there remains the need for these projects to actively manage their occupancy rates, tenant 'churn' and their café facilities effectively and professionally.

Innovation and further diversification is a further feature that may be identified amongst the CAT 1 projects that are, initially at least, the most successful in respect of their enterprise activities. Diversification into additional activities may have been enabled by the initial project taking on a momentum of its own, or by a community need for additional activities. While addressing a clear and

demonstrable market demand is a logical feature to seek out, as a success factor for enterprise activities undertaken with a community asset transfer project, it is nevertheless worthy of highlighting and repeating.

Amongst a number of the most successful revenue generating projects to date, there is an identified risk of direct or indirect reliance on public sector payments to allow users of the community assets to make use of the assets. For these projects, the next stage in their development as sustainable third sector organisations will be to move their activities to a more diverse revenue generation platform that can, to a greater extent, escape a reliance on public sector budgets.

Community engagement and capacity building

Almost all of the CAT 1 projects have tried to address a broad definition of their target groups in the communities in which they are located and who they serve. In addition, they try to balance their income generating activities with a commitment to wide community engagement. In achieving this they typically need to be more focussed in targeting different groups in the community and, in some cases, able to provide different or improved facilities and services.

Some projects have been able to widen the target groups targeted in the initial phase of their projects as a result of the success of the asset transfer in stimulating community engagement.

A small number of projects, have, from the outset, had the benefit of a much more specific focus in respect of their target groups and targeted methods for engagement with, and means of providing benefits to, their communities. Therefore, in these cases, the transferred asset enables the organisations to work in such a way that their core services and benefits to the community can be better delivered.

The CAT 1 projects also exhibit a wide range of contrasting experiences in their engagement of community volunteers particularly in the governance and management of the assets. Most projects recruit volunteers to come forward to act as trustees, board members or directors and across the cohort of projects, volunteers are extensively provided with opportunities across the projects in various roles receiving training and support as appropriate.

CAT 1 projects have been able to achieve an added value impact for their communities in the sense that the comparative stability and profile that has been achieved partly through the CAT 1 project has enabled the third sector organisation hosting the CAT 1 project to itself become a 'multiplier' or at least a mentor for other community projects and groups.

Partnership working and developments

Now that their capital projects have been completed and they are operating more or less independently, the majority of CAT 1 projects view their relationships with their local Council as neutral relationships that are arguably some way from the more active concept of '*partnership*' that may be supposed was envisaged in the CAT 1 programme objectives.

Inevitably, a small number of the projects describe their partnership with the local authority in negative terms, however, these seem to reflect the fact that they are currently in discussion with Council officers or members on specific issues.

A core group of the CAT 1 projects were able to describe their relationships with their Council in much stronger partnership terms. In a number of these cases this is probably because their partnerships extend from a period much earlier than the period of the CAT 1 project.

About half of the projects now perceive that their respective Councils are taking the opportunity to use the relative success of their projects as promotional assets for the local area and the Council itself.

Taken as a whole these conclusions may be regarded as indicating an important broadening of the partnership between the projects and their host local authorities and, in many cases, will be an unforeseen benefit and impact from the CAT 1 investment.

Third sector organisational capacity

The Theory of Change model for the CAT 1 projects is built around the transferred asset being used to enable enterprise activities and income generation that can be 'recycled' into the third sector and help build the capacity and independence of the sector. Taken as a whole, the CAT 1 projects are still '*on a journey*' towards independence rather than having arrived at the destination.

In about half of the CAT 1 projects an existing third sector organisation hosted the asset transfer project with other related and complementary activities already underway. In some cases these have a strong identity and 'brand' amongst their communities and in the third sector environment generally. For a number of these pre-existing organisations therefore, the CAT 1 project has been part of a general development of capacity and sustainability that they have been undertaking over a long period of time.

In the CAT 1 round, a number of third sector organisations were set up specifically to undertake the asset transfer project with the aim of using it as a 'springboard' to create a vibrant and independent third sector organisation within the community. For these projects, the eventual impact of their employment and enterprise activities on their local communities and economies may be expected to be significant since almost all of their outcomes will be additional and would probably not have occurred without the CAT 1 investments.

The CAT 1 projects have, by and large, recognised that different Board, management and volunteer skills are needed as projects develop and they have been able, in most cases, to take the necessary steps to achieve a refreshing when the need has arisen. However, one of the main risks identified by CAT 1 projects for the future arise from the inherent need for a continual refreshing of business plans, management staff and Board members.

By undertaking a CAT 1 project, many of the projects have resulted in a perceived increase in the standing and reputation of the third sector organisations involved, and in the third sector as a whole as trusted partners for local authorities and other third sector organisations.

CAT 2

CAT 2 is seen by stakeholders as an important step to further embed Community Asset Transfer in Wales. All political parties had included Community Asset Transfer in their May 5th 2016 election manifestos therefore the expectation is that it will remain high on the policy agenda into the future. However, the precise alignment of policy priorities and further development of the legal mechanisms, the funding environment and support infrastructure remain to be seen.

The CAT 2 programme has clearly already incorporated some of the lessons learnt from CAT 1. For example, the insistence of a 99 year leasehold and removal of purchase payments from the eligible use of CAT 2 funding. Further, the provision of development support for embryonic CAT 2 projects is seen by all stakeholders and project managers as a positive and appropriate step to take that will improve the outcomes from CAT 2 even compared to CAT 1.

The Big Lottery Fund has clearly benefited from a consistent team of project funding managers being available to support the CAT 1 projects and more recently to evaluate and assess CAT 2 projects. In

addition, greater experience amongst the advisory group for CAT 2 will only benefit the quality of the assessments being made for CAT 2 projects.

A positive outcome from the CAT 1 projects is that mentors are emerging from the cohort of CAT 1 projects to support and advise the CAT 2 projects.

Overall conclusions

The CAT Programme and the CAT 1 projects have, to date, played an important role in shaping broader Community Asset Transfer practice in Wales and has allowed greater confidence and enthusiasm for community asset transfer projects and processes to be generated within Public Sector Organisations.

The CAT programme has maintained its focus on long term empowerment and capacity building within communities and needs to be distinguished from much of the current Community Asset Transfer activity in Wales.

Examples of good practice of successful community asset transfer activities and approaches can be found across the range of CAT 1 projects.

Within the CAT 1 programme and projects, the asset transfer process and the capital projects have, broadly speaking, worked according to expectations although with some exceptions and a number of common challenges have been faced where greater support from the partner organisations or from access to expertise could have improved the transfer process.

While the majority of CAT 1 projects view their relationships with their local Council as 'neutral', a core group of the CAT 1 projects clearly regard their relationship with their Public Sector Organisation as a strong one; while a few describe their partnership with the local authority in negative terms.

The majority of CAT 1 projects enterprise activities have been launched broadly as planned although the challenge for all Third Sector Organisation's hosting a CAT 1 project has been to create a vision for the asset and to deliver that vision on the basis of a robust business model that provides or enables services and products to be delivered that are of benefit to the communities served.

Almost all of the CAT 1 projects have addressed a broad definition of their target groups in the communities in which they are located and who they serve. In addition, they have tried to balance their income generating activities with a commitment to wide engagement with their community.

The CAT 1 projects have enabled the third sector organisation hosting the CAT 1 project to itself become a 'multiplier' or at least a mentor for other community projects and groups.

1. Introduction

1.1. Context of this stage of the evaluation

The Community Asset Transfer Programme (CAT) was established in 2010 as a cooperation between the Big Lottery Fund and the Welsh Government and is managed by the Big Lottery. CAT was structured to distribute £13 million to refurbish and develop assets transferred from Public Sector Organisations to Third Sector Organisations. It required Public Sector Organisations and Third Sector Organisations to form partnerships to put forward bids.

CAT seeks to achieve four outcomes:

1. To build the **capacity** of enterprising communities to take on and develop community assets that can provide solutions to the challenges they face.
2. To contribute to the **regeneration and economic sustainability** of communities.
3. To promote and strengthen the **independence of third sector organisations** by enabling social enterprise.
4. To **improve partnership working** between the public sector, the third sector and other sectors.

CMI was commissioned by the Big Lottery Fund to undertake a longitudinal evaluation of the Community Asset Transfer Programme. The evaluation accompanies the programme over eight years in order to capture what outcomes and impacts are achieved through the 16 funded projects. The evaluation started in 2011 when the first projects had been approved; this is the third of four evaluation stages.

The purpose of the overall evaluation is:

“to identify and measure the impact of the CAT programme on local communities and wider stakeholders and to assess whether this represents value for money.”

The evaluation began with a process evaluation undertaken in 2011/12 which considered the programme rationale and the effectiveness of the implementation processes; a second evaluation stage, in 2013 considered the experiences of the 16 supported projects and a broader cross-section of stakeholders to create a multi-faceted picture of the community asset transfer journey in Wales; this third evaluation stage focuses on the outcomes so far secured¹.

This evaluation report is aimed at the wider Community Asset Transfer community in Wales. There has been strong interest in the Community Asset Transfer agenda in recent years with the 16 original CAT projects being seen as an important showcase for what can be achieved in different settings and using different approaches.

The report can act as an important tool for the Big Lottery team themselves to gain a further level of reflection on the cohort of CAT 1 projects², the different Community Asset Transfer journeys they illustrate and the way in which the programme has interacted with the Third Sector and Public Sector Organisations involved in the projects, but also the wider environment for Community Asset Transfer in Wales.

¹ Stage 4 of the evaluation, in 2018, will focus on assessing the economic, environmental and social impacts of the projects and the Programme as a whole

² A second iteration of the CAT programme was launched in 2015.

At the time when the evaluation was carried out (March and April 2016), some of the 16 projects funded were no longer in receipt of revenue grants, (or the grants are rapidly being phased out) with all capital works completed, the asset up and running and the enterprise activities well under way. Others have experienced considerable delays mostly as a result of the complexities of the asset and the refurbishment project itself. Only one project was still to complete their capital project.

1.2. Evaluation approach

The Stage 2 evaluation report concluded that

“The focus for the next stages of the CAT programme evaluation will [...] be predominantly qualitative in nature and will focus on capturing evidence and any available data on changes in the capacity of the TSOs benefiting from CAT funding as a proxy to assess the impact of the CAT programme.

By adopting a ‘distance travelled’ approach, the evaluation will [...] take into account that several of the TSOs involved in CAT projects have come into the programme with considerable existing enterprise capacity while other TSOs have been created specifically for the purposes of undertaking the CAT asset transfer project. Therefore, understanding the extent to which TSO entrepreneurial attitudes change as a result of asset ownership and the success of the supported ventures themselves will be a key measure for the results achieved through CAT funding.”

The notion of ‘distance travelled’, identified as an important perspective for the evaluation by Evaluation Panel members, has been particularly relevant at Stage 3 of the evaluation. As noted above, the 16 projects are at different stages of implementation and while this is partly due to the staggered process used in awarding the CAT grants it is also due to different development trajectories for the individual projects and Third Sector Organisations delivering them.

In detail, the Stage 3 evaluation built on the work undertaken at Stage 2 by:

- Identifying whether, and how, the programme has impacted on changes in asset transfer and development policy and practices in public bodies;
- Reviewing the extent of, and ways in which, community members and other partners engaged in the asset transfer process and how this has continued or changed in the management of the asset after its transfer;
- Assessing the extent to which the CAT programme has met, or is meeting its aim of encouraging social, economic and environmental sustainability;
- Identifying examples of good practice or otherwise in the asset transfer and development processes; and
- Reviewing monitoring and self-evaluation materials to identify the outcomes of the transfer of assets on a local and programme wide level.

As the previous two evaluation stages, the current outcome evaluation stage is framed within the overarching evaluation framework of Theory of Change maps for the three distinct levels at which CAT is expected to produce outcomes and that were developed at the first evaluation stage³.

³ The three complete Theory of Change maps are included in Annex 1.

As part of this stage of the evaluation, all 16 CAT 1 projects were either visited by the evaluation team or in-depth telephone interviews took place using semi-structured interview materials to ensure consistency. In addition, all monitoring reports and end-of-year reports submitted to the BIG Lottery by the projects were reviewed and data synthesised where possible.

The evaluation team has also undertaken follow-up interviews with the CAT projects' Public Sector partners. This has allowed us to revisit the patterns identified at the previous evaluation stage in terms of the three main dimensions that are at the heart of the CAT programme rationale - enterprise, community and partnership.

This has been complemented with a particular focus on working with the Evaluation Panel members to ascertain how the CAT programme has helped shape Community Asset Transfer policy and practice in Wales. In-depth interviews have also been undertaken with Evaluation Panel members, building on earlier interactions for those members who were already involved at the previous two evaluation stages and identifying additional, more recent perspectives.

The self-evaluation support that was on offer to all projects at the outset has had only a limited take-up. It is suggested that the capital aspects have been so demanding for most CAT projects that they have not had a strong focus on self-evaluation so far. While it is understood that only one project has commissioned an external evaluation, other projects will have created their own indicator system to capture results. In addition, projects have submitted a biannual monitoring report to the Big Lottery Fund with a particular focus on the end of year report where projects have summarised progress to date in terms of grant progress, the achievement of outcomes and any learning made. In addition, a recent internal Big Lottery Fund effectiveness review has captured all key data on the projects.

2. CAT programme policy context

2.1. Policy developments to date

As identified in the programme level Theory of Change map (Annex 1) the CAT programme has a role in influencing the wider policy context for community asset transfer in Wales. This was therefore a focus at all previous evaluation stages. The following paragraphs chart out the developments in that respect since 2010/11.

2010/11 – Focus on enterprise

Policy agendas around community empowerment and social enterprise were, at this initial stage, seen by stakeholders to have been key in framing the development of the CAT programme. CAT was regarded as the Welsh Government's response to the Quirk review of 2007⁴ which had demonstrated the opportunity for community empowerment when public assets are transferred to community ownership and management, particularly where this is part of a wider strategy of partnership working between communities, the third sector, and the public sector.

The expectation was that CAT would be seen in the context of other policy initiatives and funding streams. The Welsh policy environment was seen to be "in its infancy" and implied that the onus was on the Welsh Government to ensure that a strategic vision for community capacity development and a coherent mechanism around community asset transfer and its role in community empowerment was put in place. The evaluation (Stage 1) of the CAT programme identified the Code of Practice agreed in

⁴ Department for Communities and Local Government (2007), *Making assets work, The Quirk Review of community management and ownership of public assets*

March 2011 between the Welsh Assembly Government, the Welsh local authorities and Welsh Health Boards as a first step in that direction.

The National Asset Management Work Stream under the Welsh Government's Efficiency and Innovation Programme was seen to concentrate predominantly on developing protocols for transfers and joint use of assets between different public sector organisations themselves. Examples of these initiatives were a land transfer protocol and the promotion of e-PIMS as a central tool to create a central resource for the identification of assets in different ownership and to consider any surpluses or options for shared occupancy with the intention of rolling this out to all PSOs in Wales during 2012.

At the time, stakeholders cautioned that there was a potential risk of a *"narrowing the policy agenda...because CAT may end up being seen as the only route to community asset development"*. In line with this, effectively leveraging the CAT programme to interact with and complement other policy implementation, most notably Communities First, was identified as an important criterion for success.

The Stage 1 evaluation highlighted that an understanding of how Third Sector Organisations (TSOs) can contribute to the types of outcomes that their public sector counterparts work towards needed to be developed. This then needed to be translated into very practical ways of embedding such an understanding into strategic asset management approaches allowing policy and implementation to move on from a position where there was only limited recognition of the potential for the third sector to make a contribution to improving outcomes.

In developing and financing the CAT programme, the strategic partnership between the Big Lottery Fund and the Welsh Government was therefore identified at Stage 1 of the evaluation as a test bed and model for further collaboration.

Research undertaken at Stage 1 of the evaluation further suggested that stakeholders saw the notion of "enterprise" and an associated culture change for a wide range of stakeholders as being at the heart of the CAT programme rationale.

Expectations towards Third Sector Organisations were seen to be *"bound up in a bigger agenda around the development of a new understanding regarding the balance between public and third sector delivery of community services. Stakeholders including those involved in the development and/or delivery of the programme saw it as part of the programme rationale that the asset transfer process should strengthen TSOs in their engagement with public sector partners and allow them to learn to constructively challenge public sector organisation (PSO) decision-making."*

Similarly, the close involvement of the host communities themselves *"in the development of a portfolio of products and services as well as the ongoing management and governance of the asset"* was expected to contribute towards *"a move away from a dependency culture and engage community members in the actual delivery of services in order to reduce their reliance on external provision."*

For the Public Sector Organisations involved, the expectation was that *"a TSO asset transfer is framed in the context of a shared understanding of how the asset will enable the TSO to contribute to improved outcomes for community members."*

Strategic engagement was also seen as *"the route to enable public sector representatives to more fully understand how asset transfer is potentially linked to a wide range of policy areas, from poverty and skills to economic development and waste."*

Finally, the explicit focus on enterprise was seen as requiring Big Lottery staff to develop *"an understanding of how social and economic dimensions combine to produce certain outcomes"* and beyond procedural issues this was seen to be underpinned by *"a different mind-set that allows Big*

Lottery staff to appreciate how CAT funding will support a project or organisation rather than an ‘issue’ and how one of the key requirements in managing this process is the ability to manage risk in the funding of enterprising projects.”

2013 – Future service delivery models

The stakeholder research undertaken at Stage 2 of the evaluation confirmed that the need for public sector organisations to enhance their approach to the management of capital portfolios, the supply side, remained high on policy agendas. However, progress in reinforcing and broadening policy initiatives in Wales (to live up to the opportunities identified in the Quirk Review) was seen to have been relatively limited and lagging behind the other UK countries.

Stakeholders raised concerns that partnership working between the Big Lottery Fund and the Welsh Government largely focused on programme management aspects implying that a longer term focus on policy would be weakened and an effective link between the supply and demand-side of the community asset transfer agenda would not be created.

Third Sector involvement in progressing the development of practical tools remained largely indirect at the time with the focus resting on transfers between public sector organisations.

The community asset transfer agenda was interpreted as an expression of a renewed interest in community engagement by diverse policy stakeholders. To a large extent this was said to stem from the need to engage communities around public services with the aim of delivering services more effectively (and at lower overall cost) as captured by the notion of ‘co-production’. As a result the focus on strengthening the Third Sector role in the delivery of public services hinged on Welsh Government work on the development of future service delivery models. However, Evaluation Panel felt that the debate was dominated by a ‘savings agenda’ rather than an ‘innovation agenda’.

In 2013, CAT programme stakeholders therefore identified a number of key policy agendas that, together, could embed community asset transfer as an effective policy tool in Wales and ensure the shared understanding of the capacity development processes necessary to effectively lever asset transfer for community economic regeneration. The main overarching policy areas identified were community economic regeneration, public services, social enterprise, and physical regeneration.

Beyond these distinct policy agendas Evaluation Panel members also noted that from a practical perspective ‘enablers’ and implementation tools would be required. For example, these included:

- broadening professional perspectives and increasing professionals’ understanding regarding what can and cannot be done in terms of legal restrictions (e.g. transfer below market value) on asset transfers by public bodies;
- a generally agreed and accepted ‘social value’ tool in order to express and evidence the added value of a community asset transfer;
- practical tools to support the identification, valuation, and transfer of diverse public assets;
- aligning support for asset transfer with development and capital funding and ‘intelligent funding’ approaches that can bring together multiple funders and
- an integrated Welsh Government policy response to the promotion of community asset transfer.

The cohort of CAT projects was seen to have the potential to demonstrate what can be done, because the considerable level of revenue funding set the projects apart from other community asset transfer

projects. A key question emerging therefore was how and where this practical activity could link into further policy development?

At the same time the stakeholder research suggested that in a complex and multi-faceted Community Asset Transfer policy environment in Wales and interventions required at multiple levels, the extent to which the CAT programme could be expected to make a direct impact was limited. Any direct policy effects could only be expected at the level of the individual public sector organisations that are involved with the individual CAT projects.

2.2. Current Policy context

The stakeholder research undertaken for Stage 3 of the evaluation, including the feedback from the Evaluation Panel, suggests that *'the world is a different place with regard to the environment for asset transfer compared to even 2011.'* In particular, an earlier reluctance to transfer assets to community groups on the part of Local Authorities had been replaced by a great deal of Community Asset Transfer activity being undertaken. However there remains a highly varied picture in terms of the relative emphasis placed on Community Asset Transfer, the approach of Public service Organisations (PSOs) to working with Third Sector Organisations and the strength of the strategic vision behind Community Asset Transfers.

Generally speaking, stakeholders see *'a lot of asset transfer noise'* but often as a defensive rather than pro-active step. Overall one stakeholder summarised the position as *'the current public sector motto appears to be 'save it or lose it', which is the opposite of the message from the Quirk review, which stressed the need for hand-holding and an incremental transfer process.'* Too strong a focus on traditional public services and *'damage limitation rather than community enterprise'* was seen as getting in the way of genuine community empowerment.

Current asset transfer activity may be characterised as falling into two categories,

1. Relatively large scale asset transfer projects under the 'banner' of *Alternative Delivery Models* that often exhibit a strong social enterprise element but have limited direct community engagement or involvement;
2. Projects focusing on safeguarding a public asset and/or public services with a strong role attributed to community groups under the banner of *Community Asset Transfer*.

Against this background, one Evaluation Panel member highlighted that it was important to clarify that the cohort of 16 CAT 1 projects represented a very specific type of Community Asset Transfer project, distinct from both of the above. In this analysis, CAT 1 was not in any way designed as a tool to save community assets, but instead to deliver community benefits by a strong focus on enterprise and the development of robust business models. CAT 1 offered projects capital funding to ensure that an asset was fit for purpose for the chosen enterprise activity and with the advantage of a long term timeframe, both in respect of the revenue funding available to underwrite enterprise activities early on and in respect of the asset transfer leasehold arrangements agreed with the public sector asset transferring organisations.

In this important respect stakeholders were clear that CAT 1 needs to be distinguished from much of the current Community Asset Transfer activity, with a greater focus on, often, small, reactive transfers to voluntary and community groups with a limited entrepreneurial profile, ambition and hampered by typically short-term leaseholds on the asset transferred to them. For such small scale transfers stakeholders felt that the key question remains to what extent the buildings transferred are indeed assets, as opposed to potential liabilities, and whether, in cases where a public or community service

is inextricably associated with the asset itself (e.g. a library or a bowling green etc), these are viable and sustainable as social enterprises.

Within this 'noise' of diverse activity there is evidence, noted by stakeholders, to suggest that the cohort of CAT 1 projects has played a role in shaping broader Community Asset Transfer practice in Wales. Many of the CAT projects have had a high profile and, with so far, none of the 16 having gone out of business it is generally seen as a success. Several of the Public Sector Partner organisations interviewed for this Stage 3 of the evaluation suggested that, by making the CAT 1 projects happen, confidence had been generated within their public sector organisation and had helped to develop clearer processes for such projects.

However, while fundamental attitudes in PSOs appear to have changed, the experience, currently developing, under the second iteration of the Big Lottery's Community Asset Transfer programme (CAT 2) suggests that the requirement for at least a 99 year lease and a transfer below market value has acted as a barrier for a number of the potential applicants who were still unable to secure leaseholds from a PSO that were beyond, typically, a 25 year maximum. Several practitioners interviewed for Stage 3 of the evaluation also suggested that such short leases are often requested by community groups themselves reluctant to commit to longer leases and preferring the flexibility of shorter leases and break clauses. A Big Lottery representative expressed the view that *'it would be beneficial if the funders had a better relationship with some of the Local Authorities'* in order to make a case for projects with a long-term vision.

According to one of the stakeholders involved in the selection process for CAT 2 projects, applicants' experience so far confirms a picture of considerable differences between Local Authorities in terms of *'their acceptance of the idea of Asset Transfer; the processes that they put in place to transfer assets and the innovation that projects are able to bring to projects.'*

A Welsh Government funded pilot project hosted by GAVO and covering all Gwent Local Authorities builds on instances of Local Authority good practice. Supporting community groups in making more robust assessments of potential Community Asset Transfer projects is combined with providing due diligence for the transferring public sector organisation. This kind of approach is generally regarded by stakeholders as an important building block, although not in itself sufficient to ensure that appropriate projects with reasonable chances of success are always taken forward.

Discussions at the Evaluation Panel meeting highlighted that *'difficult political discussions'* would be necessary regarding the underlying viability of many community assets, for example, multiple community sports facilities. Too often, it was felt, Local Authorities are seen to focus primarily on managing their asset portfolio in response to pressure from austerity conditions while community groups may be led to take on assets as an emotive response to the threat of closure but without a sound business model or enterprise idea being developed.

Community asset transfer, stakeholders reflected, is mostly about finding ways to protect traditional public services and often equates to damage limitation rather than community enterprise. In these circumstances community asset transfer could end up being skewed towards *'covering up public service failure'*. Asset transfers are often more of a transfer of services that require a large subsidy in normal circumstances. Consequently trying to save such services, often with TUPE arrangements is like *'trying to create a miracle'*. In those circumstances, the transfer is the actual policy goal rather than the development of the asset and associated community goods and services.

Linking the discussion about current Community Asset Transfer practice to the notion of culture change as a core part of the CAT programme rationale, and highlighted by stakeholders during Stage 1 of this evaluation, what stakeholders called for could best be described as a further element of

culture change, namely, on the part of communities themselves. The view was expressed that, under current economic conditions, for the larger Community Asset Transfer agenda to come into its own, communities willing and able to take on greater responsibility in delivering non-statutory services and/or a greater willingness to pay for services would be required. In addition, a more appropriate balance between public, private and third sector roles in developing sustainable business models and securing the necessary finance and skills base to deliver such services would be desirable.

A Welsh Government representative suggested that Community Asset Transfer projects *'should be far more open to different sources of funding'*. Similarly, third sector voices called for a greater role for repayable finance in order not only to extend the reach of the available funding sources, but also to embed commercial disciplines in the Third Sector Organisations involved in Community Asset Transfer projects. One Evaluation Panel participant also suggested that linking up with private sector lenders is an increasingly important and powerful element, since *'hard discussions with the private sector will bring greater scrutiny to a project.'* However, one stakeholder cautioned that there is an oversupply of social investment while community groups in Wales *'are nowhere near ready to make good use of it – and it would be wrong to lead them down that route.'*

Many of the aspects highlighted in this broader discussion were seen to already have been embedded in the approach adopted for the second iteration of the CAT programme in Wales, which is *'working with community groups to take an honest look at their likely viability'* and offering *'a lot more hand-holding particularly for embryonic organisations'*. The Big Lottery Fund themselves as a key Community Asset Transfer player in Wales therefore have a much better understanding of the processes involved, are able *'to ask Third Sector Organisations the difficult questions'*. As a result, they have the potential to make a further contribution to the wider Community Asset Transfer agenda.

However, the Big Lottery is, like most organisations subject to public scrutiny and budget conditions, under pressure to reduce its costs and CAT 1 was an exercise demanding of resources in terms of funding, management and staff. It is therefore important to consider how the CAT 1 experience illustrates how the various building blocks of the third sector support infrastructure in Wales are delivering collectively and how this may be integrated with Local Authorities' own systems and processes around Community Asset Transfer. However, the Evaluation Panel discussion also emphasised that in CAT 1, *'the longer term objective wasn't about the transfers in themselves but about community empowerment.'*

The Big Lottery Fund was widely seen by stakeholders as having *'driven this agenda and ensured that it's about a long-term vision for enterprising TSOs.'* As a funder it has taken risks by supporting inexperienced TSOs, risks that appear to have paid off in many instances.

Views expressed at the Evaluation Panel meeting for Stage 3 of the evaluation suggested that finding an appropriate balance between funders and policy-makers taking calculated risks and an element of *'natural selection'* could be the way forward in further strengthening Community Asset Transfer practice in Wales.

From a policy perspective, it was agreed amongst stakeholders that the Welsh Government clearly has a vital role to play in creating an appropriate framework for this balance to come into its own. Overall, stakeholders agreed that the legal mechanisms required to enable Community Asset Transfer were gradually being put in place. A number of policy developments since 2013 highlighted earlier suggest that the link between community deprivation, capacity and resilience and asset transfer as a tool to help address these issues has strengthened somewhat with the link between asset transfer and community voice *'on the agenda'*.

The recent Welsh Government consultation on Protecting Community Assets considered how the relationship between Public Sector Organisations and communities could be strengthened and recognised the need for resources and support for communities to enable them to have their say. The Welsh Government's Communities Facilities Programme is now linked to the dual objectives of community and tackling poverty with enterprise as a key criterion in the assessment of applications. Finally, the Well-being of Future Generations Act is expected to further focus Local Authority decisions on leveraging all assets at their disposal to deliver on community outcomes. Alongside this, the National Asset Working Group has just recently published an updated Welsh Government best practice guide and a Community Asset Transfer tool kit for sports and culture facilities.

However, stakeholders from the third sector in particular felt that *'communities are off the agenda, it is now much more about what communities need rather than investing in them'*. These stakeholders further highlighted that there *'hasn't been an investment in community economic development in years as it is such a high cost intervention. This means that there hasn't been any investment to get Third Sector Organisations ready for Community Asset Transfer.'* Another highlighted that, in Wales, Community Asset Transfer was too isolated from other policy developments and is not seen in *'the context of a suite of other community rights'*. Views regarding the support infrastructure for Community Asset Transfer projects were also discussed in the stakeholder interviews and at the Evaluation Panel meeting suggesting a broad consensus about the need to focus on viable social enterprise models, but also a lack of funding to support the development of viable social enterprises adopting an asset-based model.

While some stakeholders see a gap with regard to building the capacity of community organisations to develop and embed strong business models and 'own' any business plans, other stakeholders stressed the need for a sense of realism regarding the inherent capacity of embryonic community enterprises to make a success of Community Asset Transfer projects.

Stakeholders broadly agreed with the assertion that, as one interviewee put it, *'generally speaking local authorities lack capacity to offer support to communities'*. Here, a number felt that start-up support for social enterprises is a gap in the current support infrastructure⁵, and it was generally accepted that a more detailed gap analysis would need to be undertaken before any potential additional Welsh Government investment, for instance, in a network of Regional Community Asset Transfer Support Officers, could be considered.

Finally, a key concern expressed by many stakeholders interviewed for this Stage 3 of the evaluation was summed up by one interviewee as follows: *'There is very little imaginative thinking regarding business models. There aren't enough examples and experiences of successful entrepreneurial projects/organisations.'* This would need to be addressed in considering any start-up support.

2.3. Looking ahead

The current iteration of the Big Lottery's Community Asset Transfer fund has incorporated some of the lessons learnt from CAT 1.

As suggested above, the rules regarding the minimum lease term and the purchase cost have been tightened in order to ensure that projects stand the optimum chance of effectively leveraging the asset to create a resilient social enterprise:

- Applicants are generally required to secure at least a 99 year lease;

⁵ As opposed to support for social enterprises looking to expand, develop and create jobs which is available via Social Business Wales

- The Fund only accepts a transfer if the price agreed for the asset is below market value;
- The CAT 2 capital funds can only be used towards the asset refurbishment and not as part of the asset purchase price that may have been agreed.

In addition, under CAT 2 a dedicated support function has been procured. This was in response to the experience under CAT 1 that many projects were not proactively using any existing support. Issuing a separate support contract therefore makes it very clear and transparent that projects are expected to make use of the support available.

Under this contract, the Development Trust Association Wales (DTA) is able deliver a limited amount of support to applicants between the first and second application stage to ensure that they have robust business planning and a sound governance structure in place. DTA are using their health check to work with all applicants and are making extensive use of the learning emerging from the CAT 1 projects including sign-posting applicants to the existing CAT projects and setting them up with peer-to-peer mentors or informally linking them up. The support does not stretch to feasibility work and early information gathering.

The Big Lottery Fund has been able to put a consistent team in place internally to support the process of evaluating and assessing CAT 2 projects consisting of the funding manager, funding officers and the capital advisers.

The business model developed for the community asset that an application relates to is the key factor that the team is looking for in CAT 2 – *'it's the enterprise not the asset that needs examination and development mostly'*.

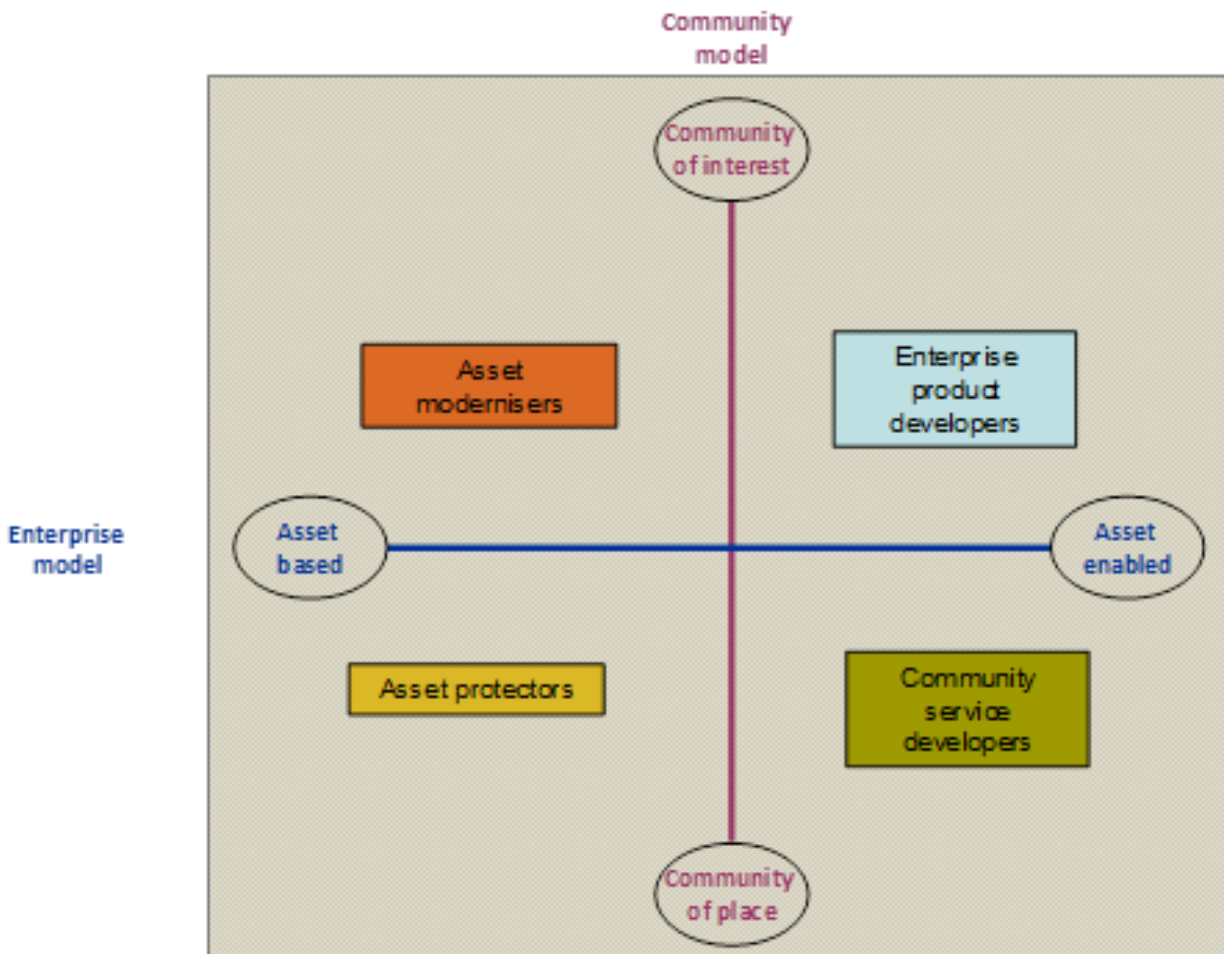
The characteristics and the character of the project team itself is an area for close scrutiny based on the experience of the CAT 1 projects, it needs to be robust, experienced and flexible as there will be a lot of challenges and 'bumps in the road'. It is important for projects to get a range of people on board early on in the planning – a volunteer strategy; a board with experiences and empathy; a group of mentors to call in when difficulties arise; professional advisors that they can afford and rely on.

For the future, lessons from CAT 1 may suggest that CAT projects need to be smaller scale; with projects and organisations receiving support to build their capacity. In addition, they may need a greater mix of funding alongside CAT grants. However, it is still too early to make this assertion confidently.

CAT 2 is seen by all stakeholders as an important step to further embed Community Asset Transfer in Wales. However, there was general agreement that its scale is very limited. Seeing that all political parties had included Community Asset Transfer in their manifestos the expectation is that it will remain high on the agenda after the National Assembly elections in May 2016. However, the precise alignment of policy priorities and further development of the legal mechanisms, the funding environment and support infrastructure remain to be seen.

3. Experiences and progress of the CAT 1 Projects to date

3.1. CAT 1 Projects to date



The 16 CAT projects are naturally characterised by unique, distinctive combinations of a number of different factors.

At Stage 2 of the evaluation, two main axes were distinguished along which projects could be analysed - the nature of the target community, and, the role the asset plays within the business model used.

Using this analysis allowed the evaluation team to illustrate four main 'archetypes' of community asset transfer projects supported under the CAT 1 programme. These are shown again in the diagram here.

It should be noted that few projects fit neatly into only one of these archetypes and most will display characteristics of one or more archetypes. Therefore, the main purpose of this depiction is to allow a discussion of the 'project journey' and 'distance travelled' by the projects to be discussed.

For **Asset Protectors** the desire to retain the asset itself for the benefit of a specific community of interest or a community of place is critical. Examples of such project types within the 16 CAT 1 projects include Cardigan Castle, Penarth Pier Pavilion and the Harlech Swimming Pool - as does the Insole Court project. For the asset to be viable in the long run, Asset Protectors have needed to identify enterprise opportunities that generate sufficient income to support some of the less profitable community uses.

Asset Modernisers, by contrast, although also having a desire to retain an iconic building for community use, will tend to do so with a more specialised portfolio of social enterprise products and services in mind from the outset. CAT 1 projects such as Glyn Wylfa, Ebbw Vale Institute and Neuadd

Ogwen projects fall in this category. These projects are concerned with ensuring that the management of the asset creates direct benefit to the overall project – in most cases, income generation – and supporting tenants’ enterprise activities as well as offering the potential of rental spaces for community usage.

Enterprise Product Developers will typically link the asset to a specific business objective and the TSOs initiating such projects are likely to be already established with an existing portfolio of focused social enterprise products which have been developed over time and associated with a very clearly identified market segment. In this category the projects including TooGoodToWaste, NoFitState, Newtown Market Hall and the New Sandfields projects are probably best located.

Finally, **Community Service Developers** will mostly be established TSOs and will have proven themselves capable of delivering community services ranging from employability to community enterprise and skills, also offering opportunities for placements, training and volunteers. Examples here include the Menter Mon-led Llangefni town hall project, Gwesty Seren, Groundwork Wales and the Longwood Community Trust project.

While these archetypes are useful in illustrating the point on the diagram where these projects are at any one point in time, what is more revealing is the ‘project journey’ or ‘distance travelled’ the projects have all moved through. The following sections therefore consider the journeys in each of 5 areas of analysis:

3.2. Asset transfer and maintenance

One of the prime objectives of the Big Lottery Fund in instigating the CAT programme has been *“to build the capacity of enterprising communities to take on and develop community assets that can provide solutions to the challenges they face”*. At this stage of the evaluation it is, to some extent, possible to take stock of the way in which this objective is being achieved based on the experiences of the 16 CAT 1 projects.

Across all 16 CAT projects, the asset transfer process and the transformation of the assets from their previous use to their current third sector use have worked broadly according to the plans. There are, quite naturally, some exceptions where delays in either the transfer itself or the transformation of the asset have caused more significant delays to the projects.

Furthermore, in almost all cases, project managers are able to identify *‘bumps in the road’* that they and their organisations were faced with in relation to the asset transfer and the transformation projects. In most cases these were dealt with by a combination of redesign, negotiation or the sourcing of additional funding from external sources or, commonly, by the provision of additional capital funding from the ‘host’ third sector organisation and its supporters. For example, Gwesty Seren, Neuadd Ogwen and Xcel Bowl all required additional capital investment from their host organisations in order to bridge gaps in the project funding as the capital development of the asset and short delays in opening the planned enterprise activities were encountered.

CAT 1 project managers report a number of challenges that they have faced where, across the 16 projects, a number of commonalities may be identified.

For example, a number of the projects have been in dispute with architects and/or contractors regarding some element of the asset transformation work either for reasons of design problems, disputes on the quality of the build or materials used. The disputes have, in a number of cases, led to the need for legal action to be taken by the CAT projects.

A number of project managers have clearly challenging experiences to report in this respect including the Harlech Leisure Centre and Penarth Pier Pavilion Trust. In these cases the legal challenge could not be pursued either because this was not a cost element foreseen in the CAT project budgets or the professional advice or expertise required to challenge architects and contractors was not available to the CAT project boards. However, where professional expertise and advice has been available either from the Board or from, relatively expensive, professional advisers, such as in Glyn Wylfa and the Towy Xcel Bowl, the projects seem to have been able to find a negotiated position with contractors and so avoid the need for a legal engagement.

A further common challenge for the CAT projects was the negotiation, with the asset transferring organisation, of the terms of the asset transfer typically around either the price or the period of the leasehold granted. For example, this seems to have caused some significant problems in projects including Gwesty Seren and the Longwood Community Trust. In some cases, a lengthy negotiation with the transferring organisation's legal team was required that finally resulted in an amicable solution such as achieved in the case of Towy Xcel Bowl project.

The move, taken under the current CAT 2 Programme⁶, to tighten up on the circumstances under which the use of CAT 2 funds to acquire assets are deemed eligible is a reflection of the learning achieved by The Big Lottery Fund from the delays and uncertainty caused by this issue to many of the third sector and community organisations undertaking CAT 1 projects.

The existence of restrictive conditions associated with the transferred assets were also a common challenge faced by many of the CAT 1 projects. These range from the necessity to accommodate pre-existing tenants or users for part of the asset facilities (NSAA - Community Employment Academy), through the requirement for projects to take over existing staff under TUPE arrangements (Harlech Swimming Pool) to the significant insurance cost liabilities associated with the assets transferred (Menter Mon - Anglesey Social Enterprise Centre). In the case of both NSAA and the Harlech Swimming Pool projects, the managers report that they have expended considerable management time and additional cost in dealing with the consequences of these liabilities, the impact of which were not fully identified at the outset of the projects.

Additional costs and barriers relating to the transfer and transformation of the assets - and not originally foreseen - have also been identified across the CAT 1 projects. For example, delays and additional costs arising from necessary additional capital works have been encountered in a range of projects.

Here, a common theme appears. Where the building or asset has previously been occupied for broadly similar purposes - as was the case with Groundwork Wales and NSAA - there are fewer '*skeletons in the cupboard*' that have been encountered. By contrast, in other cases a '*fresh*' occupancy may reveal just such '*skeletons*'. For example, Cardigan Castle, Penarth Pier Pavilion and the Anglesey Social Enterprise Centre (Menter Mon). Similarly, these may appear where significant changes in usage have typically involved the CAT 1 project managers in dealing with '*unknowns*'. These have ranged from unsafe ground conditions, weather damaged roofs to unsafe walls. In a number of cases archaeological discoveries made during the project construction phases have had to be accommodated, and paid for, in the construction or refurbishment elements of the projects. These were encountered at both

⁶ Generally, CAT 2 may consider assets with less than 99 year leases but only in exceptional circumstances. Similarly, while CAT 2 does not exclude projects who need to purchase the asset, the price being paid must be significantly less than market value and applicants cannot use CAT 2 funds to pay for the asset itself.

Cardigan Castle and Insole Court. Clearly more thorough, or even additional, specialist site surveys prior to the transfer taking place could have mitigated, at least to some extent, these issues.

Finally, across many CAT 1 projects there is a strong emphasis on the importance of having access to a sufficient volume of volunteers and an appropriate skill set amongst both Board members and volunteers in making the transformed asset function effectively for the wider objectives of the CAT 1 projects. For example, the availability of experienced and skilled construction teams and project managers and access to local quantity surveyors was noted as a key element for a number of the CAT 1 projects. Their absence is reported as negatively affecting the Cardigan Castle and Harlech Swimming Pool projects while the Glyn Wylfa and Ebbw Vale Institute project managers describe as a significant success factor for them as their access to such expertise either on the project Boards or as enthusiastic volunteers associated with the respective projects has helped tremendously.

3.3. Enterprise activities

Following the focus on the asset transfer itself, the next key objective of the CAT 1 programme has been to build enterprise activities so that *“enterprising communities....can provide solutions to the challenges they face”*.

Most of the CAT 1 projects are now into the operating phase of their variously planned enterprise services and activities with the aim of building revenue streams, aiding the sustainability of the whole project and allowing their communities to address their needs and challenges.

In the great majority of CAT 1 projects enterprise activities have been launched broadly as planned. There are, however, many cases where delays in launching income generating activities and services have occurred principally due to delays in the asset transfer and asset transformation stage of the overall project. The CAT Programme’s ability and willingness to be flexible about the payment of revenue grant support in line with the needs of the projects rather than to a strict timetable of payments is positively regarded by projects and commented on by stakeholders and partners.

In a number of cases a delayed operating start caused by capital project delays has had a significant effect on the trajectory of the projects in generating income and therefore weakened the potential of projects to achieve the sustainable revenue position from the social enterprise activities planned. These projects include, amongst others, Penarth Pier Pavilion, Cardigan Castle, Longwood Community Woodland and Insole Court.

In other cases, the trajectory of the project from asset transfer to, first, income generation and, later, sustainability has, with the benefit of hindsight, seemed remarkably smooth. These cases potentially include, for example, Towy Xcel Bowl, Glyn Wylfa, Groundwork Wales, Gwesty Seren, Menter Mon and Neuadd Ogwen. Closer examination of these projects, however, suggests that each of them employing tight financial control alongside a clear focus on the project’s core assets and planned services and a strong sense of innovation to achieve their relatively strong revenue positions.

For example, a number of CAT 1 projects built around a core asset of office space for rent and/or a café with good levels of access to community groups can be identified as amongst the most successful, to date at least, in generating sufficient income to be sustainable.

Glyn Wylfa, Menter Mon and Groundwork Wales have already been able to create a solid baseload of income generation from their office and workshop tenants. Even amongst these cases, in order to be successful, there remains the need for them to actively manage their occupancy rates, tenant ‘churn’ and their required rental levels compared to the commercial marketplace. The example of NSAA is instructive here illustrating the continual challenge of managing existing and inherited tenants

sensitively while also balancing the project's need for income with its objective of supporting community activities and organisations.

Similarly, a café space provided as a core community service is a very common element within CAT 1 projects. While this is often taken for granted, the experience of the projects to date suggests that some of the initial assumptions regarding the management, delivery and marketing of café facilities have needed to be re-focused in many projects. These have required changes to be made to allow these important community services and spaces within the CAT 1 projects to achieve their potential.

For example, additional investment on equipment, training and flexible spaces has been needed. Here Penarth Pier Pavilion, Harlech Swimming Pool and Glyn Wylfa are good examples. Further, management of these facilities has proven to be more specialised and critical than was initially understood. Hence, projects such as Towy Xcel Bowl and Glyn Wylfa have needed to either change their catering management or in the cases of both Cardigan Castle and NSAA to fully outsource (or 'franchise') the management and operation of their café or restaurant in order to make the café both successful and viable.

Innovation and further diversification is a further feature that may be identified amongst the CAT 1 projects that are, initially at least, the most successful in respect of their enterprise activities. Those projects that have been able to get their enterprise activities 'up and running' relatively quickly have already been able to implement or plan for additional or diversified services that are expected to further improve their revenue generation capacity.

In some instances this was always part of the initial plan with a 'phase 2' project held back until the CAT 1 project (phase 1) has been successfully implemented. For example, Towy Community Church, the organisation behind the Towy Xcel Bowl project, acquired sufficient building space within which it developed the CAT 1 project with a phase 2 development of the accommodation for Church related and other uses always in focus. Only now is that development beginning to take place.

In other cases, for example, the Ebbw Vale Institute, Gwesty Seren, Cardigan Castle, NSAA, diversification into additional activities have been, partly, enabled by the initial project taking on a momentum of its own, and partly, by a need being identified for additional activities to meet community needs but that also supplement the income generation and assist in making the overall investment sustainable.

Taking these features of the CAT 1 projects into account, it may be concluded that there is a fine balance between those projects that already are sustainable or are 'on track' to achieving sustainability through their enterprise activities compared to those that are either on the borderline or where it is clear that there remains a shortfall in revenue generation against both their plans and their revenue budgets.

Identifying, for the sake of the discussion, CAT 1 projects including Menter Mon, Gwesty Seren, Newtown Market Hall, Glyn Wylfa and the Towy Xcel Bowl as projects where a degree of sustainability has been largely achieved, it is possible to ascertain that for each of these projects a key factor in their relative success has been that they each, in different ways, address a clear market need on which to base their enterprise activities. These range from a demand for indoor market stall spaces (Newtown Market Hall), to affordable office space (Glyn Wylfa and Menter Mon) and demand for family and community based leisure activities (Towy Xcel Bowl).

While addressing a clear and demonstrable market demand is not an altogether surprising feature to identify as a success factor for enterprise activities undertaken with a community asset transfer project, it is nevertheless worthy of highlighting and repeating.

Future risks for a number of the projects arise from the inherent need for a continual refreshing of business plans, management staff and Board members – all identified by CAT 1 projects as areas of concern for the future. This is probably not surprising since, as noted earlier, making changes and adjustments to the Board membership and skills set available has been a common feature for many, if not all, of the CAT 1 projects already. The identification of a future, possibly a continual, need for adjustments is a sign that there is forward thinking and self-awareness on display at a Board and management level in many of the projects.

In addition a number of the projects clearly recognise that there is a potential risk to their sustainability by continuing public sector budgetary cutbacks and a favouring of expenditure on in-house activities rather than external third sector-led activities. For some, for example Harlech Swimming Pool, Gwesty Seren, NSAA, this outsourcing of public service delivery was at the heart of the opportunity to transfer an asset with a public service in the first place.

For these and other projects, there is a risk of direct or indirect reliance on public sector payments to allow community members to make use of the asset. These may range from payments for school swimming lessons, circus skills training, cultural events or the outsourcing of social care services to public sector funding of voluntary and community organisations occupying spaces in rental offices and so on. For these projects, the next stage in their development as sustainable third sector organisations will be to move their activities to a more diverse revenue generation platform that can, to a greater extent, escape a reliance on public sector budgets.

3.4. Community engagement and capacity building

Alongside the objective of building enterprising communities, one of the main objectives of the CAT 1 programme has been to *“to contribute to the regeneration and economic sustainability of communities”*. In helping to achieve this it is therefore vital that the CAT 1 projects individually engage with and involve the communities in which they are located and which they serve. This was recognised in the initial CAT 1 evaluation process.

In operation, almost all of the CAT 1 projects have tended to adopt a broad definition of their target groups in the communities where they are located and who they serve. For a number, the very fact that the asset they now own offers the opportunity for a strong ‘footfall’ of people and groups from their local communities is quoted as evidence of their strong commitment to ‘community engagement’.

Projects such as Towy Xcel Bowl, Glyn Wylfa, Harlech Swimming Pool, Penarth Pier, Neuadd Ogwen, MWLT, NSAA and Menter Mon all fall within this category. For a number of these projects, the community café and meeting spaces that are available for rent or free use are therefore key elements of the use made of the transferred assets that speak to wide community engagement being achieved.

A number of these and other projects have recognised that in order to balance their income generating activities with a commitment to wide community engagement, they need to be more focussed in targeting different groups in the community and, in some cases, able to provide different or improved facilities and services. For example, Penarth Pier Pavilion is actively seeking to improve the ‘offer’ that the Pier Pavilion Trust is able to make to two key target groups in their local area – the older population of the Vale of Glamorgan and young professionals who have come to provide a key demographic in the town of Penarth itself. An improved spread of volunteers and patrons is one of the objectives in mind in this case.

In a similar way, Cardigan Castle has recognised that in focussing a great deal of attention on the opening of the Castle and its promotion as a tourist attraction with charged-for access and services,

there risks being a perception of a lack of engagement with the local community after its initial interest and curiosity to visit the Castle has been sated. The Trustees have acquired, with Heritage Lottery Fund support, a building adjacent to the Castle that is currently being refurbished. Amongst other benefits the building will enable the project to expand its community focussed facilities and enhance and improve the engagement with community groups, individuals and classes while still offering visitors the tourist and heritage experience that is a main focus of the Castle's 'offer'.

By contrast, some projects have been able to widen their target groups during the initial phase of their projects as a result of the success of the asset transfer in stimulating community engagement. Gwesty Seren is a prime example of this where, from the outset, the project was only supposed to cater for people with learning disabilities and their carers and families. However, it soon became apparent that there was interest to use the facilities coming from people with physical disabilities living in, or visiting, the wider area, especially in terms of using the restaurant. Since the Gwesty Seren facilities had been designed to be accessible to people with physical disabilities e.g. wheelchair users, it was decided that this group fits with the ethos of the project as they are within the broad target group for care. The target community for Gwesty Seren was expanded accordingly.

A small number of projects, such as TooGoodToWaste and the Groundwork Wales projects, have, from the outset, had the benefit of a much more specific focus in respect of their target groups and targeted methods for engagement with, and means of providing benefits to, their communities. In the case of TooGoodToWaste, the project enabled by the asset transfer has always been concerned with recycling so that poverty alleviation services and facilities can be provided to those in the community requiring the services. Similarly, Groundwork Wales as an organisation is concerned with mobilising and managing volunteer groups to provide environmental and 'GreenCare' services to the wider community. In both cases therefore the asset enables the organisations to work in such a way that their core services and benefits to the community can be better delivered.

Alongside the use, by the community, of the assets transferred for the projects, the CAT 1 projects have in most cases successfully provided opportunities for community based volunteers to take part in the projects and to enhance community engagement as a result.

There are a wide range of, sometimes contrasting, experiences in respect of the engagement of community volunteers in the governance and management of the assets. Most projects recruit volunteers to come forward to act as trustees, board members or directors according to the governance model employed. In some cases, there is no need for a separate management or governance board either because the whole project is the sole function for the host organisation – as is the case with Glyn Wylfa, Harlech Swimming Pool and Penarth Pier Pavilion – or the host organisation is itself a multi-site third sector organisation with an existing governance structure in place that also oversees the CAT 1 project and the management of the transferred asset – here, Menter Mon, No Fit State, Groundwork Wales and NSAA would be good examples.

There is at least one example where the dominance of a host organisation is subsumed to that of the volunteers. For example, the management board for Towy Xcel Bowl has only one place reserved for the host third sector organisation (Towy Community Church) with all other places occupied by volunteer members and representatives from partner organisations. By contrast, at the Ebbw Vale Institute volunteers play no formal role in the governance of the project. Rather, community input is secured informally with people coming in to provide feedback about how the Institute is run and the kinds of things on offer to the community.

Volunteers are extensively provided with opportunities across the projects in various roles receiving training and support as appropriate. In a number of cases the community volunteers are further

encouraged to participate in projects through initiatives such as Towy Xcel Bowl's use of Spice Time Credits or participation via widely recognised volunteering schemes such as Groundwork's GreenCare scheme.

In a few cases, volunteers are also active in fund raising initiatives with the aim of supplementing the income available to the community activities and asset. Harlech Swimming Pool has, for example, organised a number of fund raising programmes led by volunteers from the community.

Inevitably, many projects report that they have had to make conscious decisions regarding the '*trade-offs*' needed when revenue generation or enterprise activities may compete with or '*crowd out*' community engagement and activities or vice versa.

Sometimes, project managers and boards have had to sacrifice short term community engagement in order to secure enterprise activities and associated revenue that will enhance the medium and long term goal of community regeneration. The board of Glyn Wylfa, for example, had to take the decision to prioritise a short term investment in improved kitchen equipment and café facilities in order to be able to offer enhanced community café services and spaces in the medium term. By contrast in other cases, to enhance their reach into the community, some projects have recognised that they have needed to accept 'bookings' for facilities or space at no income to the project in order to enable the community groups to have access to the assets. For example, Cardigan Castle, Penarth Pier Pavilion and Harlech Swimming Pool all reported this happening on occasions.

Importantly, when discussing trade-offs, none of the projects regard the trade-offs to have been long term or permanent adjustments to their business plans or project aims. Rather, they are regarded as necessary compromises particularly in the early stages of the projects when capital works are underway and both community and enterprise activities are '*vying for attention*', physical facilities and budgets.

Finally, it is interesting to note the extent to which CAT 1 projects have been able to achieve an added value impact for their communities in the sense that the comparative stability and profile that has been achieved, partly through the CAT 1 project, has enabled the third sector organisation hosting the CAT 1 project to itself become a 'multiplier' or at least a mentor for other community projects and groups.

This added value impact may be noted from examples such as the experiences of Menter Mon, Glyn Wylfa, Ebbw Vale Institute and NSAA each of whom has occupied a building with a relatively high profile in their communities and achieved a degree of relative income stability leading to other community groups asking them for advice, support and, even, seed funding for community activities.

While in almost all cases this seeding and support for community activities is a voluntary activity, in the case of Towy Xcel Bowl it has been an early development of the business model agreed with the transferring organisation, Carmarthen County Council. Under the terms of the asset transfer, and wary of the need to avoid being seen to provide public subsidy to a religious organisation, the 99 year lease agreed between the Council and the Towy Community Church included a clause where all surpluses made by the Towy Xcel Bowl project that was supported by CAT 1 must either be returned to the Council or reinvested in activities benefitting the community by the Towy Xcel Bowl itself.

3.5. Partnership working and developments

"To improve partnership working between the public sector, the third sector and other sectors" was a further objective of the CAT 1 programme. In considering the extent to which this may have been achieved the main focus for this stage of the evaluation is on the extent the CAT 1 projects consider

their relationship with the asset transferring organisation, typically the local authority, as a partnership. At this stage of the evaluation, for most project managers interviewed, this reflection could still be based on their recollections of events - aided and benefited by hindsight - and on their current experience of their continuing relationships with the local authority concerned.

Now that their capital projects have been completed and they are operating more or less independently, the majority of CAT 1 projects (probably 7), view their relationships with their local Council as a more neutral relationship that may be some way from the *'partnership'* envisaged in the CAT 1 programme objectives. These projects, which are in the majority, variously describe their Council relationships as *"mutually supportive"*, *"good but not always helpful"*, *"workable but still not part of the strategic thinking"*, *"a limited involvement and engagement"* and *"we give them an annual progress report"*. Interestingly, even these more neutral projects, when discussing the asset transfer process itself, may also reflect a more confrontational relationship that they recall from the transfer process period – *'us and them'* rather than *'we'*. This is probably inevitable and is likely to soften further as the experiences of the asset transfer process itself fade from current memory.

However, a small number of the projects (3) describe their partnership with the local authority in negative terms. This seems to reflect that they are currently in discussion with Council officers or members on specific issues including requests for further revenue support or service contracts. Therefore while these projects regard themselves as *'on the radar'* at the Council this tends to be perceived to be unsatisfactory.

By contrast, a group (around 6) of the CAT 1 projects were able to describe their relationships with their Council in much stronger partnership terms. In a number of these cases this is probably because their partnerships extend from a period much earlier than the period of the CAT 1 project. In two cases, in particular, the strong relationship with the Council may have been *'forged'* rather than *'developed'*. In these cases both partners went through a period when there was external criticism and scrutiny of the projects and the asset transfer logic itself. In both cases the Councils and the CAT 1 TSOs had to work together to address and manage the criticism.

Interestingly, about half of the projects now perceive that their respective Councils are taking the opportunity to use the relative success of their projects as promotional assets for the local area and the Council itself.

Clearly, in a number of cases, this is an obvious development, for example, where tourism and heritage based assets are concerned. For example, Towy Xcel Bowl is used by the Council to promote the local area to tourists; Menter Mon has seen the prominent position of the Llangefni Town Hall building in the town centre being used by the local authority to attract tourist visitors and to host business meetings with incoming energy sector businesses. While Ebbw Vale Institute also reports that the project's role in the regeneration of Church Street is being promoted as a success by the Council in its community economic development work.

Taken as a whole these may be regarded as indicative of an important broadening of the partnership between the projects and their host local authorities and, in many cases, will be an unforeseen benefit and impact from the CAT 1 investment.

Project managers were invited to reflect specifically on the partnership with the local authorities as transferring organisations during the asset transfer process and the capital project work. Perhaps not surprisingly, the CAT 1 project managers were able to identify a number of important areas where they felt that they had either obtained useful support or would have benefited greatly by additional input from the transferring organisations. These include:

- Advice and guidance on the procurement of contractors and professional advisers – a similar point as referred to above regarding the need for local and experienced professional advisers, architects and quality surveyors;
- Advice on managing TUPE situations and dealing with pre-existing tenants – generally, the projects would have much preferred a ‘clean slate’ when the asset was transferred;
- Improved performance by Council legal departments in expediting the transfer paperwork;
- Support in managing disputes with contractors and advisers – here, it was felt that the problems of litigation rather than mediation and negotiation faced by a small number of projects could have been avoided if the Council had been willing to share the professional experience of their in-house officers;

As part of this stage of the evaluation, CAT 1 projects were also asked about their relationships and partnerships with other local third sector organisations (TSO).

In a number of cases there are clearly strong partnerships in place, notably where other TSOs are tenants of the facilities offered by the CAT 1 project (Menter Mon, Groundwork Wales, NSAA, Ebbw Vale Institute, Neuadd Ogwen etc.) or where the experience of the CAT 1 project managers has been harnessed to provide advice and support to other TSOs and community activities.

However, in other cases, there is, as yet, a focus on achieving the CAT 1 project objectives and plans before becoming too stretched by working more widely on new, more tangential projects or initiatives with partners.

3.6. Third sector organisational capacity

The CAT 1 programme included the development of the capacity and eventual independence from grant funding of the third sector organisations undertaking the CAT 1 projects as a key objective. Given that the majority of the CAT 1 projects are now out of their grant aided phase, it is instructive to consider the extent to which they are moving towards meeting the objective set by the CAT 1 programme, *“to promote and strengthen the independence of third sector organisations by enabling social enterprise”*.

In the discussion above, there was a focus on the state of progress in the enterprise activities being carried out by the CAT 1 projects. This identified that, while the majority of CAT 1 projects have launched enterprise activities broadly as planned, in many cases delays in launching income generating activities and services have occurred and that these have had a significant effect on the progress made in achieving revenue sustainability. This is important because the Theory of Change model for the CAT 1 projects is built around the transferred asset being used to enable enterprise activities and income generation that can be ‘recycled’ into the third sector and help build the capacity and independence of the sector. Therefore it may be logical that, if projects are not yet sustainable, they will not have built capacity or moved to independence from external sources of funding, notably grant funding.

Taken as a whole, there is certainly a sense that the CAT 1 projects are still *‘on a journey’* towards independence rather than having arrived at the destination. However there are, naturally, exceptions at both ends of the journey and it is also important to reflect on the pre-CAT 1 project status of the organisations hosting the projects.

In probably half of the CAT 1 projects an existing third sector organisation with other pre-existing, related and complementary activities already underway hosted the asset transfer project. In some cases these have a strong identity and ‘brand’ amongst their communities and in the third sector

environment generally. Examples here include organisations such as Groundwork Wales, Menter Mon, NSAA, NoFitState, Tabernacl Cyf and TooGoodToWaste. In these cases therefore while the commitment, investment and effort required to successfully deliver the CAT 1 project cannot be underestimated, the host organisations have been able to support the projects with invaluable staff time, Board experience, market visibility etc. making the achievement of additional capacity and greater independence more viable.

For a number of these pre-existing organisations therefore, the CAT 1 project has been part of a general development of capacity and sustainability that they have been undertaking over a long period of time. It is, nevertheless, an important element in the progress towards the achievement of the specific CAT 1 programme objective in this respect.

By contrast, in the other roughly 50% of the CAT 1 projects the asset transfer project has been taken on by third sector organisations that have, to all intents and purposes, been created in order to undertake their CAT 1 project and to use it as a 'springboard' for the creation of vibrant and independent third sector organisations within their communities. Projects such as Towy Xcel Bowl, Glyn Wylfa and Harlech Swimming Pool fall squarely in this group while others, such as Cardigan Castle, have grown out of pre-existing small scale community based activities albeit usually without significant activities underway.

It is also worth noting that amongst the projects led by more embryonic organisations, the eventual impact of their employment and enterprise activities of the project (and programme) on their local communities and economies may be expected to be significant, since almost all of their outcomes will be additional i.e. would not have occurred without the CAT 1 project investments.

The capacity and standing of the third sector organisations involved in CAT 1 projects may also be variable for projects with, and without pre-existing, host originations in place. Board memberships and participations is, for example, a key indicator in this respect.

Stable organisations with sustainable activities and a high standing within their communities may be expected, typically, to have strong and stable boards in place for their governance. However, the commitment, foresight and skills required to also undertake a significant asset transfer project as represented by the CAT 1 projects may be expected to 'test' the stability and resilience of all boards, whether pre-existing or not.

The CAT 1 projects have, by and large, recognised that different skills are needed as projects have developed and have been able, in most cases, to take the necessary steps to achieve a refreshing when the need has arisen. However, as discussed above, one of the main risks identified by CAT 1 projects of all types as areas of concern for the future arise from the inherent need for a continual refreshing of business plans, management staff and Board members. While this may not be as radical or obvious for the pre-existing third sector project hosts, amongst the projects with little or no pre-existing experience or a host organisation behind them, greater challenges have already been faced in assembling volunteer boards for governance and management of the projects and in recruiting and retaining project managers and other staff necessary for the successful delivery of the asset transfer projects.

In these projects a familiar pattern emerges of the need to continually and, sometimes, decisively reorganise the boards of trustees and directors usually made up of volunteers in the first place. Project managers mention that their board needed to be 'refreshed' with changes in trustees of between 30% and almost 100% being required during the course of the projects.

Finally, it is clear that the undertaking of a CAT 1 project has for many, indeed the majority, of the projects resulted in a perceived increase in the standing and reputation of the third sector organisations involved and indeed in the third sector as a whole as trusted partners for local authorities and other third sector organisations.

4. Conclusions

The CAT Programme and the CAT 1 projects have, to date, played an important role in shaping broader Community Asset Transfer practice in Wales. In addition, the high profile afforded to many of the CAT projects has allowed greater confidence to be generated within Public Sector Organisations which, in turn, has helped policy makers and Public Sector organisations across Wales to develop clearer processes and greater enthusiasm for community asset transfer projects and processes.

Crucially however, the experience with the CAT 1 programme is that it has not been solely concerned with 'saving' community assets, but rather it is a programme that has continually sought to deliver community benefits through enterprise and the use of robust business models. The CAT programme has therefore maintained its focus on long term empowerment and capacity building within communities.

This is important because currently there is a lot of interest around community asset transfer in policy and practice. In this respect, CAT 1 needs to be distinguished from much of the current Community Asset Transfer activity, which is felt to have a greater focus on reactive transfers to voluntary and community groups with a limited entrepreneurial profile, ambition and hampered by typically short-term asset ownerships.

Within the CAT 1 programme and projects, the asset transfer process and the capital projects have, broadly speaking, worked according to expectations although naturally with some exceptions. These have emerged, typically, where delays in the transfer itself or the transformation of the asset have caused more significant delays to the projects themselves.

A number of common challenges have been faced where greater support from the partner organisations or from access to expertise could have improved the transfer process. In particular, where disputes with professionals and contractors arose and where greater advice and support from the transferring organisation could have improved matters for the Third sector organisation. Additionally, unforeseen costs relating to the transfer of the assets and capital projects were also identified. These include restrictive tenancy conditions associated with and transferred to the Third Sector Organisation with the assets and challenges such as dealing with the transfer of previously employed and service-providing staff in line with the requirements of TUPE regulations.

It may be concluded that, with the passage of time since the actual asset transfer process took place, the majority of CAT 1 projects view their relationships with their local Council as 'neutral'. Clearly, this may be some way from the concept of '*partnership*' envisaged in the CAT 1 programme objectives but it reflects, in most cases, the benefit of hindsight. At either end of the spectrum of relationships, a core group of the CAT 1 projects clearly regard their relationship with their Public Sector Organisation - typically the Council - as a strong one; while a few describe their partnership with the local authority in negative terms, possibly reflecting current discussions with Council on specific issues.

From the partner's perspective, Councils are, in a number of cases, taking the opportunity to use the relative success of their projects as promotional assets for the local area and the Council's activities and strategies. This may be regarded as being indicative of an important broadening of the

partnerships between the projects and their host local authorities and which, in many cases, will be an unforeseen benefit and impact from the CAT 1 investment.

In assessing the evaluation objective of verifying the extent to which projects have achieved social, economic and environmental sustainability, the challenge for all Third Sector Organisation's hosting a CAT 1 project has been to create a vision for the asset and to deliver that vision on the basis of a robust business model that provides or enables services and products to be delivered that are of benefit to the communities served. The evaluation found that, in this respect, the majority of CAT 1 projects enterprise activities have been launched broadly as planned although delays in the asset transfer and asset transformation stage of projects have similarly delayed the start of enterprise activities.

Similarly, in respect of target community groups and benefits, almost all of the CAT 1 projects have addressed a broad definition of their target groups in the communities in which they are located and who they serve. In addition, they have tried to balance their income generating activities with a commitment to wide engagement with their community. Some projects have even been able to widen the target groups targeted in the initial phase of their projects as a result of the success of the asset transfer in stimulating community engagement.

Examples of good practice of successful community asset transfer activities and approaches can be found across the range of CAT 1 projects as they have developed. There is however no one, perfect, project and the conclusion of the evaluation is that the next 2 years (to 2018) will prove crucial in discerning where true and sustainable good practice resides.

The evaluation fieldwork has confirmed that across the 16 CAT 1 projects there has been very limited take-up of the self-evaluation support. While it is understandable that the attention of most projects has, so far, been on the delivery of the demanding capital project, rather than on self-evaluation, to underpin the final impact evaluation it will be important for the projects to make use of the self-evaluation approach and indicators developed.

Amongst the most successful CAT 1 projects in generating sufficient income to be sustainable are those that have the benefit of a core asset that has allowed office and workshop space for rent and/or a café with good levels of access to community groups. Innovation and further diversification is a further feature that may be identified amongst the CAT 1 projects that are, initially at least, the most successful in respect of their enterprise activities. For these projects, the next stage in their development as sustainable third sector organisations will be to move their activities to a more diverse revenue generation platform that can, to a greater extent, escape a reliance on public sector budgets

Finally, CAT 1 projects have been able to achieve an added value impact for their communities in the sense that the comparative stability and profile that has been achieved partly through the CAT 1 project has enabled the third sector organisation hosting the CAT 1 project to itself become a 'multiplier' or at least a mentor for other community projects and groups. Already there is a move towards the CAT 1 projects being able to provide exemplars and mentors for the CAT 2 cohort of projects and for the lessons for Community Asset Transfer programmes and projects in general.

5. Stage 4 Evaluation

The final stage of the CAT 1 evaluation is due to be undertaken in 2018, when all 16 projects will have completed a certain period of trading and spending on the programme has ended. Stage 4 of the evaluation will focus entirely on an impact assessment of the programme.

Stage 4 of the evaluation will use a combination of:

- The initial baseline data collected for the 16 projects at Stage 1 of the evaluation⁷;
- The data included in the monitoring reports for the projects;
- Data to be provided by the projects themselves drawing on any self-evaluation work undertaken;
- Data to be collected through a telephone survey.

The research undertaken for this Stage 3 of the evaluation has confirmed the picture that emerged from Stage 2 in 2013, namely of considerable diversity among CAT projects in terms of the way they can be expected to contribute to the economic regeneration and sustainability of their communities. The trajectory from the CAT investment to outcomes for individual beneficiaries and any associated impact on the community as a whole will be equally diverse.

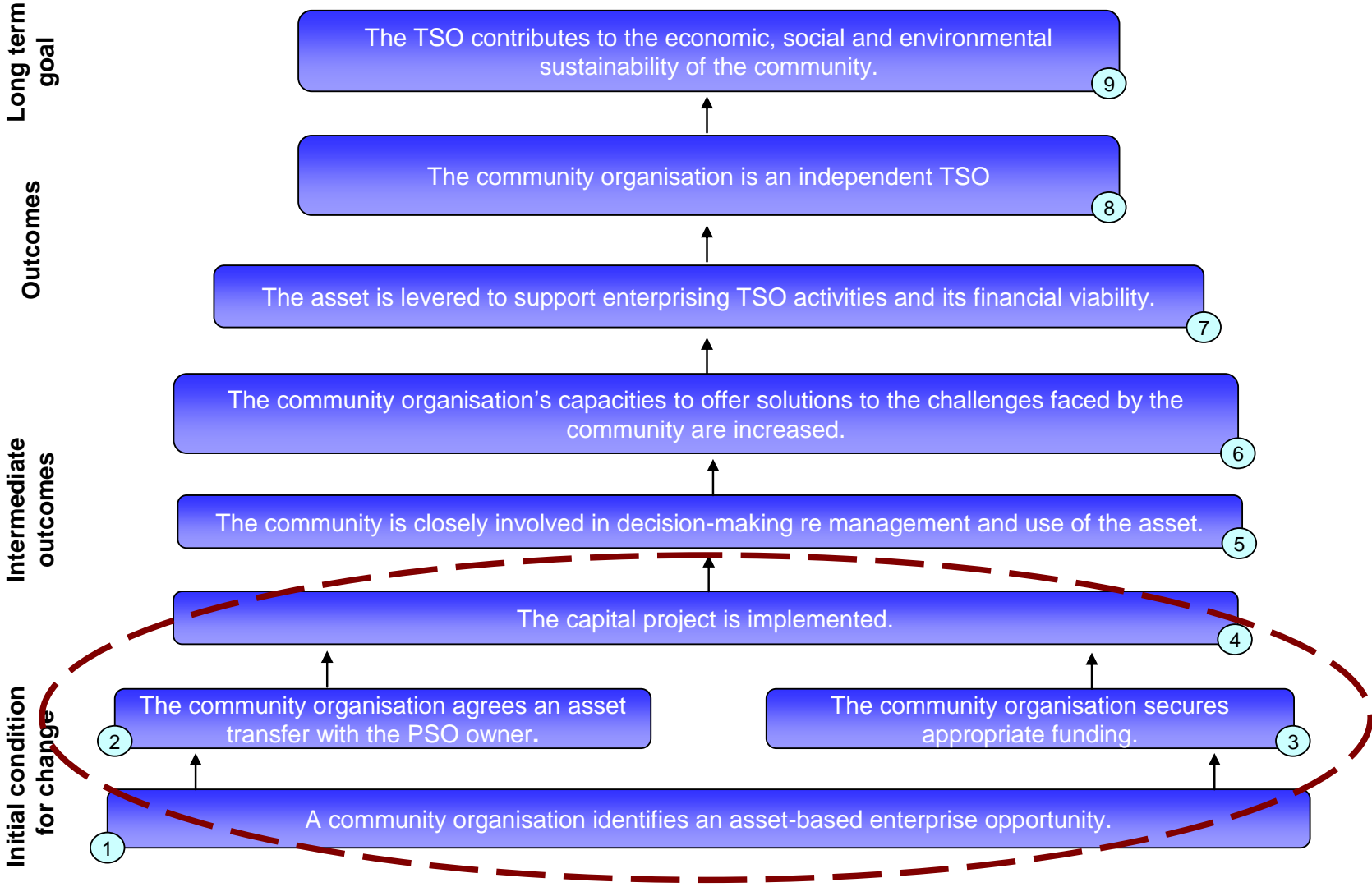
As highlighted in the previous report, it is important to note that the extent to which the 16 CAT projects engage with the self-evaluation model will be crucial in providing a sound basis for the final impact evaluation work. The interviews undertaken with the 16 CAT 1 projects confirm that there has been very limited take-up of the self-evaluation support. It will therefore be important for the Big Lottery project officers to encourage all CAT 1 projects to make use of the approach and indicators developed as part of the self-evaluation support contract for those to underpin the final impact evaluation.

This will ensure that the telephone survey, which will use the quantity, quality and effect indicators set out in the self-evaluation guidance, can yield a data set that is sufficiently robust to assess the overall outcomes and impacts achieved by the Big Lottery CAT 1 programme.

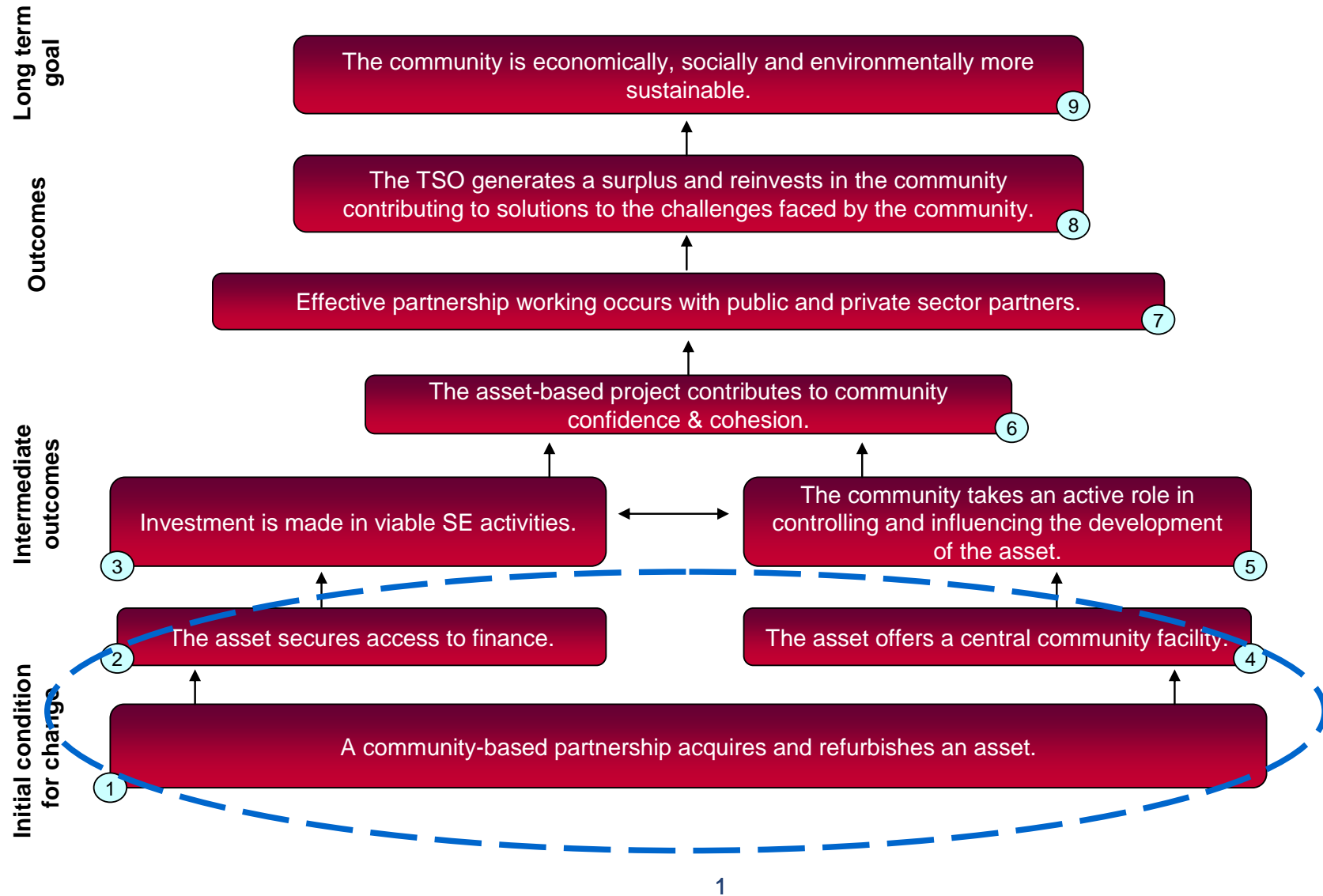
⁷ A majority of projects did not have a complete data set at the time of the first evaluation stage and the quantitative baseline therefore has certain limitations.

Annex 1 – CAT programme Theory of Change maps

Asset level ToC



Community level ToC



Programme level ToC

