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The Scottish Parliament
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In 2014 Scotland Welcomes the World



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Dear Kenny,

Community Empowerment (Scotland) Bill – Additional Financial Information

Following introduction of the Bill in June 2014 we have continued to engage with stakeholders and gather information to help inform the implementation of the Bill following its passage through Parliament. This includes the financial aspects of the Bill and I thought it would be useful to provide some further information we have collected to help the Finance Committee as it considers the Bill. This is attached separately.

The Community Empowerment (Scotland) Bill is an ambitious bill which creates a number of statutory rights for community bodies, and corresponding duties on public authorities, to provide a legal framework that enables and supports greater community empowerment and participation. There remain a number of challenges in exploring and scrutinising the financial aspects, particularly in terms of forecasting the use of participation requests (Part 3 of the Bill) and asset transfer requests (Part 5 of the Bill). The information attached provides some more information on these Parts.

A number of stakeholders state that elements of the Bill will potentially increase costs and other elements of the Bill may lead to savings. However, despite ongoing discussions with stakeholders they have not been able to provide monetary estimates for costs or savings making it difficult to provide accurate ranges. Although I note that in response to the Committee call for evidence East Lothian Council provided a little more detail with respect to additional costs for asset transfer requests and common good which is useful.

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This response from stakeholders underlines the difficulties we face in estimating the range of additional costs that potentially could arise from the Bill. The Bill will promote and encourage greater community participation and the demand will be driven by local communities as they identify for themselves which assets would help them to develop their communities. The number of factors that will be involved make it difficult to predict which communities and which assets may be involved. Where we could do so we have put forward our best estimates on the additional costs that may arise with a caveat that the estimate will be subject to a wide degree of variation. In the information attached we wanted to provide the Committee with examples based on current practice to show the level of resource and costs that may be involved in both participation requests and asset transfer requests. We also believe that the consideration of costs and benefits, on a case by case basis, that is inherent in many of the processes that the Bill proposes, is a critical safeguard in ensuring that the Bill does not place undue financial burdens on the public, private or community sectors.

Please do not hesitate to seek further clarification on any aspect of the Bill as you think necessary.

Yours sincerely

DEREK MACKAY

ADDITIONAL FINANCIAL INFORMATION

Part 3 – Participation Requests

The Financial Memorandum sets out that the costs involved for the public sector in responding to participation requests will be demand driven and at this stage an accurate forecast of use across Scotland cannot be given as it will be determined by how often community bodies choose to use the provisions. Given these uncertainties a best estimate of cost will be subject to extremely wide margins of error. However, we believe it might be useful to provide the Committee with a breakdown of costs that may arise with a participation request.

The Bill provides that a community body may make a request to a public service authority to permit the body to participate in an outcome improvement process. The public service authority must decide whether to agree to or refuse the participation request. The Bill sets out the range of matters that the authority must consider and provides that the authority must agree to the request unless there are reasonable grounds for refusal. Once a request has been agreed to then the public service authority will go through the outcome participation process. It is important to recognise that the Bill enables communities and public bodies to identify local solutions that work for them. Decisions will be made on individual proposals based on a balanced assessment of the costs and benefits in the local context.

In order to help understand what the costs might involve we can use current engagement and participation processes to act as a proxy. A local authority provided examples of a range of community engagement and participation events and the associated costs:

Older Person’s Steering Group, community engagement events involving local older people in identifying key priorities and concerns.

Staffing Costs £817
Other Costs £500
Total Cost £1,317

Healthy living initiative, focused on community engagement with families and the increased use of a local park.

Staffing Costs £6,968
Other Costs £472
Total Cost £7,440

Tackling Health Inequalities, multi-ward approach to tackling health inequalities through a process of engagement, awareness raising and capacity building to change the services.

Staffing Costs £40,409
Other Costs £863
Total Cost £41,272

Enhancing Open Spaces, community engagement process to gather the thoughts and views of the community, including those harder to reach

Staffing Costs £3,344
Other Costs £1,800
Total Cost £5,144

The above examples show that the overall cost for participation and engagement events can vary depending on the issues being looked at and this is likely to be the same for participation requests. However, based on the examples provided we could assume that the range of costs for the majority of participation requests will fall between £1,000 and £7,500. There will be some requests where the costs associated will be more – as with the tackling health inequalities participation process outlined above.

To provide a range of costs for participation requests over the course of a year it would be a multiple of the range of cost for an individual participation request. So should 100 participation requests be made then the cost for public authorities across Scotland could be between £100,000 and £750,000.

The potential additional costs may be mitigated for public authorities which are already undertaking a range of community engagement, participation and capacity building programmes as they will have a solid foundation on which to build and the Scottish Government encourages all public bodies to move to an approach in which community participation and engagement are embedded in their day to day operations.

Part 5 – Asset Transfer Requests

National Forest Land Scheme

The National Forest Land Scheme gives community organisations the opportunity to buy or lease National Forest Land where they can provide increased public benefits. The Financial Memorandum (para 82) provided a table which showed asset transfers to community organisations under the National Forest Land Scheme with values ranging from £5,000 to £1.55m. In order to provide the Committee with an example of how much an active asset transfer scheme currently costs the Forestry Commission have provided an overview of the main inputs and associated costs for running the scheme as it stands and an idea of the scale of additional input for each application.

The inputs can be broken down as follows:

- a) Managing the scheme - annual salary costs
NFLS Programme Manager (Grade: B3 = 0.5 FTE)
Land Agent (Grade: B4 = 0.5 FTE)
Administrative support (Grade: A2 = 0.2 FTE)
Policy Advisor (Grade: B3 - 0.2 FTE)

Annual estimated salary cost = c.£50,000 (excludes overheads, travel and subsistence and other on costs)

- b) National Forest Land Scheme Evaluation Panel
7 panel members meeting 4 times a year
Annual cost = c.£10,000 (includes day rates, travel and meeting costs)

c) Application inputs and costs (additional to the annual costs of managing the scheme outlined in a). Inputs and costs vary depending on the scale and complexity of the sale or lease. A range has been provided.

Inputs include:

- advice to applicants from local staff
- valuation office fees (FCS costs only)
- disposal reports
- legal fees (e.g. conveyancing) (FCS costs only)
- legal fees (e.g. option and lease agreements for community renewable energy projects) (FCS costs only)

Estimated cost per application = between c.£7,500 - £12,500.

This suggests that the annual cost for Forestry Commission Scotland is c.£67,000 and £72,500. It is not anticipated that the Bill will significantly increase the costs for Forestry Commission Scotland. However, additional costs will arise if there is a greater demand for communities for asset transfers.

East Lothian Council

In evidence to the Committee East Lothian Council indicate that a full time post at a cost of £40,000 per annum will be required to undertake work relating to both asset transfer requests and common good (Part 6 of the Bill). In addition, valuation fees are estimated at £5,000 per annum. Additional legal costs could arise of between £400 and £1,200 per transaction. The additional cost of the review process under the Bill is estimated to be minimal at £500 per annum.

Community Transfer Bodies

Following discussions with the Community Ownership Support Service they have been able to provide further information regarding the current potential costs for community bodies undertaking an asset transfer. The document below provides a detailed breakdown of potential costs for community bodies based on a staged

approach to asset transfers put in place by a local authority. We would expect similar costs to arise under comparable asset transfer schemes run by other local and public authorities. Procedures prescribed for asset transfer under the Bill will build on existing practice such as this and it provides a good indication of the range of costs that community transfer bodies will face as they negotiate through the process. It is not anticipated that the Bill would increase costs for community transfer bodies above those detailed here.

The estimate for community transfer bodies to obtain agreement to transfer is between £13,480 and £25,040.

Costs for Communities to Complete an Asset Transfer Process

Each stage of the Asset Transfer Strategy is costed below. The figures compare the expenses for voluntary input, listed in the first column, against the use of professional consultants. Consultants' fees are estimated at between £300 and £500 per day, depending on the specialism required. Not all groups are in a position to use volunteers for all aspects of the work – this will depend on the range of expertise available to the community. In most cases groups will use a mixture of volunteer input and consultants and therefore the cost will fall between the two amounts shown.

Also, in this document is the estimated time commitment required by volunteers to carry out all the tasks listed under 'Using Volunteers'. More information on estimates for volunteers carrying out work is detailed below. Volunteer time is not included as a monetary cost.

Stages 1 Expression of Interest - completed by the volunteer group.

Action	Using Volunteers	Using Consultants
Complete one page contact details form with request for lease or purchase	0	0
Total Costs to submit EOI	0	0

Estimate of Voluntary Input

5 hours: Meetings to discuss opportunity and decide to put forward expression of interest

Stage 2 Complete Application Form – undertaken before decision in principle is given.

Action	Using Volunteers	Using Consultants
Legal Advice – to draft / review all governance documents	300	500
SCIO – set up fee OSCR	0	0
Company ltd by guarantee – fee companies house	40	40
Charitable status set up fee OSCR	0	0

Notes on Constitution – there are many model governing documents available which should remove the need for lawyers. However groups may feel more comfortable using legal expertise if they are in doubt. A figure to cover this has been included.

Estimate of Voluntary Input

10 hours Governance: prepare draft governance documents for legal review – 10 hours over a 6 week period of review between members of the management group. This stage would require the group to determine their aims and objectives to include in the initial assessment. This is required as part of the decision making process for governance.

The following table shows the actions required to enable a voluntary organisation to complete a Stage 2 Application. Options appraisal and consultation are essential parts of the process before a detailed feasibility can be prepared.

Options Appraisal - Consider options to allow full consultation with community, determine needs and requirements for the business planning stage.		
Research options, prepare report. (For volunteer approach, costs include stationary/ travel/ research costs)	200	2000
Initial Consultation - with community and stakeholders (Volunteer costs include stationary/postage/hall hire etc)	700	3000
Detailed Feasibility - Pull together all necessary information to assess viability.		
Specialist advice - e.g. building survey, architects, financial expertise, etc.	10000	10000
Prepare feasibility report	200	3000
Total Cost to Prepare Stage 2 Application Form	11440	18540

Estimate of Voluntary Input

80 hours Feasibility: carry out research 80 hours split between 3 people. Approximately 11 days over 3 months including regular meetings to collate information gathered into a final report.

63 hours Consultation: carry out community consultation 63 hrs. Approximately 9 days over 2 months. 3 or 4 people working together to organise and deliver events and questionnaires and to collate the information into a report. This includes time for meetings to discuss and agree way forward.

70 hours Detailed Feasibility: 70 hours over 3 months. Preparing tender documents, appointing and working with specialist advisors bringing together all of the information collected to date and investigating findings in more detail. This estimate does not include time to submit funding applications for specialist advisors.

Stage 3 Business Plan – undertaken after agreement in principle following Stage 2.

Business Planning – Prepare robust business plan for consideration		
Total Costs of Stage 3 Business Plan	£200	£5000

Estimate of Voluntary Input

49 hours Business Planning: 49 hours over 2 months. This assumes that one person in the community has the knowledge and skills to prepare a comprehensive business plan based on the feedback from Stage 2 Application.

Stage 4 Implementation – following agreement but before development funding is secured.

To review documentation issued by local authority		
Legal advice – lease review or conveyance	1500	1500

Estimate of Voluntary Input for Transfer

5 hours Legal Agreements: work with lawyers on drafting, negotiating and agreeing final documents.

Total Cost for Third Sector Organisations to Obtain Agreement to Transfer

	Using Volunteers	Using Consultants
Total Costs for Stages 1 to 4	£13480	£25040

Total Estimates for Voluntary Input

282 hours (approximately 8 working weeks @ 7 hrs per day) – Volunteer in-kind contributions. Note: This could take between 6 and 12 months to achieve depending on factors 1 to 3 listed below.

Stage 5 Handover: not included in the asset transfer strategy but must be considered and factored into timescales.

6 months, on-going after Stage 4. Before any agreement documentation can be signed, groups must secure funding for purchase, refurbishment and development. All of the work carried out will contribute to this process but completing funding applications and waiting for responses can take a further 6 months minimum from date of Stage 4 agreement. It is impossible to estimate the average time for a volunteer group to carry this out as a number of different funders are likely to be involved depending on the proposal/asset in question, all seeking different information presented in a different way.

Notes on Estimated Timescales for Voluntary Input - It is extremely difficult to assess the amount of volunteer time groups will typically spend on the process as it relies on a variety of factors which include:

1. Availability of Volunteers – for example they may be working or have other commitments. Therefore volunteer effort may need to fit into evenings and weekends which hampers progress as people giving advice and support to the group work mainly during office hours.
2. Skills and Knowledge – it is often the case that specialist skills will need to be contracted in and, in addition, volunteers may be required to attend training to increase/refresh their existing skills and knowledge.
3. Access to Finance – attending training, and contracting in additional skills, will require fundraising to be carried out. The quickest turn around for funders can take 8 weeks from the date of submission of an application. Preparation and submission of applications can take volunteer groups several months to prepare due to issues outlined in points 1 and 2.

Issues surrounding the above will have an impact on the timescales within which volunteers can be expected to deliver the required documentation.

Based on an Outline Example for a Straightforward Transfer - The above scenario assumes a building is the subject of the transfer rather than, for example, a piece of land only (e.g. for a community growing project), which could be less complicated and may take less time. It assumes the transfer is relatively straightforward and the asset has no major issues associated with it.