

COMMUNITY ASSET TRANSFER SCHEME (CATS) – EVALUATION GUIDANCE

Introduction

1. Communities must include the price they are prepared to pay in their Asset Transfer Request. In some cases, this will be the market valuation but may be a lower price, if the community can provide evidence, usually set out in a business case, of the benefits that their proposal will deliver.
2. The CATS evaluation process will assess the Request and determine the price Forest Enterprise Scotland is able to accept, taking into account two key factors:
 - **Best Value assessment**
 - **State Aid rules**
3. In practice, the Best Value assessment and State Aid rules are likely to benefit smaller community projects focussed on delivering benefits to their members. Significant discounts on larger land sales will need to be supported by strong evidence of significant benefits and the community body's capacity to deliver them. Asset transfers where a discount will give the community body a competitive advantage in a commercial sector and/or there is limited community benefit are more likely to be at or close to market valuation.

CATS Best Value Assessment

4. The CATS Guidance sets out a 2 stage assessment process:
 - Stage 1: Assessment of the projects benefits and impacts by an **independent and impartial [Evaluation Panel](#)**.
 - Stage 2: determination of the asset transfer price by Forest Enterprise Scotland, to be approved by **Forest Enterprise Scotland's Chief Executive** as the accountable officer to the Scottish Parliament.
5. The assessment template incorporates the best value themes into the four key aspects of community proposals: **Benefits, Viability, Community Support and Management of the National Forest Estate**.

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6. Negative impacts will not contribute to the best value score for the benefits, but will allow the Evaluation Panel to advise Forest Enterprise Scotland where there are good reasons to refuse an Asset Transfer Request. The Panel may also identify potential mitigation measures, which Forest Enterprise Scotland may be able to take into account in its decision on the Request (see Table 1 below).
 7. Forest Enterprise Scotland will take into account the Evaluation Panel's scoring of the benefits in determining the asset transfer price that it can accept (see Table 2).
 8. It is important to note that benefits are considered against the absolute value of any request below the market valuation, and not as a proportional reduction. For example, if the benefits justified a discount of £10,000, this discount would be the same whether this was proportionally 90% of a small sale or 5% of a large sale.

State Aid

9. State is a complex issue and, if it is likely to be considered, community bodies should seek advice at an early stage. State Aid [guidance](#) is available on the Scottish Government website and Forest Enterprise Scotland can seek advice from the Scottish Government's State Aid Unit on specific cases. The [CWA](#) and [Community Land Scotland](#) are useful sources of advice and COSS have developed specific guidance on [State Aid for communities](#).
10. There are **four key tests** or questions to establish whether a measure constitutes [State Aid](#). These tests are cumulative and **all four must be met** for State Aid to be present. The key initial question for community projects is: **"Is an undertaking engaged in economic activity?"**
11. In practice, State Aid is unlikely to apply to smaller projects, largely involving local, non-commercial activity. State Aid is more likely to apply to larger projects, involving commercial activity.
12. In the case of commercial forestry, the Scottish Government has taken an enabling approach, taking into account the risks of challenge under State Aid rules, to fund these projects to support delivery of Scottish Government objectives for community ownership of land. Community proposals involving commercial forestry will be considered on a case by case basis.
13. Forest Enterprise Scotland will seek advice from Scottish Government's State Aid Unit on specific cases, as required.

STAGE 1: EVALUATION PANEL ASSESSMENT

Assessment of the Request

1. Identify positive and negative impacts

- Positive impacts: Score level of positive impact from very low to very strong (1-5). Where Forest Enterprise Scotland has requested evidence from the community body but has not been provided by the community, the proposals will score 0.
- Negative impacts: Identify impacts as
 - “critical” which may result in decision to refuse or
 - “potential to mitigate” which may result in conditions being placed on the decision, or are relatively minor

2. Calculate weighted score based on level of positive impacts (negative impacts are not scored but taken into account in the decision)



Benefits:	Weighted score out of 10 (50%)
Viability:	Weighted score out of 6 (30%)
Community Support and Wider Public Benefit:	Weighted score out of 2 (10%)
Management of the NFE:	Weighted score out of 2 (10%)
TOTAL	Weighted score out of 20

3. The benefits are then multiplied by ranking the **utilisation** of the asset to take account of scale and whether the community body’s proposal will make effective use of the asset. This gives an overall potential maximum score of 60.

Making a Recommendation

4. Table 1 sets out the framework for the Evaluation Panel to recommend approval or refusal of Asset Transfer Request, or propose options where negative impacts are identified, but the project scored highly. This could include specific conditions under the decision can be approved (e.g. specific steps to address the negative impacts, or conditions to be included in the contract).

Table 1: Evaluation Panel recommendations

Impacts	Overall project score	
	LOW	HIGH
 <p>Positive impacts in all areas</p>	 <p>Recommendation to approve</p> <p>Recommend provisional approval subject to identification of options for mitigation</p> <p>Recommendation to refuse</p>	
Negative impacts with potential to mitigate		
Critical negative impacts		

STAGE 2: FOREST ENTERPRISE SCOTLAND BEST VALUE DECISION

1. Best value assessment criteria:

A: Price the community is prepared to pay	£
B: Market Valuation (e.g. District Valuer valuation)	£
Asset Transfer Differential (B-A)	£
Project Assessment Score	

2. Is the proposed asset transfer value state aid compliant?



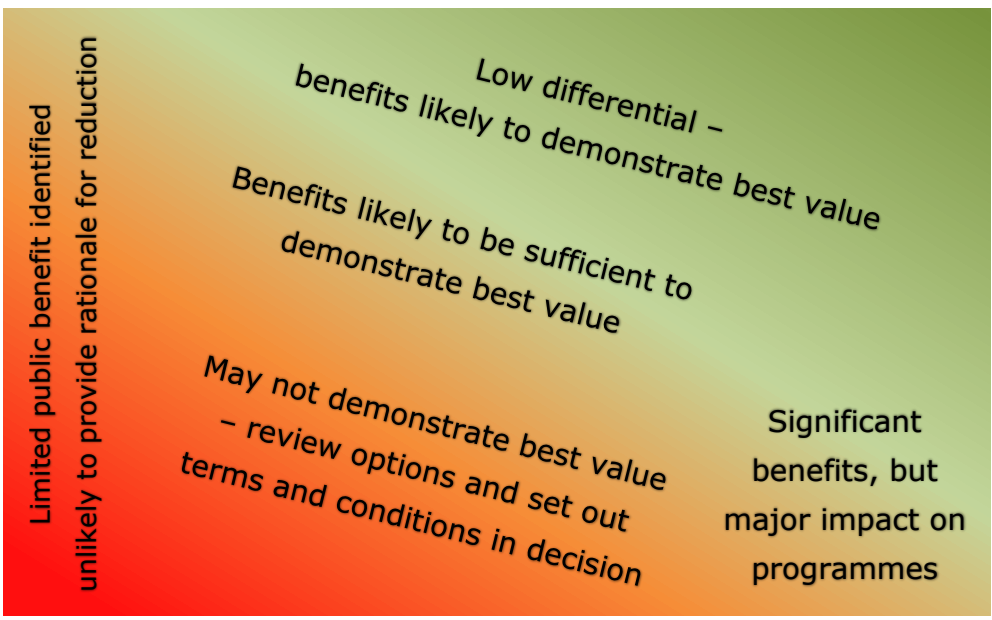
- **If no**, the decision will either be to refuse the request or to include in the decision that the asset transfer can only take place at market value.
- **If yes**, the difference between the market value and price offered and overall project score should be considered, as set out in Table 2.

3. The possible outcomes are to:

- To accept the proposed asset transfer value where the differential is low and the project scores highly
- To set the asset transfer price at market value where benefits are limited or limited evidence has been provided of the benefits.
- Forest Enterprise Scotland to consider the options for the asset transfer price, including possible clawback or a price at which the asset transfer would be acceptable
- Where a decision which will either a) result in a significant differential between market value or b) refuse the asset transfer value proposed by a project which could deliver significant benefits, to review impacts on programmes and advise Scottish Government as appropriate.

4. To note that where a community body disagrees with the terms and conditions set out in Forest Enterprise Scotland's decision notice, including the asset transfer price, the body has the right to appeal to Scottish Ministers.

Table 2: Forest Enterprise Scotland Best Value Assessment

<p>Market Value Differential Requested</p>	<p style="text-align: center;">Overall project score</p>  <p style="text-align: center;">Low High</p>
<p style="text-align: center;">£0</p> 	 <p style="writing-mode: vertical-rl; transform: rotate(180deg);"> Limited public benefit identified unlikely to provide rationale for reduction </p> <p style="text-align: center;"> Low differential – benefits likely to demonstrate best value </p> <p style="text-align: center;"> Benefits likely to be sufficient to demonstrate best value </p> <p style="text-align: center;"> May not demonstrate best value – review options and set out terms and conditions in decision </p> <p style="text-align: right;"> Significant benefits, but major impact on programmes </p>