

Scottish Executive: supporting new initiatives

How Government Works series

Prepared for the Auditor General for Scotland

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Auditor General for Scotland

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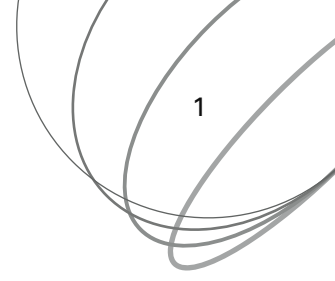
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Foreword



In November 2002, the Auditor General published *How Government Works in Scotland*. The report explained the organisation of government in Scotland, the responsibilities of public servants and how they are held accountable, and the role of public audit in both holding public bodies to account and supporting democratic scrutiny. The report did not analyse or assess accountability mechanisms in place but was to be seen as a source of reference.

This report is one of a series which builds on the original reference work. Each of the reports in the series will comment, in detail, on specific aspects of the business of the public sector in Scotland which cut across a range of organisations. The reports comment on the way the cross-cutting issues are handled by different parts of the public sector and the impact they have on the delivery of services.

Part 1. Introduction

Summary of key messages

1. This report sets out the findings of an examination, undertaken by Audit Scotland, of the arrangements the Scottish Executive has in place to manage and monitor funding allocated to initiatives. It is based on a sample of 20 initiatives for which funding was announced during 2004, representing total expenditure of more than £1.4 billion.

2. Half of the initiatives complied with most important aspects of good practice and most of the initiatives complied with the majority of aspects. But there is scope to improve arrangements in a number of areas, most notably setting objectives, agreements with delivery partners, and monitoring and evaluation arrangements. Guidance may help to bring about these improvements.

3. Delivery partner experiences of arrangements varied substantially. They cited a number of specific concerns with arrangements, including the adequacy of consultation, difficulties with the short-term nature of funding and uncertainty around long-term funding arrangements.

Background

4. During 2004, the Executive announced funding for 74 projects or schemes to address specific policy objectives. These projects or schemes are not necessarily identified separately in the Executive's spending plans as set out in the annual Budget Act. Total expenditure for these initiatives will exceed £1.4 billion, although the level of funding and the length of time over which it will be distributed varies between individual projects.

5. The objectives of the initiatives varied widely and included supporting community regeneration, developing sport facilities, preventing youth crime and supporting new businesses. Most of the funding is distributed through a range of partners, including local authorities and the voluntary sector, who are responsible for achieving the outcomes which meet the policy objectives. In some cases, more than one tier of partner organisation is involved.

6. The number of initiatives, and the significant funding associated with them, signals the importance the Executive attaches to this type of arrangement to deliver specific policy objectives. The money allocated is additional to funding provided to local authorities and others for core services, and is frequently ring-fenced. It is therefore important that appropriate arrangements are in place to control the use of funds involved, to manage any risks associated with the projects and schemes, and to monitor the results achieved against the policy objectives. It is also important that partners are effectively engaged and provided with an appropriate level of support.

7. Initiatives are frequently targeted at national priorities but delivery partners also work to meet local needs. Groups such as Community Planning Partnerships (CPPs) use a range of funding, including that associated with initiatives, to address local priorities. Unless national and local priorities are clearly matched, it may be difficult for partnerships to deliver their vision for local communities.

The purpose of this report

8. This report examines the arrangements to secure economy, efficiency and effectiveness from funds associated with a sample of the projects and schemes for which funding was initiated in 2004. It does not evaluate the efficiency and effectiveness of individual projects, but focuses instead on the extent to which the arrangements put in place by the Executive provide assurance about the progress and success of the projects. It also looks at delivery partners' experience of the process.

9. The funding for these initiatives is often distributed to local authorities, who may work with other partners to deliver the objectives. Audit Scotland is currently undertaking work on behalf of the Accounts Commission to both examine how local authorities control funds passed to other delivery partners and assess the progress made by CPPs. These studies will complement the findings of this report.

Approach and methodology

10. We compared the arrangements for a sample of 20 initiatives against good practice identified by Audit Scotland, taking account of potential risk areas. The areas of good practice we examined were:

- project strategy, objectives and planning
- development of costed project proposals
- delivery arrangements
- formal agreement or contract
- monitoring and evaluation.

Further details of good practice are set out in [Appendix 1 \(page 21\)](#).

Exhibit 1

Breakdown of projects by level of funding

	High-value (>£40 million)	Medium-value (£10 million – £40 million)	Low-value (<£10 million)	Total
Number of projects	5	6	9	20
Value (£ million)	586	112	30	728
Percentage of total funding	81	15	4	100

Source: Audit Scotland

11. The sample of 20 initiatives was selected to reflect the wide range of funding associated with individual projects and to represent the distribution of projects across Executive departments (Exhibit 1). Details of the highest value initiatives are included in Exhibit 2. Details of all of the projects in the sample are included in Appendix 2 (page 22).

12. We also asked the Executive's delivery partners for their views on six important areas for partnership:

- Consultation on the project.
- The application process.
- Roles, responsibilities and expected outcomes.
- Reporting arrangements.
- Timing of funding.
- Impact for their organisation.

13. We contacted 107 different organisations, including local authorities, health organisations, Non-Departmental Public Bodies (NDPBs), universities and community and voluntary organisations. We received responses from 76 organisations,¹ a response rate of 70%. Details of those who responded are included in Appendix 3 (page 25).

¹ In some cases, local authorities' views were sought on more than one project.

Exhibit 2

Details of the highest value initiatives

Community Regeneration Fund (CRF)

The Community Regeneration Fund is a new fund which replaces three previous funding streams and will distribute £318 million over a three-year period. The fund is expected to make a major contribution to regeneration, through the following five national priorities for community regeneration:

- Building strong, safe and attractive communities.
- Getting people back into work.
- Improving health.
- Raising educational attainment.
- Engaging young people.

Funding is distributed to Community Planning Partnerships (which include local authorities, health boards, the police, the fire service and other public, private and voluntary sector representatives), who are expected to propose and deliver actions that contribute to the national priorities.

Antisocial Behaviour Funding

The Executive will allocate funding of £127 million to a variety of community-based projects intended to tackle antisocial behaviour, and to help build strong, safe communities. Funding is provided to local authorities, who work with community partners to develop plans for use of funds. Projects are expected to assist in the development of a number of areas, including the promotion of community warden schemes, supervision of antisocial households, and supporting victims, witnesses and complainants.

Working for Families Fund (WFF)

This initiative, with associated funding of £50 million, aims to provide flexible options to improve employment chances and to help tackle poverty and disadvantage in deprived areas. It includes providing advisers, childcare services, and support for young parents and parents who are considering returning to, or entering, the jobs market. The WFF is allocated to the ten local authorities with the highest concentrations of children in poor (workless) households. Local authorities are expected to develop approaches which support the overall objectives.

Education Maintenance Allowances

This initiative offers financial support of up to £1,500 per year, in a combination of weekly payments and bonuses, to encourage young people to stay in education when their compulsory schooling ends. The overall funding is related to the level of demand but the Executive estimates around £49 million will be distributed over three years. Funds will be reimbursed by the UK Treasury at the end of each year. The Executive has worked with local authority and further education partners to develop, implement and administer the initiative.

Rural Stewardship Scheme

This initiative is regulated by the EC and is jointly funded by the EC and Executive, with £42 million of funding announced in 2004. Its aim is to encourage the adoption of environmentally-friendly farming practices in order to maintain and enhance the landscape, wildlife and historic interests in Scotland's countryside. Examples of the types of projects being supported include management of wetland, water margins and sites of archaeological or historic interest.

Part 2. Findings



Introduction

14. This part of the report gives an overview of the extent to which the sample initiatives complied with good practice and met partners' expectations.

Overview

Compliance with good practice

15. All of the initiatives complied with most aspects of good practice, and none of the failures to comply gave rise to significant unmanaged risk (Exhibits 3, 4 and 5, pages 8-11). However, for nine of the 20 projects, weaknesses in the arrangements left some unmanaged risk. The nine projects comprised:

- one of the five projects with associated expenditure exceeding £40 million
- three of the six projects with associated expenditure between £10 million and £40 million
- five of the nine projects with associated expenditure below £10 million.

16. The degree of control applied to a project needs to take account of the expenditure and the strategic priority involved, and most of the cases with some unmanaged risk are lower value. Nevertheless, four projects with expenditure above £10 million are exposed to risk beyond that normally controlled by the good practice we identified.

17. The Community Regeneration Fund (CRF) is the highest value initiative in our sample and illustrates a number of the challenges the Executive faces in developing appropriate controls. The fund replaces three previous funding streams and has been established to bring improvements to Scotland's most deprived areas and to help individuals and families escape poverty. Effective community regeneration is a complex process involving many different types of projects and many agencies. To secure its CRF funding, each Community Planning Partnership must submit a three-year Regeneration Outcome Agreement (ROA) for approval by Scottish ministers. The ROA must demonstrate clear links between

local outcomes and the five national priorities for community regeneration, and set out how the CPP will use the CRF alongside partner resources, through a strategic, needs-based approach, rather than a project-led approach.

18. The arrangements the Executive is using to control the fund build on those previously used. However, our review indicates scope for greater clarity in setting objectives and measures of success. We also identified a need to put in place arrangements for an evaluation that will provide evidence of the extent to which local delivery has contributed to the national priorities.

19. Scottish Executive staff involved in some projects felt the need for more guidance, particularly in the following areas:

- An index of all available guidance.
- Some guidance on what works well/does not work well in particular circumstances.
- Signposting/Where to go for help.
- A checklist of the main documents required for the various stages in a project eg, consultation, submission to ministers, bidding process, etc.
- Templates for offer letters and agreements/contracts.

Responses from delivery partners

20. Delivery partners were generally more positive than negative about roles, responsibilities and expected outcomes, reporting arrangements, and the impact for their organisation. But more were negative about consultation, the application process and timing of funding. Responses varied by type of delivery partner, with local authorities responding more negatively than other organisations. [Exhibits 6 and 7 \(page 12\)](#) summarise the responses.

21. Just over half of respondents offered a positive comment about the impact of the project on either the organisation, or on the services the organisation provided. But a third of responses expressed concerns about the impact on the organisation. Of these, half felt that the costs outweighed the benefits. This concern covered the process of applying, monitoring and reporting, and the implementation of the project, suggesting that the Executive should ensure an appropriate balance between sufficient controls to provide assurance and the potential burden on delivery partners.

22. Five local authorities indicated that the overall number of initiatives announced by the Executive caused difficulties.

Exhibit 3

High-value initiatives – summary of compliance with good practice

	Project	Community Regeneration Fund	Antisocial Behaviour Funding	Working for Families Fund	Education Maintenance Allowances	Rural Stewardship Scheme
	Value (£ million)	318	127	50	49	42
Project strategy and planning	Clear strategy and objectives	●	●	●	●	●
	Success criteria identified	▲	●	●	●	●
	Consultation	●	●	●	●	●
	Feasibility	●	●	●	●	●
	Project planning	▲	▲	●	●	●
Costing proposals	Costed proposal	●	●	●	●	●
Delivery arrangements	Announced/Advertised	●	●	●	●	●
	Clear guidance provided	▲	●	●	●	●
	Assessment of bids	●	●	N/A	●	●
	Clear allocation of funds	●	●	●	●	●
	Ability to deliver	▲	●	●	●	●
	Approval	●	●	●	●	●
Agreement or contract	Formal agreement/contract	●	▲	▲	●	●
Monitoring and evaluation	Monitoring framework	U/D	●	●	▲	●
	Audit considered	●	●	●	●	●
	Project final assessment	U/D	●	●	▲	●
	Overall score	▲	●	●	●	●

Level of risk key:

- Significant unmanaged risk
- ▲ Some unmanaged risk
- Little unmanaged risk
- ✘ Insufficient evidence to reach a conclusion
- U/D Under development
- N/A Aspect of control did not apply to this case

Exhibit 4

Medium-value initiatives – summary of compliance with good practice

	Project	Sports Facilities Network	Bus Route Development Scheme	Urban Regeneration Companies	Future-builders	Scottish Youth Football	Youth Crime Prevention Fund
	Value (£ million)	28.8	22.5	20	18	12.2	11
Project strategy and planning	Clear strategy and objectives	●	●	●	●	●	●
	Success criteria identified	●	●	●	▲	●	▲
	Consultation	●	●	●	●	●	●
	Feasibility	X	●	●	▲	●	●
	Project planning	●	●	●	▲	●	●
Costing proposals	Costed proposal	X	●	●	●	●	●
Delivery arrangements	Announced/Advertised	●	●	●	●	●	●
	Clear guidance provided	●	●	●	●	●	▲
	Assessment of bids	●	●	●	●	N/A	▲
	Clear allocation of funds	●	●	●	▲	N/A	●
	Ability to deliver	▲	●	●	●	●	●
	Approval	●	●	●	●	●	●
Agreement or contract	Formal agreement/contract	U/D	●	●	●	●	▲
Monitoring and evaluation	Monitoring framework	U/D	▲	U/D	▲	●	●
	Audit considered	U/D	●	●	●	▲	▲
	Project final assessment	U/D	●	●	▲	U/D	●
	Overall score	▲	●	●	▲	●	▲

Level of risk key:

- Significant unmanaged risk
- ▲ Some unmanaged risk
- Little unmanaged risk
- X Insufficient evidence to reach a conclusion
- U/D Under development
- N/A Aspect of control did not apply to this case

Exhibit 5

Low-value initiatives – summary of compliance with good practice

	Project	Business Start-up Grant Scheme	Orthopaedics Programme	Funding for Money/Debt Advice	Well Man Clinic Pilots	Health Research Funding
	Value (£ million)	8.6	75	4	3.1	3
Project strategy and planning	Clear strategy and objectives	●	●	●	●	●
	Success criteria identified	●	●	▲	▲	●
	Consultation	●	●	●	●	●
	Feasibility	●	●	▲	●	●
	Project planning	●	●	▲	●	●
Costing proposals	Costed proposal	●	●	●	●	●
Delivery arrangements	Announced/Advertised	●	●	▲	●	●
	Clear guidance provided	●	●	▲	●	●
	Assessment of bids	N/A	●	▲	●	●
	Clear allocation of funds	N/A	●	●	●	●
	Ability to deliver	N/A	●	●	●	●
	Approval	N/A	●	●	●	●
Agreement or contract	Formal agreement/contract	▲	■	●	■	●
Monitoring and evaluation	Monitoring framework	▲	●	●	U/D	●
	Audit considered	▲	▲	▲	▲	▲
	Project final assessment	●	●	▲	▲	U/D
	Overall score	▲	▲	▲	▲	●

Level of risk key:

- | | |
|------------------------------|--|
| ■ Significant unmanaged risk | ✘ Insufficient evidence to reach a conclusion |
| ▲ Some unmanaged risk | U/D Under development |
| ● Little unmanaged risk | N/A Aspect of control did not apply to this case |

	Project	Waste Audit & Prevention Plans	Rural Broadband Incentive	Biodiversity Action Grants Scheme	Business Benefits Unit
	Value (£ million)	2	1	0.6	0.3
Project strategy and planning	Clear strategy and objectives	●	●	●	●
	Success criteria identified	●	▲	●	●
	Consultation	●	●	●	●
	Feasibility	●	●	●	●
	Project planning	●	●	●	●
Costing proposals	Costed proposal	●	●	●	●
Delivery arrangements	Announced/Advertised	●	●	●	N/A
	Clear guidance provided	●	●	●	N/A
	Assessment of bids	●	●	●	N/A
	Clear allocation of funds	●	●	●	N/A
	Ability to deliver	●	●	●	●
	Approval	●	●	●	●
Agreement or contract	Formal agreement/contract	▲	▲	●	■
Monitoring and evaluation	Monitoring framework	●	●	●	●
	Audit considered	▲	●	●	N/A
	Project final assessment	▲	▲	●	▲
	Overall score	▲	●	●	●

Exhibit 6

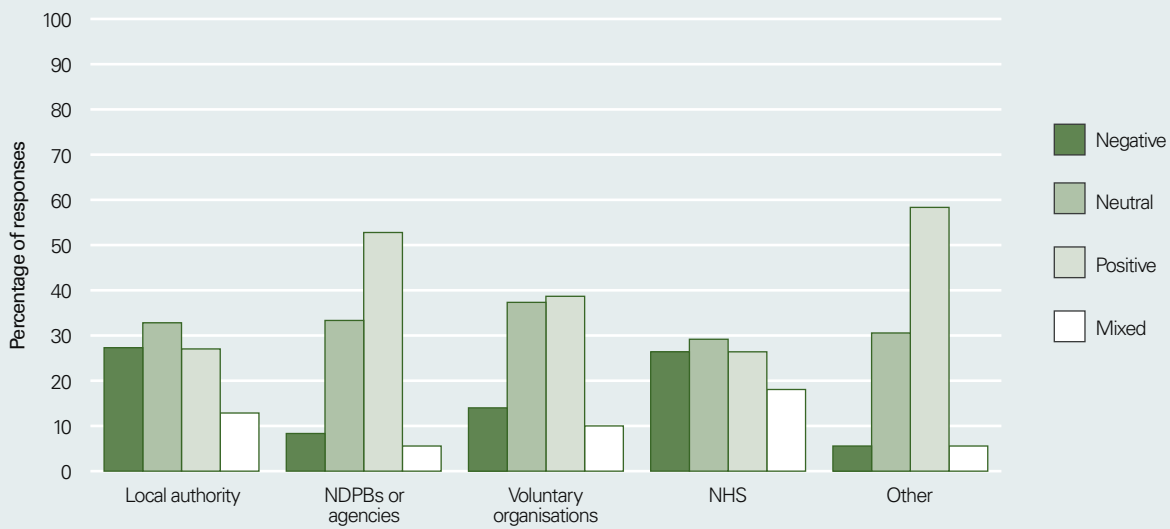
Summary of delivery partner responses



Source: Audit Scotland

Exhibit 7

Breakdown of responses by delivery partner



Source: Audit Scotland

Part 3. Specific aspects of control



Introduction

23. This part of the report examines the arrangements in place under the main headings of our good practice principles, and summarises partners' views on related aspects of the arrangements.

Project strategy, objectives and planning

24. Initiatives need to fit clearly with the overall strategic priorities of the funding organisation. If the project is to be successful, clear, specific objectives should be set and implementation should be planned effectively. Effective consultation with stakeholders, to gather views and to gain support, is an important part of the planning process as it should help to ensure smooth implementation.

25. The initiatives we examined did not always have a clear basis for monitoring progress. Objectives had been set for all of the cases we examined and were linked to the Executive's policy. In 14 cases, the measures of success were defined in a way which would allow progress

against objectives to be monitored. But in the remaining six cases, the basis on which the initiative's future success would be judged was not clear (Exhibit 8, overleaf).

26. In all cases, there was evidence that the Executive had undertaken consultation with stakeholders prior to the announcement of the initiative. Consultation was undertaken to: establish the level of support for projects, identify areas of concern, and identify potential methods of implementation. We also found evidence that the Executive had considered both the skills likely to be required of delivery partners and the types of organisation that were likely to be well-placed to deliver the required outcomes in each case.

27. However, a third of the responses indicated that the partner had not been consulted or that they felt consultation was inadequate, because it was limited or because there was insufficient time to respond. Some delivery partners also commented on time constraints on the consultation process, particularly where they had to consult with other

groups or organisations before they could finalise responses.

28. Where respondents were positive about the Executive's consultation, the most common contributing factors were:

- conducting workshops and/or face-to-face meetings with delivery partners
- allowing sufficient time for delivery partners to consult with third parties or other partners eg, where a project was likely to require a multi-agency approach.

Development of cost proposals

29. There is not a single process for allocating funds to initiatives. The allocation in each case reflects a mix of factors, including the availability of funds at any particular time and the extent to which it has been possible to determine in advance the cost of meeting objectives. The majority of the initiatives we examined had their funding determined before full proposals were developed. (Exhibit 9, page 15).

Exhibit 8

Cases where measures of success were not clearly defined

Community Regeneration Fund (CRF)

The fund is expected to make a significant contribution to regenerating disadvantaged communities. Individual outcome agreements, between Communities Scotland and each Community Planning Partnership, are required to match planned activity to five national priorities for community regeneration. The national performance management framework developed by Communities Scotland will allow measurement of progress against local plans set out in individual outcome agreements. However, it will be difficult to measure the fund's overall contribution to national priorities.

Futurebuilders

As with the CRF, there are individual agreements in place for each applicant to the fund. However, there is no clear way of measuring the fund's overall contribution.

Youth Crime Prevention Fund

The funding is expected to feed to the Partnership Agreement commitment to reduce re-offending by a designated percentage. However, the proposed success criteria were agreed individually with partners and there is no overall measure of success for the fund.

Funding for Money/Debt Advice

Half of the funding was targeted at objectives of an exploratory nature and individual applications were considered on the basis of what bidders said they would do for the funding, rather than on specific outcomes related to the overall objectives.

Well Man Clinic Pilots

This initiative has the overall aim of encouraging men to take a greater interest in their health. Although objectives for the pilots had been specified, the criteria for success were not clear.

Business Broadband Incentive

This initiative has three objectives:

- To accelerate business broadband take-up amongst small and medium-sized enterprises (SMEs).
- To address the lack of access to affordable broadband services.
- To maximise the number of businesses that have the opportunity to capitalise on the benefits of broadband connection.

The Executive's measure of success will be the level of increase in take-up of broadband. However, this fails to capture information about affordability and whether take-up has been maximised.

Exhibit 9

Methodology for allocating funds to projects

	High-value	Medium-value*	Low-value	Total
Costs estimated and proposal prepared	2	2	3	7
Budget availability	3	3	6	12
Total	5	5	9	19

Note: *For one medium-value project there was insufficient evidence to establish how funding had been allocated.

Source: Audit Scotland

30. The Executive requires new spending proposals to be supported by an assessment of the expected impacts and value for money. It has developed a 'Pre-expenditure assessment' (PEA) guide for staff to use. Although the PEA was not introduced until December 2004, we found that approval submissions for the projects we examined generally included information which complied with PEA expectations. However, some project managers were not aware of the PEA and others were unclear as to when it should be applied.

31. We found five cases where project managers had consulted the Executive's Finance Department and also found examples of advice being sought from other specialists, such as economists, statisticians, the legal team and the internal audit team.

Delivery arrangements

32. Delivery arrangements cover the process from announcement of the project and provision of guidance on the application or funding distribution

process through to funding. A clear and consistent approach to alert potential partners and to assess partners' funding requirements is necessary to ensure appropriate levels of funding are distributed to those most likely to deliver results.

33. All projects examined were announced or publicised using the Executive's news release system. Because potential delivery partners had been identified at the planning stage, announcements were accompanied, or preceded, by direct contact with delivery partners. However, one in seven responses expressed concerns about delays in issuing guidance or slow responses to applicants.

34. Providing appropriate support can help ensure delivery partners are well-prepared to deliver project objectives. Examples of good practice in providing support included comprehensive guidance – delivered through meetings, workshops and the internet – examples of outcome measures, and good feedback systems to improve the quality of

applications for funding. An example of an initiative where good support was provided to delivery partners is shown in [Exhibit 10 \(overleaf\)](#).

35. Funds were distributed to partners in several ways. In the majority of cases, the Executive set up an application process which required potential partners to make a case based on the level of contribution the partner expected to make to the policy objectives, while in others, the Executive developed models which allocated funding by reference to predetermined criteria such as deprivation levels. In a few cases, the funding distribution process was a combination of these.

36. Guidance and support was made available to potential delivery partners where there was an application process for funding, though in two cases the guidance was not available when the fund was launched. As a result, partners were unable to develop applications for the Executive to assess on timescales consistent with project objectives.

Exhibit 10

Support to delivery partners – Education Maintenance Allowances

The Executive works with both local authorities and further education colleges to deliver the Education Maintenance Allowances scheme. The scheme is intended to provide a financial incentive to young people from low-income households to remain in full-time education beyond the minimum school leaving age.

To support the national roll-out of the scheme, the Executive ran a series of events and workshops to explain its plans and to encourage delivery partner involvement. The Executive also developed and produced comprehensive guidance, in the form of a general guide, a business model, and a good practice guide. The guidance covers all aspects of the process, including the roles of delivery partners and other stakeholders, and has been amended, when necessary, to reflect delivery partner feedback. It is easily accessible, primarily through a dedicated website.

Many of the delivery partner responses to Audit Scotland's request for feedback were positive about the support provided for this scheme.

Source: Audit Scotland

37. In all cases, the Executive had developed a clear process for assessing bids. We noted, however, that bid assessment and scoring models appear to be developed separately for each project. This suggests that staff may be 'reinventing the wheel' and duplicating efforts. Given that processes will be similar for most funding arrangements, there is likely to be scope to develop standard models, which could improve both efficiency and consistency.

38. Nearly half of the responses were positive about the application process, citing the clear and straightforward process or the support provided by Executive staff. Most negative comments related to the amount of time available to prepare and submit an application for funding, deadlines being changed mid-process, and the level of detail or bureaucracy associated with the process.

39. A third of the responses were positive about the timing of funding, and particularly the relatively new ability to carry over funding.

40. Concerns about the timing of funding included:

- Difficulties in trying to spend the funding in the required timescale.

One respondent commented:

"...we had to spend our first year's funding by March 2005. Since this was only six months rather than a year we tried to find out from the Scottish Executive if any under-spend could be carried into next year, however we didn't really feel confident in the response that we received. So we decided to just try and spend the money."

- Problems fitting applications for funding into the organisation's internal funding or approval processes and/or alignment with internal budget-setting.
- The relationship with other funding streams for similar projects.

41. Concerns were also expressed about the short-term nature of funding, particularly where the objectives

were to address long-term problems. Where new funding introduces or enhances services, creating an expectation among service users, difficulties can arise if funding runs out and the service is discontinued or the service provider has to re-prioritise other work. Uncertainty about future funding can also cause difficulties for delivery partners, for example, when trying to recruit staff.

Agreement or contract

42. For the cases we examined, the funding provided to individual delivery partners ranged from awards of a few thousand pounds to some well in excess of £1 million. A formal agreement or contract between the funding provider and the delivery partner, clearly setting out roles, responsibilities and expected outcomes, provides an important reference point for both parties. It can provide a basis to monitor progress and, should something go wrong, it could help to avoid unnecessarily protracted disputes.

Exhibit 11

Extent to which an agreement or contract was in place

Project value	Full contract	Abbreviated contract	Offer letter	Total
High	3	2	0	5
Medium*	4	1	0	5
Low	3	3	3	9
Total	10	6	3	19

Note: *In one case, the initiative was not at the stage where an agreement or contract was required.

Source: Audit Scotland

43. A formal agreement was in place for 16 of the 20 projects we reviewed (Exhibit 11). Of these, ten met all aspects of good practice, while the other six had an agreement that met only some aspects of good practice. Of the remaining four, three did not have a formal agreement or contract, and instead used a signed offer and acceptance letter as the basis of an agreement with delivery partners. These agreements did not include detailed terms and conditions for the funding arrangement, and relied upon separate documents such as the initial bid or bid guidance. The risk that conditions are missed out or not met is greater if important information is distributed across different documents. The remaining project had not yet reached the stage where a formal agreement was required.

44. Nearly half of the delivery partner responses were positive about roles, responsibilities and outcomes, with most indicating that these aspects were clear or well-defined. However, just under a quarter of the responses

mentioned that roles, responsibilities and expected outcomes were unclear, unrealistic or inappropriate.

Monitoring and evaluation

45. It is important that funds are used for their intended purpose, and that the success of each initiative is evaluated. Undertaking evaluation at the end of a project leaves a risk that problems are identified too late to take corrective action, or to plan for modifications to achieve objectives. Monitoring can provide assurance that projects are proceeding to plan and can identify where projects may need remedial action. Effective evaluation provides assurance that projects have achieved the intended objectives and can help inform future plans.

46. Requirements for monitoring were contained either within offer letters or within agreements/contracts issued to delivery partners. Twelve of the projects had a monitoring framework that complied with good practice and a further four had some monitoring in

place, but the arrangements did not comply with all aspects of good practice. Three projects had not finalised arrangements at the time funds were paid out (Exhibit 12, overleaf). In the remaining case, the initiative was not yet at the stage where monitoring was required because no funds had been released.

47. The Executive's finance manual recognises the benefit of specific audits of payments under projects or schemes delivered by partners to provide assurance on financial control. However, the manual is not prescriptive about the circumstances or risk conditions where such audit should be commissioned. We found that, although audit had been considered as a monitoring tool in each of the five high-value initiatives we examined, audit arrangements were in place for only two. In one of these cases, inspection by EU auditors was a condition of European funding and was not optional.

Exhibit 12

Cases without detailed monitoring arrangements when funds were released

Community Regeneration Fund (CRF)

The fund was announced in July 2004, with funding to be released from April 2005. The national performance management framework through which the fund will be monitored was not operational until September 2005. Partners were aware that the framework was under development and were required to develop individual monitoring arrangements. While it may have been reasonable for partnerships to have expected the framework to be built around the structure of their original submissions, this could have been more clearly articulated to avoid any confusion. There is a risk that potential partners develop individual monitoring arrangements which do not fit with the requirements subsequently set out in the national performance management framework.

Urban Regeneration Companies

While monitoring requirements were outlined in the grant offer letters issued to partners, formal monitoring arrangements were still under development at the point the funds were released.

Well Man Clinic Pilot

Those involved in the pilots were asked to provide a brief annual report on progress. Although an outline template was provided, detailed monitoring requirements were still under development. Evaluation was outsourced and a contract let within two months of the pilot sites being agreed. Although the Executive was in contact with partners during the intervening period, no formal monitoring arrangement was in place at the outset, leaving the initiative open to similar risks as those described above.

Source: Audit Scotland

48. Nine of the projects we examined had a clear evaluation framework in place (Exhibit 13, opposite). A further seven had a framework partially in place. For the remaining cases, no clear plans existed. These projects were at a relatively early stage of implementation and the Executive expected to develop evaluation plans as the schemes progressed.

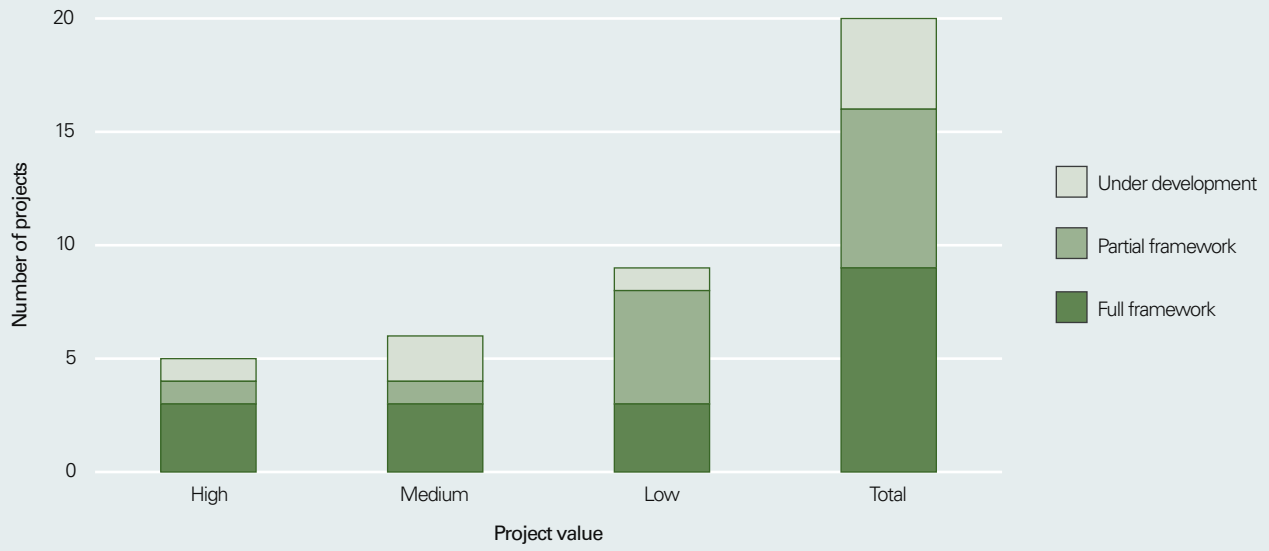
49. Six of the 20 projects examined had in place, or were developing, outcome-based agreements. In these cases, where delivery partners and the Executive agree outcomes, measures and targets as part of the application process, this provides a clear baseline against which to judge success. However, it is important to ensure that the success of individual projects can be aggregated in such a way as to enable the overall success of the initiative to be measured.

50. Two-fifths of respondents commented positively on reporting arrangements, with most of these indicating that the arrangements had been agreed and were clear.

51. A third of responses included a negative comment, with around half indicating they were unclear about what and when they had to report. Others expressed concerns about the level of detail or information required or the format in which it was to be provided. Concerns were raised not only where delivery partners felt the requirements to be too detailed, but also where they felt arrangements were insufficient. Other responses suggested that the timescales for submission of monitoring information were too short, and affected the quality of reports.

Exhibit 13

Assessment of evaluation arrangements



Source: Audit Scotland

Part 4. Conclusions and recommendations



52. The arrangements in place for most of the 20 projects and schemes we examined offer assurance that funds will be directed to projects that will contribute to the overall objectives. In most cases, the arrangements will also provide a basis for judging the efficiency and effectiveness of individual initiatives. However, a few projects could be at risk because of inadequate controls. The Executive should require project managers to ensure that:

- measures of success are defined in a way that will allow monitoring of progress against objectives
- formal agreements with delivery partners, where appropriate, cover all important aspects of delivery, including a clear indication about both the level and the duration of funding
- plans for monitoring and evaluation, including milestones, are clearly defined at the point delivery partners are engaged.

53. There is scope to improve corporate guidance, and compliance with the guidance, specifically on setting objectives, formal agreements and monitoring. The Executive should:

- review and, where appropriate, improve guidance for staff to encourage consistency and good practice
- raise staff awareness of guidance and promote compliance
- encourage staff to make better use of individual departments' existing experience of projects, and to share good practice.

54. Funding for the projects and schemes we examined are generally welcomed by delivery partners, but some of the arrangements for managing and monitoring can cause difficulties. The Executive should consider the following actions to ensure consistent, effective engagement with delivery partners:

- Consultation on new projects should be effectively undertaken with potential delivery partners, as part of stakeholder consultation. Sufficient time should be allocated to allow delivery partners to consult with other partners.
- Guidance for delivery partners should be provided in sufficient time to allow robust applications to be made.
- As with consultation, sufficient time should be provided to allow delivery partners to effectively involve other partners.
- The implications of individual funding arrangements for the core work of delivery partners should be carefully considered.
- The implications of short-term funding for both delivery of overall objectives and project sustainability should be carefully considered.

Appendix 1. Principles of good practice for managing and monitoring funding arrangements

Project strategy, objectives and planning

- A clear strategy and objectives.
- Success criteria which link objectives to desired outcomes.
- Identifying stakeholders and ensuring that an appropriate level of consultation has taken place and their support obtained.
- Evaluating the initiative for strategic fit, feasibility and identifying required skills for delivery.
- Project planning arrangements for managing the initiative's progress.

Development of cost proposals

- A clear methodology determining the costs of achieving the initiatives' objectives.

Delivery arrangements

- Clear and effective announcement of the initiative to potential delivery partners.
- Providing clear guidance to delivery partners so they can align the project and funding claims to fit the objectives.
- A clear methodology for assessing bids to ensure they meet agreed criteria.
- Clear allocation of funds to delivery partners.
- Assurance obtained over delivery partners' ability to deliver and their project planning.
- Documented approval of successful bids.

Agreement or contract

- A formal agreement or contract has been setup between the Executive (funder) and the delivery partners who are in receipt of funding and are responsible for delivery against established objectives. This sets out:
 - objectives and purpose of funding
 - expected outcomes
 - terms and conditions of funding
 - roles and responsibilities
 - payment arrangements and whether funds are ring-fenced
 - monitoring arrangements and outcome assessment
 - actions in event of a breach of conditions and penalties
 - requirements for audit and/or need for records and expenditure controls.
- A signed agreement is received from the delivery partners.

Monitoring and evaluation

- An agreed framework setting out monitoring and reporting arrangements, including financial, activity and progress against objectives and milestones (at both initiative and project level).
- Efficient use of audit as a method for obtaining assurance that funds are managed robustly and spent appropriately.
- A clear set of outcomes for the initiative and individual projects, and a framework for measuring both their attainment and the impact of the initiative overall.

Appendix 2. Summary of projects examined

Scheme	Description	Executive funding (£ million)	Period of Implementation (Years)
Health Department			
Health Research Funding	Funding provided to support a consortia with SHEFC and NHS Education, with the aim of developing a high-quality research capability and capacity in Scotland that can stimulate evidence-based practice and policy for nurses, midwives and allied health professionals.	3	5
Orthopaedics Programme	A project to improve services and cut long waits for orthopaedic outpatients.	7.5	2
Well Man Clinic Pilots	Aims to encourage men to take a greater interest in their health and well-being.	3.1	2
Development Department			
Funding for Money/Debt Advice	Specific funding for new advice services to help people with debt targeting vulnerable groups, and to support the implementation of the Debt Arrangement Scheme.	4	2
Urban Regeneration Companies	Provide funding to support the use of Urban Regeneration companies to regenerate run-down areas of Scotland.	20	Up to 15
Working for Families Fund	The project aims to provide flexible options to improve employment chances and to help tackle poverty and disadvantage in deprived areas. It includes providing advisers, childcare services, support for young parents and parents who are considering returning to or entering the jobs market, and subsidising childcare services.	50	4
Futurebuilders	A programme to help voluntary and community organisations, which deliver goods or services commercially, to develop/expand existing services and become self-sufficient businesses.	18	3
Community Regeneration Fund	To bring improvements to Scotland's most deprived areas and help individuals and families escape poverty.	318	3

Scheme	Description	Executive funding (£ million)	Period of Implementation (Years)
Justice Department			
Business Benefits Unit	To support the Business Benefits Unit financially with its aim to identify back office savings and help police forces improve their efficiency and cost-effectiveness.	0.3	3
Antisocial Behaviour Funding	To tackle antisocial behaviour, the poor quality environment and to help local people build strong, safe communities. This is achieved by extending community warden schemes and other community-based initiatives.	127	4
Education Department			
Sports Facilities Network	To support the establishment of new or improved sports facilities throughout Scotland.	28.8	8
Scottish Youth Football	To increase participation and performance levels by introducing a regional structure for delivery of under-18 football, accreditation schemes for youth development, a simplified player registration system and other initiatives to improve the player pathway.	12.2 ²	10
Youth Crime Prevention Fund	To support a range of projects by providing constructive and relevant activities for young people, parenting and family support, restorative justice and support for persistent offenders.	11	4
Enterprise, Lifelong Learning and Transport			
Bus Route Development Scheme	To develop underused bus routes, improve the quality and frequency of local bus services and improve access to public transport to help reduce congestion.	22.5	3
Rural Broadband Incentive	A scheme to increase broadband take-up among rural businesses.	1	1
Education Maintenance Allowances	A programme which offers financial support of up to £1,500 per year to encourage students to stay in education when their compulsory schooling ends via a combination of weekly payments and bonuses.	49	3
Business Start-up Grant Scheme	This fund will provide grants of £1,000 to young people aged 18-30 starting up in business in the Scottish Enterprise area.	8.6	1.5

2 Public funding package arranged by the Scottish Executive includes lottery monies.

Scheme	Description	Executive funding (£ million)	Period of Implementation (Years)
Environment and Rural Affairs			
Rural Stewardship Scheme	An EC-regulated scheme jointly funded by the EC and Executive to encourage the adoption of environmentally-friendly farming practices in order to maintain and enhance the landscape, wildlife and historic interests in Scotland's countryside.	42 announced 2004 ³	5
Biodiversity Action Grants Scheme	To stimulate and encourage a range of projects that will assist implementation of the aims of the Scottish Biodiversity Strategy to protect and enhance Scotland's natural environment.	0.6	3
Waste Audit & Prevention Plans	To reduce the amount of waste local authorities generate and send to landfill. Local authorities are allocated funding to carry out waste audits and form waste prevention action plans.	2	1
Total sample		728	

3 £164 million over five years (includes £60 million EC).

Appendix 3. Delivery partners

Body	Initiatives on which partner responded
Aberdeen City Council	Education Maintenance Allowances, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Aberdeenshire Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Almond Valley Heritage Centre	Futurebuilders
ApexTrust Scotland	Youth Crime Prevention Fund
Argyll & Bute Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Association of Chief Police Officers (Scotland)	Business Benefits Unit
Broughty Ferry Environmental Project	Biodiversity Action Grants Scheme
BTCV Scotland	Biodiversity Action Grants Scheme
Caledonian Nursing and Midwifery Research Centre	Health Research Funding
Chapelhall Regeneration Group	Biodiversity Action Grants Scheme
Children 1st	Youth Crime Prevention Fund
CHP (Shetland Community Health Programme)	Well Man Clinic Pilot
City of Edinburgh Council	Biodiversity Action Grants Scheme
Clackmannanshire Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Coalfield Environment Initiative	Biodiversity Action Grants Scheme
Colonsay Community Development Company	Biodiversity Action Grants Scheme
Comhairle nan Eilean Siar	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice, Waste Audit & Prevention Plans and Biodiversity Action Grants Scheme

Body	Initiatives on which partner responded
Craigmillar Joint Venture Ltd	Urban Regeneration Companies
Dumfries & Galloway Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice, Waste Audit & Prevention Plans and Working for Families Fund
Dundee City Council	Education Maintenance Allowances, Bus Route Development Scheme, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice, Waste Audit & Prevention Plans and Working for Families Fund
East Ayrshire Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Working for Families Fund
East Dunbartonshire Council	Education Maintenance Allowances, Biodiversity Action Grants Scheme, Community Regeneration Fund, Funding for Money/Debt Advice and Antisocial Behaviour Funding
East Lothian Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
East Renfrewshire Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Falkirk Council	Education Maintenance Allowances, Bus Route Development Scheme, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Falkland Centre for Stewardship	Biodiversity Action Grants Scheme
FEAT Enterprises	Futurebuilders
Fife Acute Hospitals Division	Orthopaedics Programme
Fife Council	Education Maintenance Allowances, Bus Route Development Scheme, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Fife Healthy Men Project	Well Man Clinic Pilot
Garden and Ecology Trail Sandwich	Biodiversity Action Grants Scheme
Glasgow City Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Waste Audit & Prevention Plans, Funding for Money/Debt Advice and Working for Families Fund

Body	Initiatives on which partner responded
Greenhead Moss Community Trust	Biodiversity Action Grants Scheme
Grounds for Learning	Biodiversity Action Grants Scheme
Health Promotion Services	Well Man Clinic Pilot
Highland Council	Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Highlands & Islands Enterprise	Business Start-up Grant Scheme
Kibble	Futurebuilders
Living Streets	Futurebuilders
Midlothian Council	Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Moray Council	Education Maintenance Allowances, Biodiversity Action Grants Scheme, Bus Route Development Scheme, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
NCH	Youth Crime Prevention Fund
NHS Ayrshire & Arran	Orthopaedics Programme
NHS Forth Valley	Orthopaedics Programme
NHS Greater Glasgow	Orthopaedics Programme
NHS Lanarkshire	Orthopaedics Programme
North Ayrshire Council	Education Maintenance Allowances, Community Regeneration Fund, Funding for Money/Debt Advice and Working for Families Fund
North Lanarkshire Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Biodiversity Action Grants Scheme, Funding for Money/Debt Advice, Waste Audit & Prevention Plans and Working for Families Fund
One Parent Families Scotland	Funding for Money/Debt Advice
One Plus	Funding for Money/Debt Advice
Orkney Islands Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans

Body	Initiatives on which partner responded
Perth & Kinross Council	Education Maintenance Allowances, Bus Route Development Scheme, Community Regeneration Fund, Antisocial Behaviour Funding and Funding for Money/Debt Advice
Queen Margaret University College	Health Research Funding
Renfrewshire Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Working for Families Fund
RSPB Scotland	Biodiversity Action Grants Scheme
SACRO	Youth Crime Prevention Fund
Scottish Borders Council	Education Maintenance Allowances, Bus Route Development Scheme, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Scottish Enterprise	Broadband Business Incentive and Business Start-Ups (young people)
Scottish Higher Education Funding Council	Education Maintenance Allowances
Seaton Community Enterprise	Futurebuilders
Shetland Amenity Trust	Biodiversity Action Grants Scheme
Shetland Islands Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
South Ayrshire Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
South Lanarkshire Council	Community Regeneration Fund, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
SportScotland	Sports Facilities Network and Scottish Youth Football
Tayside Acute Services Division	Orthopaedics Programme
The Action Group	Funding for Money/Debt Advice
The Coach House Trust	Biodiversity Action Grants Scheme
The Duke of Edinburgh's Award	Youth Crime Prevention Fund

Body	Initiatives on which partner responded
The Prince's Scottish Youth Business Trust	Business Start-up Grant Scheme
The Prince's Trust Scotland	Youth Crime Prevention Fund
University of St Andrews	Biodiversity Action Grants Scheme
West Dunbartonshire Council	Education Maintenance Allowances, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice, Waste Audit & Prevention Plans and Working for Families Fund
West Lothian Council	Education Maintenance Allowances, Bus Route Development Scheme, Community Regeneration Fund, Antisocial Behaviour Funding, Funding for Money/Debt Advice and Waste Audit & Prevention Plans
Wishaw LHCC	Well Man Clinic Pilot

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