

FUNDING CROSS-CUTTING WORKING

A Scottish Executive Study

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CONTENTS

Page II Executive Summary

Page III Summary of Recommendations

Page 1 PART 1:
Introduction

Page 3 PART 2:
Stock take of current experience and best practice

Page 7 PART 3:
Analysis of the barriers to cross-cutting working

Page 21 ANNEX A:
Findings of the Children's Services tracking exercise

FUNDING CROSS-CUTTING WORKING

EXECUTIVE SUMMARY

- i. Effective implementation of cross-cutting policies requires concerted planning and action on an inter-agency basis. Policies, which overlap organisational and professional boundaries, are key themes for the Scottish Executive and public sector agencies. This study looks at the barriers to funding cross-cutting working, focusing particularly on the rules of finance and financial accountability. The study was commissioned by the Scottish Executive to build on the recommendations made in the 'Making a Difference: Effective Implementation' report, published in June 2000.
- ii. The study involved an evaluation of local experience on flexible use of funding and proposes remedies to barriers to cross-cutting working particularly in relation to finance and financial accountability. Three elements of the study were completed – a desk based exercise analysing the current rules and guidance on funding cross-cutting working; a programme of field research involving key stakeholders involved in the delivery of cross-cutting services; and a tracking exercise which examined funding arrangements in one sector.
- iii. The study found many positive examples of public sector agencies working in partnership to deliver shared objectives and priorities by committing funding for joint initiatives and projects. Although it was acknowledged by many participants that some of the barriers were 'perceived' rather than actual, the role of the Scottish Executive in supporting cross-cutting working was identified as a key determinant in the effective implementation of such policies. In some instances, the actions of the Scottish Executive were deemed to hinder effective implementation of cross-cutting policy.
- iv. In respect of Children's Services, the subject of a separate tracking exercise, a range of concerns were expressed about the complexity of funding arrangements, bureaucratic partnership structures and the plethora of different agencies operating within this field. The variety of different funding sources and the associated planning requirements for the delivery of national strategies were deemed to restrict the ability of community planning partners to respond flexibly to local needs. Such requirements also result in higher management costs associated with separate audit and accountability arrangements and result in considerable inflexibility in terms of utilising funding in the most effective way.
- v. Five main themes were identified requiring action to overcome the barriers to funding cross-cutting policies. These are – rationalisation of funding cycles across the public sector; more flexible funding arrangements with limited use of ring fencing and hypothecation; an integrated audit and inspection regime; a review of planning structures within the context of community planning; and sponsorship by Scottish Executive divisions through a review of departmental priorities ensuring Best Value in spending programmes.
- vi. Overall the research reinforced the findings of the previous report 'Making a Difference: Effective Implementation' – that the tradition of collaborative working across the public sector continues to thrive and produce positive results for client groups and service users. However many barriers remain, and this report details recommendations for practical changes that could overcome these and facilitate effective implementation of cross-cutting policies within the context of community planning.

SUMMARY OF RECOMMENDATIONS

- We recommend that the Scottish Executive should acknowledge the benefits of providing funding allocations to the major agencies at the same time in relation to the achievement of cross-cutting working, and should endeavour to avoid slippage in allocation timetables.
- We recommend that policy divisions providing grants to other delivery organisations should consult the organisations that they fund to ensure that the timing of the grant allocation process does not present problems. Where it is causing difficulties, efforts should be made to align grant allocation processes with the allocation processes of the major public and statutory agencies.
- We recommend that Scottish Executive policy divisions should review the use of indicative allocations for any part of a three-year funding period. Where their use is unavoidable, they should ensure that instructions to delivery agencies about the extent to which they can enter commitments are clear. More innovative techniques such as the provision of a guaranteed minimum allocation and provisional additional element should be explored.
- We recommend that the provision of funding allocations to delivery agencies on a year-to-year basis should be avoided wherever possible. Rolling three-year programmes of allocations should be provided to delivery agencies. Where fixed three-year programmes are necessary, reviews should take place as soon as possible before the expiry of the existing allocations in order to give agencies maximum time to plan.
- We recommend that the value of increasing or decreasing funding profiles where they are linked to a specific entry or exit strategy for a particular project or service should be acknowledged. Scottish Executive divisions should ensure that they maximise the ability of delivery agencies to influence the profile of their funding allocations within a three-year period.
- We recommend that the benefits of ring-fencing and hypothecation for the delivery of new policy priorities should be acknowledged, but increased profile within the Scottish Executive should be given to the wider disadvantages of such approaches and the particular barriers that it can present to joint working. Existing partnership infrastructure should be used wherever possible.
- We recommend that where a ring-fenced approach is considered appropriate, it should be time-limited and clearly linked to the targeting of a particular geographic area or the delivery of a new priority. All ring-fenced funding should be linked to the achievement of clear initial targets, with consideration given to the lifting ring fencing once those targets have been achieved. Thereafter a bloc allocation based on agreed priorities or outcomes would result in greater flexibility in the use of funding. Audit Scotland could be involved in auditing both the baseline practice and follow up performance, giving independent assessment and assurances to both government and local delivery agencies that positive achievements have been made.
- We recommend the Scottish Executive and CoSLA explore the feasibility of Local Outcome Agreements as a mechanism for delivering joint national and local action on major cross-cutting policies.
- We recommend that at the project planning stage of any cross-cutting venture, issues of statutory authority, accountability and audit should be addressed (in conjunction with the Scottish Executive), and that any change in procedures be initiated at an early stage.

- We recommend that Audit Scotland are brought into the discussions at the early stages of the planning processes for a cross-cutting initiative to look at the whole audit system for financial management, audit and performance.
- We recommend that the Scottish Executive establish a national forum whereby appropriate national agencies e.g. Audit Scotland and COSLA can meet with the Scottish Executive to develop thinking and practical measures to support national policy implementation and particularly community planning.
- We recommend the Scottish Executive produce guidance on the statutory basis for joint funding arrangements across various sectors.
- We understand that the Community Planning Task Force has a remit to examine the proliferation of planning structures, and their relationship to the community planning process. We welcome this commitment, and given the evidence of the difficulties that the lack of clarity is causing at a local level, we recommend that the issue is given a high priority.
- We recommend that within the Scottish Executive there should be a small number of priority cross-cutting initiatives, funding for which should be scrutinised as rigorously as mainstream departmental programmes.
- We recommend the Scottish Executive remit to the Senior Local Government Group, or other appropriate internal mechanism, responsibility for co-ordinating and monitoring action on cross cutting policy implementation.
- We recommend the Scottish Executive consider the feasibility of organising the Inspectorates on a cross-cutting basis reflecting the key themes for the Executive e.g. children and older people.
- We recommend that Ministers implement a statutory duty of Best Value on local government and a similar duty on other public sector bodies.
- We recommend that work be done to assess the feasibility of establishing an organisation which co-ordinates and integrates all continuous improvement work undertaken by the Scottish Executive.
- We welcome the extension of access to the Government Secure Internet and we recommend that in the longer-term, the Scottish Executive facilitate a shared knowledge management system across the whole of the public sector.
- We recommend that the Community Planning Task Force be asked to provide a basic guide to the data protection issues in relation to cross-cutting working.
- We recommend that the importance of facilitating joint working is a primary concern in any future reviews of the boundaries of public agencies.

PART 1: INTRODUCTION

Why is cross-cutting working important?

1. Public, statutory and voluntary agencies are increasingly being called to work together in the delivery of 'joined-up' or 'cross-cutting' working. In part, this stems from the increasing recognition that the users and customers of services should be able to expect a co-ordinated and holistic response to their needs and the resulting drive to modernise public services. It is also informed by the increasing understanding of the complexity and interrelationships between some of the factors that influence the quality of people's lives in Scotland's communities – factors such as poverty, health, education and crime.
2. For example, research into health and social care services for older people commissioned by Perth and Kinross Council in 1998 indicated a need for greater inter-agency collaboration. The research concluded that issues regarding transport, isolation, access to services and barriers to information required a holistic inter-agency response with solutions that go beyond the boundaries of any one public sector organisation.

Background to this study

3. Developing new ways of working requires a willingness to change, and flexibility on the part of all of those involved. The Scottish Executive Policy Unit's report *Making a Difference: Effective Implementation*, published in June 2000 looked at some of the ways in which the Executive could help improve the implementation of cross-cutting policy by changing some of the ways in which it works. In this study, cross-cutting policies have been defined as those which overlap organisational and professional boundaries, requiring inter-agency action. The range of policies, both national and local, which can be described as cross-cutting cover the whole spectrum of public services. Devising creative solutions to these important policy areas requires a 'person centred' approach to the provision of public services.
4. The rules of finance and financial accountability were identified as a possible barrier to effective cross-cutting working, and the report recommended further work to explore these issues in more detail. In November 1999 one of the Social Inclusion Action Teams published its report 'Making it Happen', which explored similar issues, and also recommended that further work should be done to examine the financial and regulatory barriers to effective action in tackling social inclusion.
5. The Scottish Executive's proposals to provide a statutory basis for community planning recognise that this is a way of bringing local partners together to agree and implement a 'joined up' vision for communities. This will potentially strengthen the statutory framework for implementing policies on cross-cutting themes such as community care. The best value regime presents an opportunity for local delivery agencies to review the way in which services are provided and consider appropriate strategic options for reconfiguring these within a community planning framework to deliver positive outcomes for service users.
6. This study addresses issues that are central to the modernising government agenda. By evaluating local experience of partnership working and in particular flexible use of funding to create new models of service delivery, the findings can inform policy development at national level, and provide practical examples of best practice which can be shared across the whole public sector within Scotland to assist delivery agencies meet the challenges of the new public sector agenda.

Aims of this study

7. This report sets out the findings of a study of the financial barriers to cross-cutting working which was carried out between September and December 2000. The project had three main objectives:
 - to produce clarified guidance for delivery agencies on the flexibility allowed under current rules for pooling budgets and accounting for money in joined-up ways; and to consider whether any changes in existing guidance/regulations should be made to encourage joined-up delivery of policy;
 - to evaluate local experience to date on flexible use of funding to establish what has worked best;
 - to identify and propose remedies to any specific financial barriers to cross-cutting working, building on the work of the 'Making it Happen' Action Team the Policy Unit's Effective Implementation project.

Method of study and management of the project

8. A project team consisting of representatives from the Development Department, Finance, and a secondee from Perth and Kinross Council have carried out the work on this project, reporting to a Steering Group chaired by the Principal Finance Officer.
9. The project work consisted of three main elements:
 - A desk based exercise to analyse current rules and guidance affecting the funding of cross-cutting working. This involved the examination of relevant legislative and financial issues;
 - A tracking exercise looking at the funding of one particular sector within two local authorities – the delivery of children's services in Stirling and Aberdeen;
 - A programme of fieldwork involving visits to a number of projects, key individuals and other stakeholders involved with the delivery of cross-cutting services, and a questionnaire-based exercise targeted at around forty such projects across Scotland.

PART 2: STOCK-TAKE OF CURRENT EXPERIENCE AND BEST PRACTICE

Cross-cutting working in Scotland

10. As recognised in the 'Making a Difference: Effective Implementation' report, a tradition of collaborative working across the public sector exists at local level. Consistent with this finding, over 50 separate projects and initiatives were identified in this study covering a broad range of client groups and policy areas. These ranged from services to children and young people to employment and training initiatives.
11. Positive examples of inter-agency joint funding of cross-cutting working were found across a number of sectors, and targeting a number of different client groups, including young people, adults, older people and businesses. Positive examples of cross-cutting working can be found in the following areas although this list is not exclusive.
 - Social inclusion projects
 - Rough sleepers initiatives
 - Community Care
 - Children and Young people
 - Mental Health
 - Employment and Training
 - Community Planning
12. A key feature of each of these initiatives is multi-agency involvement in the management and delivery of services. The primary agencies involved in the majority of the projects considered in the study are local authorities and health organisations. However the Enterprise network, Voluntary Sector organisations, Employment Service, Chamber of Commerce, Benefits Agency and community organisations are also key partners in these initiatives. In the majority of examples, local authorities fulfil the lead agency management role.

Fife Opportunities Centres

There is a network of six Opportunity Centres located throughout Fife. These centres are a 'one door approach' to assisting people into education, training and jobs. Prior to the establishment of the Opportunity Centres several agencies offered similar services to those seeking employment and training. A Fife wide partnership of public sector agencies has attempted to develop a cohesive approach to provision in Fife through co-locating a range of support services in a High Street site.

The partner agencies are Fife Council, Local Colleges, Employment Service and Fife Enterprise. 87 staff are employed with a total operational budget of £179,000 (excluding staff costs). Each partner organisation employs their own staff, however overhead costs are funded by a 'virtual' pooling arrangement and Fife Council recharges these as appropriate.

Relationship to local and national priorities

13. There is evidence that collaboration and partnership working across the public sector is succeeding in making progress towards the Scottish Executive's priorities in a number of areas, including Social Justice, Rough Sleepers Strategy, Alternatives to Exclusion, Best Value, Health

- Delayed Discharge, Community Planning, Integrating Health and Social Care services, Young People's Health and Working for Communities initiative. The planning frameworks within which such initiatives are managed and co-ordinated include Children's Services, Community Care, Community Planning, Health Improvement and individual organisational strategic planning.

Funding Sources and Mechanisms

14. There is evidence that a variety of local models are used to jointly fund cross-cutting policy implementation. In many instances these are tailored to local circumstances including 'virtual pooling' of budgets. Actual pooled arrangements are not necessarily a desired model in all circumstances.

15. Virtual pooling can be described as a mechanism whereby various community planning partners each commit funding to a joint project or initiative, whilst retaining individual budget responsibilities. Pooled arrangements exist where partners agencies commit resources to a single fund which is jointly managed, or by one agency on behalf of a partnership group.

16. The primary funding sources for the initiatives described above, are government and local public sector organisations.

- Social Inclusion Partnership funding is used to fund a range of community projects and services for specific geographical areas and thematic groups designated as in priority need. However funding from other public sector agencies often augments this. For example in Dundee, Scottish Homes, Scottish Enterprise Tayside, Tayside Health Board and Dundee City Council provide financial contributions.
- Angus Council and Tayside Primary Care Trust jointly fund the Angus Mental Health Strategy. Whilst both agencies hold their own funds each has lead agency status for specific service areas such as services for adults under 65 and people with dementia. Managers from each agency manage integrated services with budgets pooled on a 'virtual' basis.
- The Wester Hailes Partnership manages the Working for Communities Pathfinder budget on behalf of a partnership involving several public sector, voluntary sector and community organisations. The Partnership then re-charges as and when appropriate. The experience of pooling of budgets in this example is limited to funding 'one-off' events such as Jobs Fairs.
- Commitment to joint funding of agreed partnership priorities is the model for an initiative in Fife to address 'delayed discharge'. £3 million is committed by Fife Health Agencies and £800,000 by Fife Council for an innovative approach to tackling a range of issues relating to hospital discharge, waiting lists etc. The two agencies in essence pool their share of additional resources made available by the Scottish Executive to tackle the problem of delayed discharge. A reactive and proactive approach to addressing the problem has been devised. One example of the former is supplementary investment of £1.44 million to bring out of hospital, an additional 85 people. Other important initiatives include the creation of Integrated Assessment and Discharge Planning Teams. A joint Executive Team determines priorities and separately commits a share of funding for joint action at service delivery level.
- The Dumfries and Galloway Community Planning Partnership has pooled funding for a period of 3 years to create a Community Planning Manager post and fund specific projects to develop the community planning framework across the area. Funding is managed by Dumfries and Galloway Council and re-charged to other contributing partner agencies.

The Corner

The Corner project in Dundee is a Young Peoples Health and Information Project. It is jointly funded by Dundee City Council and Tayside Health Board, and sources additional funding through donations and bids to for example, the Health Improvement Fund. The project is designed to provide a holistic approach to health and information services for young people aged 11 – 25 living in Dundee. Its primary objectives are concerned with reductions in risk taking behaviour either sexual, drugs, smoking, conceptions and terminations.

Young people have a high level of involvement in influencing the direction of the project. A Strategic Management Group of all partner agencies manages the strategic direction of the project and a multi-disciplinary team of youth professionals and nursing staff managed by the Project Manager delivers services. In addition the project has support from a range of specialist professional disciplines such as medical and social work.

The basis on which the project is funded does not include a pooled arrangement. Each agency commits funding to particular aspects of the project's work and Dundee City Council recharges for staff and overhead costs. The core funding for the project comes from a number of sources including Tayside Health Board (£165,332); Dundee City Council (£ 90,261); Scottish Executive Innovation Fund (fixed term) (£ 84,163) and Social Inclusion Partnership funding (fixed term) (£83,913).

Service users have given their endorsement to the project. In many cases, The Corner is not only preferable but the only choice the young person is prepared to consider. *"I'd be too embarrassed to go anywhere else."* *"They're not looking down on youit's not like other places."*

One of the requirements of the project is single door access to a range of services and young people see this as an advantage. *"Young people can get a load of different things from a bit heat to help with sex, drugs and rock'n'roll."* This emphasises the wide range of services and the potential for young people to access the range, providing a more holistic approach, one which is deemed appropriate considering the complexity of issues for many young people accessing the project.

The culture of the Project involves respect for young people. This is described as follows, *"They made me feel that it mattered and helped me think about things and talk them over. If you feel they respect you it's easier to speak about things you might not be able to."*

Accountability and Reporting

17. The mechanisms for financial accountability and reporting vary across the initiatives considered in this study. For example:

- In Dumfries and Galloway, the Augmented Support Team responsible for providing services to older people are accountable to a multi-agency steering group. However the local authority retains the financial accountability for management of the expenditure.
- The procurement policies of Fife Council are adhered to for all expenditure of the Fife International Trade Project. The project is jointly funded, by Fife Council, Scottish Enterprise Fife, and Fife Chamber of Commerce and delivers export services in line with 'The International Challenge', the national export strategy for Scotland. A Steering group comprising representatives from each of the partner organisations sets a framework for the delivery of services and monitoring of targets and expenditure. Salaries are paid directly by the employing organisation, however partners contribute to a central budget to meet service delivery costs, which is in turn managed by Fife Council.

- In the case of Social Inclusion Partnerships, the partnership itself is the decision-making body and consists of a non-formalised association of local and national agencies and groups. However a nominated grant recipient, normally the local authority, has responsibility for formal reporting and accountability to the Scottish Executive.

Log In Café

The Log In Café in Barrhead is an initiative designed to provide a range of facilities and access to services to young people who may otherwise be excluded due to family economic reasons. The project proposal followed a major in-depth survey of 1000 young people regarding services, their aspirations etc. The concept of the Log In Café is regarded as an innovative mechanisms which:

- Provides a base for a range of services for young people and support for teachers and voluntary organisations;
- Provides opportunities for develop ‘active citizenship’ through young peoples involvement in the management of the project;
- Information services for young people across and identified range of issues;
- Provides access to IT for young people unable to do so at home;
- Supported study and homework opportunities;
- Co-ordination with agencies to achieve a ‘joined up’ approach to delivery of services for young people.

Although the target group is young people under the age of 25, specific initiatives have been introduced for pre 5 children and carers, young women and young people with special needs.

The project is mainly funded by East Renfrewshire Council and Renfrewshire Enterprise. Initial capital funding was received from Renfrewshire Enterprise, local general practitioners, Strathclyde European Partnership and Lavern Valley Partnership. Renfrewshire Enterprise, Argyll and Clyde Health Board, Princes Trust, Strathclyde European Partnership and Lavern Valley Partnership provide revenue funding. Recent developments such as a ‘Dear Doc’ online service funded by the local Health care Co-operative provides health information to young people.

Young people who both use and manage the project describe the merits of the project. Gaynor Anderson, one of the project’s volunteers is proud of their involvement ... *“we designed the place ourselves, we came up with the name, we dealt with the architects and designers. But is has definitely been worth it. The number of young people who use Log-In – it speaks for itself.”* Ian uses the project for homework study classes and is achieving improved standards in class work at school. *“It is a good place to socialise with other young people in a friendly and supportive setting”* claims Steven whilst Marianne believes one of the main benefits of the project is the *‘top of the range’ equipment which can be accessed - “everything you need!”*

PART 3: ANALYSIS OF THE BARRIERS TO CROSS-CUTTING WORKING

Are there barriers to cross-cutting working?

18. As the preceding part of this study shows, positive examples of inter-agency joint funding of cross-cutting services can be found across a number of sectors in Scotland. This level of involvement in joint working is encouraging, as the study has found that the cross-cutting challenges that face us demand action at every level of government. The issues overlap organisational and conceptual boundaries and the challenge for everyone is to find horizontal and holistic ways of thinking
19. It seems that workable solutions can be found given the will and determination and a variety of local models have been employed. Models that have been used include the joint funding of initiatives and services at inter-agency level, or the pooling of different funding sources within a single agency. Those that have been successful have demonstrated a capacity to develop holistic ways of working, focusing on the needs of individuals and not organisations. They have also shown a willingness to work in new ways with a new style of governing and delivering services.
20. Pooling of budgets is not necessarily a solution nor desirable for every initiative, and the joining-up of funds and initiatives at national level may be as important as local attempts to co-ordinate and work together. Rather than ability to pool budgets at a local level, what seems more crucial to success is
 - the willingness and commitment at all levels of the organisation to find better ways of delivering services;
 - an increased awareness within central government of the value of pooling funding streams centrally;
 - an awareness of the need for greater flexibility to deliver local priorities and meet national targets;
 - combined with increased trust between central government and local delivery agencies, backed up by better mechanisms for central government to hold local agencies to account in the delivery of these targets.
 - A supportive audit and inspection regime.
21. We have also found that it is important that the major agencies, chiefly local authorities and health boards, are at the heart of multi-agency partnerships. In the majority of examples, councils have fulfilled a lead agency role and in some instances (such as the Care Together and the Log In Café projects described elsewhere in this report), have been the catalyst for establishing partnerships to devise creative projects and new models of service delivery.
22. The community leadership role envisaged for local authorities through community planning endorses the experience within Scotland and recognises the pivotal role of local authorities to engage in activities and joint actions with other partners in order to deliver better services for communities. Importantly, such approaches need leadership, improved policy formulation and implementation, the skills and capacity of staff to work in different ways – and flexible budgeting arrangements.

31. This aside, there is no doubt that there are technical and financial steps that could be taken to assist in the joining-up of initiatives at a local level. However during the course of the study, a number of possible barriers to the funding of cross-cutting services have also emerged. These include financial, legal, and planning and technical issues. This part of the report describes some of these issues in more detail, drawing on practical examples where possible, and suggesting possible remedies and solutions where appropriate.

Removing the financial barriers to cross-cutting working

Rationalising funding cycles

23. When agencies are working together in partnership, they may well be called upon to make financial contributions to a particular joint activity, project or initiative, or to fund a particular element of such a joint approach. There is a range of issues associated with the funding cycles of those agencies, which can affect their ability to plan and to participate in joint working.

24. For example:

- Differences in the timing of the provision of new funding allocations across agencies can lead to public sector agencies agreeing their budgets independently without inter-agency consultation. This can affect the ability of local agencies to plan investment, or indeed disinvestment. This type of scenario could well lead to a situation where one agency offered cuts in a service, say, for children, whilst another agency plans additional investment for the same client group.
- As well as differences in timing across agencies, providing agencies with funding allocations at short notice can also affect their ability to take decisions about joint working and their ability to undertake any meaningful analysis of funding decisions. For example, local authorities are given a financial settlement each December for the following financial year. This is problematic in terms of undertaking public consultation and examining savings options; particularly as the national council tax decision day has been brought forward to 16th February 2001 instead of a usual date in March.
- The use of indicative funding allocations for organisations such as NDPBs can present difficulties. This study has found a perception on the ground that the use of indicative allocations prevents delivery agencies entering into commitments and employing staff on anything more than a short fixed term contract. This can be a barrier to the recruitment and retention of the skilled staff that are necessary to achieve success.
- The final difficulty that funding cycles present to the achievement of joint working relates to the duration of the funding allocations that are given. The impact is two-fold. Firstly, more short-term funding arrangements, where allocations are given on an annual basis or a fixed three-year basis without being reviewed until towards the end of the three-year period can create difficulties for delivery agencies. The uncertainties created by short-term funding within the voluntary sector are well documented, and can divert the attention of key staff away from partnership working and the pursuit of innovative approaches, and towards the constant search for continuing funding.
- Secondly, even where three year funding allocations are given, inability to carry forward allocations from one year to the next, or a lack of flexibility to use resources across the three years in ways determined by the agency itself can present difficulties. There can be pressure to spend up to the allocation in any one-year, and a failure by central government and other

funding bodies to acknowledge the value of giving agencies the ability to profile their expenditure across three years in ways consistent with their medium-term strategies.

25. There is no doubt that an ability to influence funding allocations on a year-by-year basis or to hold back firm allocations in later years can be useful to central government and other funding bodies. It can be useful where funding is being used to pilot an approach, or where there are doubts about the likelihood of delivery. Funding mechanisms can be used as a system of sanctions and incentives, enabling the Executive to influence the agency or partnership concerned; the threat of reducing or removing future funding allocations can be used to influence poor performance.
35. In the longer-term, central and local government need to look for alternative ways of holding delivery agencies to account. Best Value demands modern working practices and encourages long-term financial planning, and is a means of ensuring that quality improvements can be achieved, including in the delivery of cross-cutting targets. In working towards a Best Value regime, it will be important to find accountability mechanisms which support new ways of working, and which entrust delivery agencies with flexibility in the use of funding..
36. Increasing the use of local outcome agreements or performance targets linked to outcomes, and linking these more closely with funding allocations could in the longer-term be a way of increasing the accountability of delivery agencies whilst maximising their ability to use their resources flexibly to deliver cross-cutting objectives. Agreements and targets would explain how priorities will be delivered, setting out a commitment on the part of the delivery agency to achieve the target. In return, local delivery agencies would be given greater flexibility to use funding in ways that support outcomes in Best Value implementation plans and an opportunity to link these to community planning priorities. This flexibility could include the freedom to pool specific grants, freedom to profile their expenditure over a three-year period, and reductions in the levels of hypothecation and ring-fencing.
37. Moving towards this type of arrangement will take some time and involves the development of working arrangements based on mutual trust and recognition of an ability to deliver. However in the shorter-term, there are a number of practical steps that could be taken and checks that could be made across the Executive, without legislative change, which would ensure that we are giving delivery agencies the maximum flexibility possible within the current regime.

Timing of the allocations process:

- **The provision of funding allocations to the major statutory and public agencies is linked to the budget process. For example, local authority finance settlements are given in December, and health board allocations are generally provided in December or January. We recommend the Scottish Executive should acknowledge the benefits of providing funding allocations to the major agencies at the same time in relation to the achievement of cross-cutting working, and should endeavour to avoid slippage in allocation timetables.**
- **We recommend that policy divisions providing grants to other delivery organisations should consult the organisations that they fund to ensure that the timing of the grant allocation process does not present problems. Where it is causing difficulties, efforts should be made to align grant allocation processes with the allocation processes of the major public and statutory agencies.**

Use of indicative allocations:

- **We recommend that Scottish Executive policy divisions should review the use of indicative allocations for any part of a three-year funding period. Where their use is unavoidable, they should ensure that instructions to delivery agencies about the extent to which they can enter commitments are clear. More innovative techniques such as the provision of a guaranteed minimum allocation and provisional additional element should be explored.**
- **We recommend that the provision of funding allocations to delivery agencies on a year-to-year basis should be avoided wherever possible. Rolling three-year programmes of allocations should be provided to delivery agencies. Where fixed three-year programmes are necessary, reviews should take place as soon as possible before the expiry of the existing allocations in order to give agencies maximum time to plan.**
- **We recommend that the value of increasing or decreasing funding profiles where they are linked to a specific entry or exit strategy for a particular project or service should be acknowledged. Scottish Executive divisions should ensure that they maximise the ability of delivery agencies to influence the profile of their funding allocations within a three year period.**

Ring-fencing and hypothecation

26. The Scottish Executive clearly accepts the need for funding to be targeted on local priorities. For example, its high profile Social Inclusion Partnership programme, placing as it does communities at the heart of the regeneration process, embodies the principle that local people are best placed to design local solutions and priorities for their local areas. The emphasis on the development of locality budgeting, which could involve community planning partners pooling resources, further serves to illustrate the belief that both central and local government funding should be an enabling resource, rather than one that comes with pre-judged notions of solutions.
27. However this emphasis on local solutions can sometimes be at odds with the Executive's use of ring-fencing and hypothecation as a mechanism for achieving change. In most cases, a new initiative is funded on a ring-fenced or hypothecated basis in order to focus resources on a particular area, client group or priority. The approach is often seen as a way of increasing the likelihood of change, as a way of securing increased accountability of local agencies to central government, and as a way to embed a new priority into local culture. There is no doubt that in some cases this is true. A ring-fenced pot of resources can be made conditional on the preparation of a detailed delivery plan. It can impetus to partnership working, and can help local agencies to resist the 'dilution' of the resources and corresponding dilution of the outcomes.
28. However although the use of ring-fencing and hypothecation may seem sensible to deliver a particular priority, it is important that Scottish Executive policy divisions considering using the approach are reminded to think beyond the delivery of their own policy priorities. It is equally as important to be clear about the wider disadvantages of such an approach and the particular barriers that it can present to joint working. For example:
 - Extensive use of ring fencing and hypothecation can lead to a growth in small, time-limited and resource-intensive initiatives. The effect is compounded where the initiatives include an element of challenge funding. This affects the capacity of staff to deliver and the attention that can be given to proper implementation and delivery of existing initiatives.

- Small initiatives and small, ring-fenced pots of money can create financial accountability difficulties and increases in barriers to cross-cutting working. Increased effort has to be targeted at the joining together of small amounts of money, which then have to be separated out in reporting back to the Scottish Executive. This can involve separate application and reporting timetables and higher management costs. It can also divert attention away from the achievement of cross-cutting goals.
- The recognition of the benefits of partnership working means that new initiatives with ring-fenced resources are often made available to fund work that involves local agencies working together in partnership. A lack of co-ordination at a national level can lead to the creation of new partnerships, often involving the same agencies and sometimes similar combinations of individual people when in fact many such initiatives could be delivered by existing partnership infra-structure.
- A fragmented approach to funding can lead to small, fragmented visions, where greater attention to pulling the different funding initiatives together at national level would greatly alleviate the types of difficulty faced by delivery agencies.
- Finally, the use of ring fencing and hypothecation prohibits local authorities and other agencies from responding flexibly to local needs.

29. The problems are perhaps best illustrated by some examples. Ring fenced funding is provided by the Scottish Executive for educational development through the provision of additional science laboratory facilities in schools. However in some schools the fabric of the buildings are in such a state of disrepair that expenditure on science laboratories would not be effective as the building is not 'fit for purpose.' Although the Scottish Executive have emphasised that a joined up approach should be taken to the provision of Children's Services, in reality this study found a local perception that such joining-up was complicated to achieve because the objectives of the various funding streams are centrally prescribed.

30. The need for ring-fenced sources of funding will not go away because of the advantages of the approach, which are described above. However their use should be clearly justifiable and should be kept under review. In part this is about cultural change across central government including at political level and about increased trust between central and local government. However effective implementation of cross-cutting policies is about the achievement of outcomes and the challenge for the Scottish Executive is also now to begin to link policy priorities and resources to the delivery of specific outcomes rather than to outputs or even inputs.

31. During the course of this study, local delivery agencies have expressed a desire for greater freedom to pool specific grants and funding allocations and for a reduction in the number of statutory plans. The development of Local Outcome Agreements reflecting the commitments of the Scottish Executive's 'Programme for Government' as well as the priorities of local delivery agencies, linked to best value improvement plans, could provide a mechanism whereby innovative and targeted approaches to service improvement are encouraged. At the same time local agencies would have greater flexibility to utilise funding on local as well as national priorities with less emphasis placed in inputs and processes and more on the achievement of agreed targets.

- **We recommend that the benefits of ring-fencing and hypothecation for the delivery of new policy priorities should be acknowledged, but increased profile within the Scottish**

Executive should be given to the wider disadvantages of such approaches and the particular barriers that it can present to joint working. Existing partnership infrastructure should be used wherever possible.

- **We recommend that where a ring-fenced approach is considered appropriate, it should be time-limited and clearly linked to the targeting of a particular geographic area or the delivery of a new priority. All ring-fenced funding should be linked to the achievement of clear initial targets, with consideration given to the lifting ring fencing once those targets have been achieved. Thereafter a bloc allocation based on agreed priorities or outcomes would result in greater flexibility in the use of funding. Audit Scotland could be involved in auditing both the baseline practice and follow up performance, giving independent assessment and assurances to both government and local delivery agencies that positive achievements have been made.**
- **We recommend the Scottish Executive and CoSLA explore the feasibility of Local Outcome Agreements as a mechanism for delivering joint national and local action on major cross-cutting policies.**

Audit and accountability

32. A 'power of community initiative' currently being considered by the Scottish Executive, may give local authorities a broader statutory competence to pursue strategies to improve and promote the wellbeing of their communities. Issues of audit and accountability are therefore important considerations within the context of achieving effective implementation of cross-cutting policies. The fieldwork for the project identified a perception, both within and outwith the Scottish Executive, that issues of audit and accountability formed constraints to joint working. The concerns raised can be grouped under two main headings: the need for a statutory basis for paying grant; and the requirement to maintain a clear audit trail from Departmental Accountable Officer to delivery of service.

Statutory basis for paying grant/grant in aid

33. Ministers have common law powers to undertake activities. However in many cases, specific statutory authority replaces these common law powers. If that statutory authority is not wide enough to cover intended new activity, then new statutory authority must be sought otherwise spending by Scottish Ministers could be open to legal challenge.

Maintaining an audit trail

34. Accountability to Parliament was also viewed as presenting difficulties for cross-cutting. Accountability is achieved by the allocation of provision to a Department whose Accountable Officer is then held responsible for the propriety and regularity of the subsequent expenditure. For cross-cutting issues the lines of responsibility for distributing funds at a detailed level may lead to the involvement of more than one Accountable Officer. This will require special arrangements to be put in place.
35. In addition cross-cutting might lead to funding 'leaking' from one budget to another. If the pattern of spend were significantly different from the proportion of resources input, this would amount to a virement of funding from one Vote to another without authority from Parliament via a budget amendment.

36. The key point at the root of the concerns was the issue of authority to spend and the subsequent issue of accountability. Those who felt that these matters were barriers to cross-cutting, were concerned about the possibility of cross-cutting and/or pooling of budgets happening without the proper statutory authority or at the expense of clear lines of accountability. If procedures were put in place to ensure proper authority and accountability, **before** cross-cutting began, respondents felt these issues did not prevent joint working.
37. Therefore, in spite of the expressed perceptions, this study has concluded that issues of audit and accountability do not present significant barriers to cross-cutting. They do however present hurdles which cross-cutting projects must clear before they can legitimately proceed. Depending on the point of view of the respondent, these hurdles could be seen as part of the system in place to safeguard the way in which public money and resources are managed, or as bureaucratic obstacles hampering the rapid response capabilities of cross-cutting projects.
38. In fact, the issue is that agencies must have an audit process based on good financial stewardship and governance arrangements. Partnerships should therefore be clear at the outset of what is expected of them – must be clear about objectives and accountability arrangements, evaluating risks, contingency plans and recognising there may be real obstacles like the accountability for money not actually matching who is managing it.
- **We recommend that at the project planning stage of any cross-cutting venture, issues of statutory authority, accountability and audit be addressed in conjunction with the Scottish Executive, and that any change in procedures be initiated at an early stage**
 - **We recommend that Audit Scotland are brought into the discussions at the early stages of the planning processes for a cross-cutting initiative to look at the whole audit system for financial management, audit and performance.**
 - **We recommend that the Scottish Executive establish a national forum whereby appropriate national agencies, such as Audit Scotland and COSLA can meet with the Scottish Executive to develop thinking and practical measures to support national policy implementation of cross-cutting initiatives within the context of community planning.**

Care Together

An innovative structural model for the provision of seamless community care services has been adopted by the partners in the 'Care Together' project in Perth and Kinross and this is a good illustration of some of the accountability issues that have to be resolved in the delivery of cross-cutting working. The project secured Invest to Save funding to investigate the feasibility of joint working between health and social care services, with a single point of access for reception and assessment services. The partners commissioned extensive research with existing and future service users the results of which highlighted that health and social care services are delivered in a fragmented and piecemeal way. This project aims to break down traditional boundaries between health and social care and to improve community care services to a range of client groups. Services are being re-designed in line with the expressed views of users.

The three partners in Tayside – Perth and Kinross Council, Tayside Health Board and Tayside Primary Care NHS Trust, have established a Joint Board. It is intended that this will eventually be autonomous, requisition its own budget and carry its own legal liabilities. The budgets of the partner agencies are not truly 'pooled', just 'aligned'. That is funds are committed to a central budget with decisions made by the

Joint Board. However separate audit and accountability arrangements will exist for each separate funding agency. Issues have emerged with regard to the need for separate financial management information for each budget to enable Care Together to account for expenditure to each funding agency.

“I had to wait in hospital for approximately 7 months until a place became available in a nursing home.”
This issue is being addressed through a package of care designed to support people in their own homes and the preparation of a discharge plan for patients on admission to hospital. The importance of this approach is further evidenced by a quote from a user in response to the extensive consultation undertaken by Perth and Kinross Council ... *“Quite simply, I would rather be in my own home, but now require nursing care. Some staff forget one has feelings both emotional and physical. No member of staff has time to help me to stand or walk with my zimmer on a daily routine and no-one has time to sit and chat.”*

Quality aftercare following discharge from hospital is a key objective of the Care Together Project. *“the hospital did well at their end. But GPs think or hope that a district nurse or home help etc will be arranged – not so! GPs think everything is ‘done’ for people in sheltered housing. Hospital Consultants believe the same.”*

Removing legal barriers to cross-cutting working

39. The fieldwork for this project identified very few current legislative barriers to cross-cutting working. It is certainly true that there are statutory barriers to the complete pooling and joint management of budgets, because the joint ‘board’ or other body making decisions about use of those pooled funds would need to have some kind of statutory or legal status. However as the achievements of Care Together in Perth and Kinross have demonstrated, this need not be a barrier to the joint management of funds.
40. Despite this, there did seem to be a general perception amongst many that there were legal barriers to the achievement of joint working, and in particular to the funding of joint working. In the main, these perceptions seemed to centre around the fact that agencies have statutory responsibilities to deliver particular services, and that the lack of a specific power for the work that might be involved in cross-cutting working was prohibitive.
41. These perceptions are similar to those that led the Scottish Executive to consult recently on the proposal for a ‘power of community initiative’ for local authorities. This legislative change would enshrine in legislation the principle that local authorities have statutory powers to carry out any activity that promotes the economic, social or environmental well-being of their area. Increased awareness amongst Scottish Executive and agency staff about what is possible, and promotion of the main messages about the potential for joint working and joint funding may help. However it may be that a legislative change similar to the power of community initiative needs to be explored for other public agencies in order to remove any doubt.

Legal barriers to cross-cutting working – community care

Many cross-cutting initiatives relate to community care services and in particular services to older people. This policy area is also a key government priority and is subject of separate work by the Joint Futures Group. However compliance with existing statutory provisions may prevent joint financing; commissioning and planning of an integrated community care service.

Whilst flexibility exists in terms of the way health and local authority agencies provide community care services, local authorities have a statutory duty under the terms of the Social Work (Scotland) Act 1968 in relation to the provision of after care services and home helps.

The same legislation allows local authorities to buy in services, however there is a question as to whether this definition can be stretched to include health. Through the Local Authority (Goods and Services) Act 1970 flexibility is allowed to councils to carry out services itself to outside bodies (but those services are limited to existing local authority functions). It is unclear however whether powers exist to enable councils to transfer funding into a formal joint arrangement with health to provide integrated services.

- **We recommend the Scottish Executive produce guidance on the statutory basis for joint funding arrangements across various sectors.**

Removing planning and organisational barriers to cross-cutting working

42. Planning frameworks are a fact of life for all public and statutory agencies in Scotland. They are designed to ensure that public money is spent properly and in accordance with agreed objectives, and help to ensure that outputs and outcomes can be tracked and measured against targets. However there has been an increasing acceptance over recent years that planning frameworks need to be rationalised.
43. Any local authority needs to complete and submit to the Scottish Executive several plans, covering issues as diverse as structure planning and Children's Services. At the same time Health organisations are required to produce Health Improvement Plans and Trust Improvement Plans. As well as these plans looking at individual sectors or issues, the community plan is intended to be an over-arching strategy for the local authority area, bringing together the objectives and priorities of different partners into a single framework.

The complexity of the current planning framework

In Perth and Kinross, the major public agencies which work together to deliver cross-cutting initiatives all have their own strategic planning processes, as well as contributing to the plan of the joint project or initiative.

For example:

- Scottish Homes works towards a regional three year plan for the North East, next to be reviewed in 2003;
- Tayside Police have a corporate policing plan reviewed annually and an annual policing plan reviewed six-monthly;
- Scottish Enterprise Tayside has a three-year strategy subject to review in 2001
- Tayside Health Board has an annual Health Improvement Plan;
- Perth and Kinross Council has a five-yearly Structure Plan, Local Plans, a three year Corporate Plan Service Plans for each service and a Housing Plan.
- On an inter-agency basis the partner agencies also collaborate in producing and implementing a Community Learning Strategy, Community Care Plan, Community Safety Strategy a Children's Services Plan and a Community Plan.

44. The need to engage in joint planning frameworks can be a helpful tool in bringing agencies together and ensuring that their respective objectives are complementary and that they focus on

customer and user needs. However the proliferation of planning processes can also act as a barrier to joint-working in a number of ways – with effort being spread more thinly across planning processes, confusion about hierarchies of plans, and the multiplicity of plans increasing the possibility that objectives can conflict.

- **We understand that the Community Planning Task Force has a remit to examine the proliferation of planning structures, and their relationship to the community planning process. We welcome this commitment, and given the evidence of the difficulties that the lack of clarity is causing at a local level, we recommend that the issue is given a high priority.**

45. As well as the proliferation of plans, there is some evidence that different funding sources do not make full use of the existing plans and strategies that are available. As well as the mainstream funding of large agencies such as local authorities, health boards and LECs, other sources of funding in the social justice field alone include Social Inclusion Partnership funding, lottery funding, European Structural Funding, and voluntary sector funding. Each of these funding sources has its own objectives and targets and rightly so, as they have been set up for different reasons.
46. However whilst the various sources of funding do provide local partnerships and agencies with scope to find resources to support comprehensive local strategies, there is evidence that not enough has been done to ensure that the different funding sources are complementary and do not work against each other. Securing funding from one source may involve an agency or partnership skewing its priorities towards the priorities of an organisation from which it is seeking further funding, and this can work against efforts of agencies to work together to achieve agreed strategies.
47. There will never be perfect solutions to this issue as long as different funding bodies exist. However, rationalisation can be achieved. A greater reliance on area-based and client based strategies and plans by funding bodies in the award of funding (such as the work done recently to link Objective 2 funding in the West of Scotland to SIP strategies) may help to ensure that partnerships can retain their strategic focus.
48. Local Outcome Agreements or other approaches designed around a formal agreement about the delivery of particular outcomes have been discussed elsewhere in this report. If adopted, this type of approach would enable local delivery agencies to commit themselves to collectively delivering or exceeding agreed national priorities. The emphasis on outcomes instead of inputs, which is characteristic of the majority of statutory plans, is more relevant to implementing cross-cutting policies. In return for such a commitment, local delivery agencies could be given greater flexibility to use funds to respond to local needs. Such an approach could also result in a reduction in the number of plans local agencies are required to produce.

Joining up policy and reflecting joint priorities in budgets

49. The planning and organisational barriers to funding cross-cutting working go beyond the planning requirements placed on local agencies. There is also a need for the Scottish Executive to examine its own planning arrangements, and to ensure that policy-development is an inclusive process centred around shared objectives.
50. There are two distinct issues involved:

- firstly, there is the question as to what extent there is a joined-up approach to developing policy and initiatives: and
- secondly, the issue of how joined-up policies are treated in allocating budgets.

51. The first of these questions probably lies beyond the scope of the current exercise, which was set up to consider financial barriers to cross-cutting. Nevertheless, we should report that we encountered a strong perception amongst service deliverers, that there is little consistency in terms of joined-up thought within the Executive when it comes to policy development. Reasons for this perception include many of the issues discussed elsewhere - eg the number of funding streams and initiatives, and the lack of a common reporting process. One respondent summarised the situation as follows:

"Without looking at these questions, which might be summarised as considering how we get a joined-up policy, there is little point in considering how to facilitate joined-up working. There is no point in asking local managers to co-ordinate if they are all working to different objectives and priorities."

52. The conduct of Spending Review 2000 (SR2000) is being reviewed elsewhere within Scottish Executive Finance, and will no doubt cover how cross-cutting issues were handled during the Spending Review. While we would not wish to pre-empt any of the review findings, there is broad agreement that the way in which cross-cutting issues were dealt with in the recent Spending Review satisfied neither the teams working with the issues nor the departments who were required to contribute to the initiatives.

53. Although as part of the Spending Review process, departments were asked to produce papers on cross-cutting themes, in practise these were not delivered on time (or in many cases at all) to the SSG. This led to the perception that cross-cutting initiatives were seen as unimportant, and removed from the "real" work of the Executive. Conversely, when a cross-cutting initiative was actively promoted by the relevant Minister, there was a perception that it was exempt from the rigorous scrutiny that applied to departmental programmes. At a time when departments had already had their programmes trimmed, there was resentment caused by the fact that money had to be found from these programmes to fund the cross-cutting initiatives which were funded.

54. One approach to the funding of cross-cutting initiatives would be to top-slice funds for cross-cutting priorities such as social justice or drugs from the mainstream budgets of other departments. This would have advantages in raising the profile of those cross-cutting initiatives and increasing transparency and accountability in the allocation of resources to such objectives. However a top-slicing approach can convey a message that this is all that is required as a contribution to the cross-cutting work and as such can reduce the incentive for departments to increase their funding. It also does not give sufficient recognition to the contribution of the mainstream budgets of departments and agencies to the achievement of cross-cutting aims.

55. There are ways of increasing transparency and accountability in the allocation of resources to cross-cutting initiatives other than by top-slicing funds for a particular purpose. Whilst the need to avoid 'double-counting' is an issue, there would be advantages in the Executive ensuring that the resources that it is putting towards certain priority cross-cutting initiatives can be separately identified as far as possible. This means that they can be accounted for and scrutinised on a cross-departmental basis in the same way that departmental budgets are scrutinised and accounted for in the Executive's Annual Expenditure Report.

- **We recommend that within the Scottish Executive there should be a small number of priority cross-cutting initiatives, funding for which should be scrutinised as rigorously as mainstream departmental programmes.**
- **We recommend the Scottish Executive remit to the Senior Local Government Group, or other appropriate internal mechanism, responsibility for co-ordinating and monitoring action on cross cutting policy implementation.**

Best Value

56. Ministers are committed to extending the principles of Best Value across the public sector. The consultation on “Best Value in Local Government” invited views on “the desirability of a common framework underpinning Best Value across the public sector in Scotland and whether that might require a statutory base.” The majority of responses to the consultation favoured the introduction of such a statutory duty across the public sector.
57. Obviously, it would be possible to legislate to give the Scottish Ministers a statutory duty similar to local authorities. It is not clear, however, whether it would be possible for the Scottish Parliament to impose such a duty directly on other bodies, for example either because they are reserved themselves, or, given the reservation of company law, because they are companies.
58. There must also be some doubt as to the effectiveness of legislation of this sort. The idea of “continuous improvement” is more of a management concept than a legislative one. It might be difficult to tie down exactly what it means. There are also trade offs between efficiency and effectiveness; and the balance between the two is essentially a matter of political judgement. For example, reducing class sizes means a deterioration in the efficiency of the education service.
59. Finally, there is a risk that such a duty will bring legal challenge to matters, such as relative priorities, which are essentially matters of political judgement. Such questions are, quite rightly, the subject of political challenge. They ought not to be the subject of legal challenge.
60. In the light of these considerations, Ministers have decided not to introduce a statutory duty across the public sector, and to seek instead to fulfil their commitment to deliver Best Value across the Scottish Budget by a wider range of measures. They intend to announce plans on taking forward the issue of ensuring Best Value across the Executive's spending programmes early in 2001, and are also pursuing measures to modernise public services delivery. The National Plan for the NHS in Scotland, launched on 14 December will build decision-making arrangements for the health service that are efficient, effective, and responsive to local need. The First Minister announced a comprehensive review of all Scottish Public Bodies in November 2000, and recently the Executive announced a further round of modernising government grants to support innovative projects to improve services delivery in the public sector.
- **We recommend that Ministers implement a statutory duty of Best Value on local government and a similar duty on other public sector bodies.**
61. Audit and inspection are clearly central to the effective development of Best Value, so as to provide effective quality assurance against agreed objectives. Work is in hand to develop the audit and inspection regimes so that they support and encourage the development of Best Value and integrate more effectively with each other. The question has also been raised, however, as to whether more could be done to integrate and harmonise the work of the various inspection

regimes that operate in Scotland. There is work going on under the umbrella of the Joint Scrutiny Forum to increase co-operation between inspectorates, particularly to develop regimes for inspecting cross-cutting areas. Nevertheless, concerns remain that different inspectorates, operating to different statutory regimes and with different traditions will continue to make potentially conflicting demands of authorities.

62. As partnership working develops, such inconsistencies will be noticed and it has been suggested that this might be tackled by creating some kind of organisation within or close to the Executive that would be responsible for all quality assurance work undertaken by the Executive (i.e. all the Inspectorates, Inquiry Reporters and others with similar functions). This might have separate directorates dealing with education, social work, housing, police etc but there could be a senior management structure that would take an overview of these activities and set broad priorities. It is argued that this would help to encourage greater consistency of approach. It would also provide a flexible tool for delivering a range of cross-cutting inspections.
63. This looks to be an idea meriting further attention. The Modernising Government agenda looks set to give rise to a significant increase in inspection and quality assurance against agreed targets. But the inspection and quality assurance work across the Executive is at present somewhat piecemeal (why, for example, do we have inspectors for some functions and not for others?) and a more integrated structure could potentially produce greater consistency and operate more effectively in a cross-cutting environment. Such a structure would therefore appear to run with the grain of Ministerial thinking. On the other hand, there is a risk that this would serve simply to encourage what are perceived to be the negative aspects of inspection and to inflate the inspectorate “industry”. Nevertheless, in view of the benefits which a more integrated approach to inspection could bring, this is an idea which could usefully be looked at in more detail, if only to determine whether it is feasible.

- **We recommend that Scottish Executive consider the feasibility of organising the Inspectorates on a cross-cutting basis reflecting the key themes for the Executive eg children and older people.**
- **We recommend that work be done to assess the feasibility of establishing an organisation which co-ordinates and integrates all continuous improvement work undertaken by the Scottish Executive.**

Removing technical barriers to cross-cutting working

ICT and Integrated network access

64. Whilst not strictly speaking within the remit of this study, there are a number of technical issues that are currently preventing a more effective use of cross-cutting approaches which merit a mention here.
65. During the fieldwork stage of this study, the issue of ICT and the lack of integrated network access across public agencies was mentioned on a number of occasions as a barrier to cross-cutting working. In practice, it does not prevent people from working together to delivery joint priorities, but it does mean that various ‘work rounds’ have to be found to deal with the lack of commonality in ICT and the lack of integrated network access.
66. The Scottish Executive is a member of the Government Secure Intranet along with other Government Departments south of the border. This provides a secure means of exchanging

mail with other members and also access to information held on the Intranet that other bodies, which are not on the GSI, are unable to see. As part of the 21st Century Government Agenda, the Executive has been encouraging local authorities to join the Government Secure Community. Local authorities are unable to join the GSI but can join a Government Secure Extranet (GSX). This would provide an area for sharing information such as databases or documents intended for GSX members only, along with secure exchange of mail. The Scottish Executive could be given access to the GSX where it was appropriate.

67. To date, 22 local authorities have expressed an interest. Around six (the remainder have still to reply) have said that they are not interested and the reasons for this are being pursued. COSLA are writing back to authorities to firm up now on who wish to join and authorities will then need to take forward their applications. Their IT networks will need to meet certain standards to demonstrate that they are secure and Cable & Wireless, the service providers, will take forward the work.

- **We welcome the extension of access to the Government Secure Internet and we recommend that in the longer-term, the Scottish Executive facilitate a shared knowledge management system across the whole of the public sector.**

Data protection

68. The restrictions of data protection legislation are often quoted as a barrier to joined-up working. Legitimate confidentiality issues mean that agencies may be reluctant to share information about individuals that would either facilitate a shared understanding of the issues, or that would be necessary for joint tackling of issues. Whilst the Data Protection Act does place important and necessary restrictions on the use of data, there is also evidence of misunderstandings of what is and what is not permitted.

- **We recommend that the Community Planning Task Force be asked to provide a basic guide to the data protection issues in relation to cross-cutting working.**

Coterminosity of boundaries

69. The boundaries of different organisations and agencies can present real operational and administrative challenges to cross-cutting working. Difficulties can arise where the boundaries of one agency cuts across more than one local authority area. Even more intense difficulties can arise where the boundaries of an agency fall in only part of a single local authority area. For example, a multi-agency regeneration partnership might include around ten public agencies all with differing boundaries. As well as the operational issues associated with an agency ensuring that it is involved with all initiatives that fall within its boundaries, differing boundaries present challenges to data collection and monitoring, and to the planning process.

- **We recommend that the importance of facilitating joint working is a primary concern in any future reviews of the boundaries of public agencies.**

FINDINGS OF THE CHILDREN'S SERVICES TRACKING EXERCISE

Introduction

1. This section contains the results of a tracking exercise which looked at the processes used by local authorities to allocate resources from the Scottish Executive earmarked for Children's Services. This is entirely descriptive, particularly in setting out the views and experiences of people working for the 2 councils. The exercise set out to identify sources of funding and describe the accountability and decision making process and the involvement of outside agencies in order to illustrate the extent of cross-cutting working, and the financial complexities involved.

Methodology

2. Children's Services encompass a vast array of local authority and other agencies services. The coverage of this study has therefore been narrowed. The case study looks at childcare, including early years initiatives such as Sure Start and associated service provision (e.g. social work/health), and the New Community Schools project.
3. Examples from 2 councils are taken, one semi-rural/urban mixed (Stirling) and one large urban authority (Aberdeen City). The two councils are also structured differently. Stirling has an integrated Children's Services Department, whilst Aberdeen has historically had a more traditional structure where Education, Social Work and Community Development Departments have the main responsibilities for delivering Children's Services.

Summary of issues raised by the 2 councils on the funding for Children's Services

4. Listed below, are the main views expressed in interviews with Stirling and Aberdeen. Whilst objectives for delivery of services for both the local authority and the Scottish Executive may be the same, a number of issues arise out of this working relationship. The overall impression in discussion with the councils is that people are quite willing to work together in service delivery but that the funding mechanisms do not necessarily take account of this. Particularly problematic are those that relate to short term initiatives and the large number of grant claims involved.

Short term initiatives

5. Short-term initiatives affect staff, staffing issues and the way they work. For example, by using a 3-year fund such as Sure Start to employ a family support worker, employment can only be offered on a short-term or year-to-year basis. Staff want permanent posts and this is particularly an issue in the area of children's provision where the pay is particularly low. The short-term initiative also creates a large amount of extra work. Each new initiative involves setting up a committee, consultation, and writing a new proposal. This is followed by additional reports detailing how the money has been spent. The end of this period of funding will have further consequences, as the introduction of a new initiative would re-start the lengthy process from scratch.

Fragmentation

6. Different funding streams feed into different parts of the council from different parts of the Scottish Executive, for which each has a different set of rules. An increased workload results from joining together small amounts of money, which then have to be separated out to report back to the Scottish Executive. This often involves separate application and reporting timetables (see diagram 5). Small, specific one off grants lead to small fragmented visions, and greater attention to pulling the different funding initiatives together at National level would greatly alleviate the types of difficulty faced by a local authority. The solution here may also lie in the flexible use of budgets.
7. Funding allocations can cause inter-agency conflicts over the use of funding. For example in Stirling's New Community School project the Health Board expected funding for the initiative to be spent on some of their projects. This resulted in less enthusiasm for the project as extra funding has not been allocated.
8. Communication difficulties are also illustrated in the provision of health education by Stirling's Childcare partnership and the Health Board. In funding a healthy lifestyle initiative within a nursery, the health board may well replicate what staff are already doing. A pilot that is currently planned is to join up budgeting with the health board in order to achieve better use of resources.

Professional barriers

9. An example of professional barriers that arise out of multi-agency working is language. In working towards a shared agenda pre-service training can help to resolve these problems. In Stirling this type of training is used as part of the New Community Schools project to enhance inter-agency awareness. In working with schools though, finding time to build this relationship can be problematic as talk and training are difficult when you have to take teachers out of the classroom.

Flexibility in the use of budgets

10. Restrictions regarding Scottish Executive allocation having to be spent within the financial year, affects an authority's ability to plan long term spending. This has implications for projects such as building a nursery, which require long term capital spend. In addition, rules regarding carrying over money between financial years affect spending on education as the financial year conflicts with the academic year. Money cannot currently be carried into June when activity in the schools is quieter and teachers have the time think about spending proposals.

Prescription

11. It can be demoralising to be given a set of instructions for spending money that does not recognise differences between local circumstances and ways of working. This process raises tension, and restrictions may cause arguments over money between organisations resulting in loss of the longer-term vision. For example in setting up Stirling's Childcare partnership the first year was spent resolving the issue of control of resources between voluntary and private sector representatives. These problems are resolved by allowing time and recognition that people need to work through the process and shift their views.

Policy and Immediate Outcomes

12. There was also concern about the immediate outcomes expected by the Scottish Executive in return for funding. Timescales for producing outcomes have problems and can be unrealistic. This is a general perception of how the Executive works as a whole and the emphasis on quick results expected by Ministers.
13. Policy implied in one initiative may not match up in policy terms with others, and this can also result in a conflict of interests. For example the current childcare policy is to provide part time nursery places for every 3 and 4 year old. This conflicts with other initiatives aimed at encouraging lone parents to take up full time employment, without the required childcare infrastructure in place. The gaps between these policies is not always recognised and the grant provision often does not match up.

Children's Services Provision by Stirling Council

14. Stirling Council has a Children's Services department responsible for the integrated provision of education, care and support services for children, young people and families. Core service provision consists of education for children and young people, and social work services for children and families. Two areas of this provision are described in this section: childcare including early years services, nurseries, play and out-of school care; and the New Community Schools project as an example of integrated service delivery.

i) Childcare

15. Priorities for childcare provision are centred on the aims of Stirling's Children's Partnership. The partnership consists of members from the local authority, voluntary and private sector, the health board, local employers, parents, the local further education college, the Employment Service and the local enterprise company. Voluntary organisations involved in the partnership are commissioned by Stirling to provide a range of services. The childcare partnership aims to ensure that a wide variety of childcare and early childhood education provision exists to meet the needs of parents and children. User consultation identified three key elements of need: extended day, extended year provision (for working parents), education (nursery classes), and family centres providing family support services. The eventual aim is to allow integrated access to all three services in one area.
16. However the ability to work towards this model for service provision is affected by the way children's services is funded. The majority of funding for childcare is centred on the provision of nursery places for 3 and 4 year olds, funded by the Pre-School Education Grant Per Place. In addition to this a further 7 sources of funding from the Scottish Executive are used to fund childcare and associated services such as Sure Start and the Early Intervention part of the Excellence fund. Diagrams 4 and 5 list the Scottish Executive grants and initiatives used to fund childcare and associated services together with their restrictions, and the application and reporting procedure. Each of these grants has its own set of rules prescribing what this money is to be spent on. The rules have to be met in the reporting and application procedures for each fund in turn. This results in priorities which have to be fitted to the availability and spending guidelines of fragmented funding initiatives. This could be alleviated by allowing flexibility in the use of funding by the local authority, in exchange for delivering policy outcomes in terms of a Local Outcome Agreement. In practice, to take forward the objectives of the partnership, the available money is pooled together to plan the expansion of children's services. The difficult task of separating out spending to report back to the Scottish Executive is done separately.

ii) New Community School

17. The overall aims of the New Community Schools project are to raise attainment and tackle social exclusion: by meeting children's needs, by providing integrated services within schools, and by considering the needs of the individual child and the family. Stirling's 'Castlevie campus' consists of 3 primary schools, together with associated pre-school provision. This will eventually be situated on a purpose built site that will provide facilities for the local community in addition to primary school provision. Within the local area there are a number of facilities to meet the needs of the family and child, with the majority of these council funded as part of their urban regeneration programme (see Diagram 1).
18. The majority of funding from the New Community Schools allocation is combined with an additional contribution from Forth Valley Health Board and primarily used to fund staff development. This takes the form of providing cover for staff to enable them to attend events such as external seminars, the postgraduate New Community Schools module at Stirling University, to cover the costs of work shadowing, and training and development. Stirling Council considers that the use of funds in this manner is a useful tool for achieving effective delivery of a service agenda through working in a cross-cutting way.
19. Diagram 1 shows how the different facilities and service providers interact to deliver services to children and families in the local community for Stirling's New Community School. This shows the interactions between the local authority (Education, Social Work, and Community Services), outside agencies, the Health Board and the voluntary sector. Services are provided via 4 main delivery areas: the school, childcare provision, health, and community based services. Also illustrated are the sources of funding for these facilities and how these lines of delivery interact to result in the delivery of services in the Castlevie area.

Children's Services Provision by Aberdeen City Council

20. Aberdeen City Council has a more traditional structure than Stirling. Services to children are delivered directly or commissioned by Education, Social Work, Arts and Recreation, Housing and Community Development. The details of service delivery functions and planning structures are outlined in Annex B. Aberdeen is currently in the process of reviewing the organisational structure of the Council including the planning and service delivery structures to children.

Funding for Children's Services

21. In Aberdeen City Council funding for Children's Services comes from:

- Local Authority mainstream funding through Departmental budgets
- Voluntary and private business sectors
- Health Board

22. Scottish Executive initiatives announced in 1998 allow additional funding for:

- Social Inclusion Partnerships
- Pre-school education
- Out of school care
- Healthy living centres
- Children's Services Development Fund
- New Community Schools
- Sure Start
- Excellence Funds

23. Officials within Aberdeen City Council have reported that 'joined up' thinking at local and national level would be encouraged by the development of consistent and integrated planning and reporting mechanisms for these initiatives. For its part, the City Council has used both mainstream and additional Scottish Executive funding in partnership with those in other sectors (e.g. a partnership with Barnardos to fund 2 project workers for the New Community Schools project). This is in order to meet previously agreed policy and service delivery priorities as well as the objectives set out within Scottish Executive initiatives.

24. The responsibility for taking the lead on different funding initiatives is shared between the Education, Social Work and Community Development Departments. Decisions about lead roles are taken based on different service delivery functions, and staff and resource capacity to support the work. Plans are developed separately, using different decision making processes, according to the timescales set by the Scottish Executive. Annex 3 shows the cross-cutting nature of policy development and implementation within the Council using the example of the Children's Services Development Fund.

25. The following examples illustrate how the Scottish Executive funding initiatives have resulted in the delivery of Council priorities:

26. The expansion of pre-school education, making places available for 3 year olds has had a major impact on playgroup and family centre provision. Services to families with young children are being reviewed and plans put in place to change the focus of the work supported in Social Work family centres.
27. Sure Start Scotland funding provides additional resources for families with very young children. Funding enables the Council to develop and commission work for an Education Department priority that forms the basis of a previously prepared unsuccessful SIP bid. This bid was prepared jointly by a multi-agency planning group which was supported to prepare initial proposals and manage the initiatives in the first year.
28. There are also examples where funding provided by the Scottish Executive has been used for new developments not previously provided by the Local Authority, for example, out of school care. Council officials feel that in spite of the substantial range of separate initiatives, the City Council has succeeded in joining these up and integrating them within the wider policy agenda of the Council. However they report that greater attention at a National level to knitting these initiatives together would have been helpful to the authority in ensuring a cohesive response. It is felt by council officials that the 'growth' in initiatives has taken place in a context of overall declining resources for local authorities and that this can easily lead to perceptions of "giving with one hand and taking away with the other". This having been said it should also be acknowledged that the focus on Children's Services has resulted in substantial activity and progress in the development of services.

The delivery of early years including childcare services

29. Diagrams 2 and 3 illustrate Children's Services delivery for early years services in Aberdeen. These show the agencies responsible for service delivery, how these organisations interact, and the sources of funding and accountability through to the City Council and ultimately the Scottish Executive. Diagram 2 shows the facilities available to a child living in the 'Great Northern Partnership' Social Inclusion Partnership area. This area consists of Fersands, Printfield, Middlefield and Alexander/Hayton. The needs of the child and services delivered are represented at the centre, next are the delivery agencies, and funding is around the outside.
30. Diagram 3 shows the Children's Services delivery for Aberdeen City Council as a whole. It shows in more detail how the funding sources including particular Scottish Executive initiatives interact in the delivery of services. It should be noted that this diagram is simplified and does not include facilities such as Arts, Recreation, Sport and Play, and special needs provision. Special needs provision is not represented as Aberdeen operates an inclusion policy where children with special needs are provided for within mainstream provision, in pre-school education and family/community support.

Scottish Executive funding of childcare and early years provision

31. There are 8 different Scottish Executive funding streams used directly to fund childcare and early years services in Stirling and Aberdeen City Councils. This excludes funding for associated initiatives such as Social Inclusion Partnerships and Social Work provision such as the Children's Services Development Fund. Diagram 4 illustrates the amounts allocated via these 8 streams, together with the contribution from within council funding. It can be seen that funding for childcare is predominantly from the Pre-School Grant Per Place used to fund nursery places for 3 and 4 year olds and the associated Pre-School Development Grant and Rural Supplement. Allocation for the other 5 grants and initiatives in comparison constitute a very small proportion of the available funding for childcare and early years provision.
32. Diagram 5 shows the purpose and restrictions on spending for each of the 8 sources of funding together with a description of their application and reporting procedures. It should be noted here that a number of the application procedures include separate claim forms to be filled out according to whether provision goes towards the local authorities' own provision, or that for the private and voluntary sector. This is to comply with section 23 and section 25 of the Education (Scotland) Act 1966. This occurs for Pre-School Grant Per Place, Development Grant and Rural Supplement, and the Gaelic Pre-School Grant.

Diagram 4. Sources of funding for childcare and associated services in Stirling and Aberdeen City Councils.

Source of funding	Amount of Allocation			
	<i>Last financial year 1999-00</i>		<i>Current financial year 2000-01 (where figures are available)</i>	
	<i>Stirling Council</i>	<i>Aberdeen City Council</i>	<i>Stirling Council</i>	<i>Aberdeen City Council</i>
<i>Pre-School Education Grant Per Place</i>	<i>1,428,502</i>	<i>3,250,064</i>		
<i>Pre-School Education Development Grant</i>	<i>366,870</i>	<i>670,064</i>		
<i>Pre-School Education Rural Supplement</i>	<i>240,000</i>	<i>N/A</i>		
<i>Early Intervention (Excellence Fund)</i>	<i>208,065</i>	<i>246,663</i>		
<i>Sure Start Scotland</i>	<i>123,000</i>	<i>315,000</i>	<i>208,000</i>	<i>472,000</i>
<i>Childcare Strategy – Infrastructure Grant</i>	<i>N/A</i>	<i>N/A</i>	<i>33,000</i>	<i>74,350</i>
<i>Childcare Strategy – Workforce Development Grant</i>	<i>N/A</i>	<i>N/A</i>	<i>33,000</i>	<i>74,350</i>
<i>Gaelic Pre-School Grant</i>	<i>5,000</i>	<i>8,000</i>		
<i>Within Council Allocation</i>	<i>93,000</i>	<i>1,049,003</i>	<i>191,000</i>	<i>1,369,073</i>

Diagram 5. Description, application and reporting procedure for Scottish Executive Grants and Initiatives used to fund childcare and early years services.

SE Grant / Initiative – Purpose and Restrictions	Application and Reporting Procedure
<p>Pre-School Education Grant Per Place To pay for pre-school places for eligible 3 and 4 year old children attending a centre registered with SE Education Department to provide pre-school education.</p>	Apply once per term (October, February, May) on designated claim form. Annual report to be submitted at end of academic year detailing how grant has been spent
<p>Pre-School Education Development Grant To increase the supply of nursery places for 3 year olds. Can be spent on capital projects (e.g. classroom equipment, building conversion) for registered centres.</p>	Written acceptance of allocation at the start of financial year. Payment made in 3 equal instalments. Report and declaration at the end of the financial year detailing expenditure.
<p>Pre-School Education Rural Supplement To offset the higher costs of providing pre-school education in rural areas. To be spent in registered centres.</p>	As Development Grant
<p>Early Intervention (Excellence Fund) To improve attainment in reading, writing and numeracy in the early years of primary school.</p>	Improvement plan submitted to SE detailing proposed expenditure. 2 claims per year on a SE proforma and allocation received in 2 instalments. Summary report submitted annually on the progress of the initiative
<p>Sure Start Scotland Initiative to promote social inclusion through a positive start in the lives of very young children (aged 0-3). To provide community-based, family focused resources, including childcare and support to parents. Limited restrictions by the SE on how the funding must be spent.</p>	Initial proposal submitted detailing planned expenditure. No formal reporting procedure since, with objectives and outcomes to be listed within 3-year childcare plans. Informal report requested in September. Formal evaluation to take place in the 3rd year of the initiative.
<p>Childcare Strategy – Infrastructure Grant To improve local childcare infrastructure. Must be spent on capital items and LA must demonstrate some of the funding has been spent on special needs and student parents.</p>	Plan submitted on SE proforma. Allocation is then paid for the year. The following year a report is to be submitted within the pre-school education and childcare plan on expenditure.
<p>Childcare Strategy – Workforce Development Grant To provide training for staff in the early years sector. Some of the funding must be spent on staff outwith the local authority.</p>	As Childcare Strategy Infrastructure Grant
<p>Gaelic Pre-School Education Grant A subsidy to fund the costs of Gaelic provision for 3 and 4 year olds, over and above the costs of pre-school funding.</p>	Claim submitted on SE proforma including details of other sources of funding that apply to provision. LA must provide an annual report for each pre-school project and a return detailing how the money was spent on assisted projects.

Diagram 1. Stirling New Community School: 'Castleview campus' and facilities in the local community

Funding sources are shaded grey

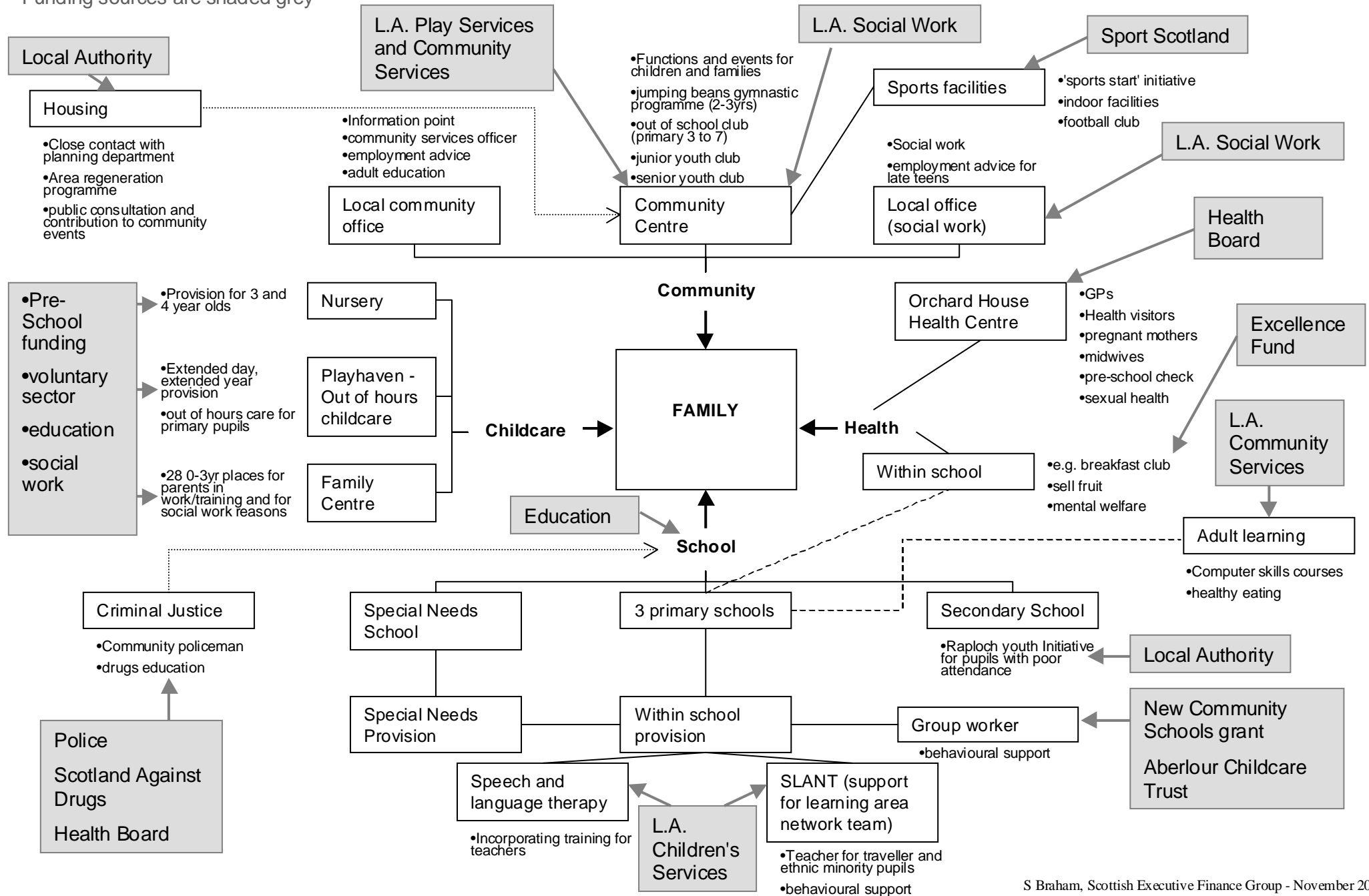


DIAGRAM 2. ABERDEEN CITY COUNCIL: EARLY YEARS SERVICES, PROVIDERS AND FUNDING FOR A CHILD LIVING IN A SOCIAL INCLUSION PARTNERSHIP AREA

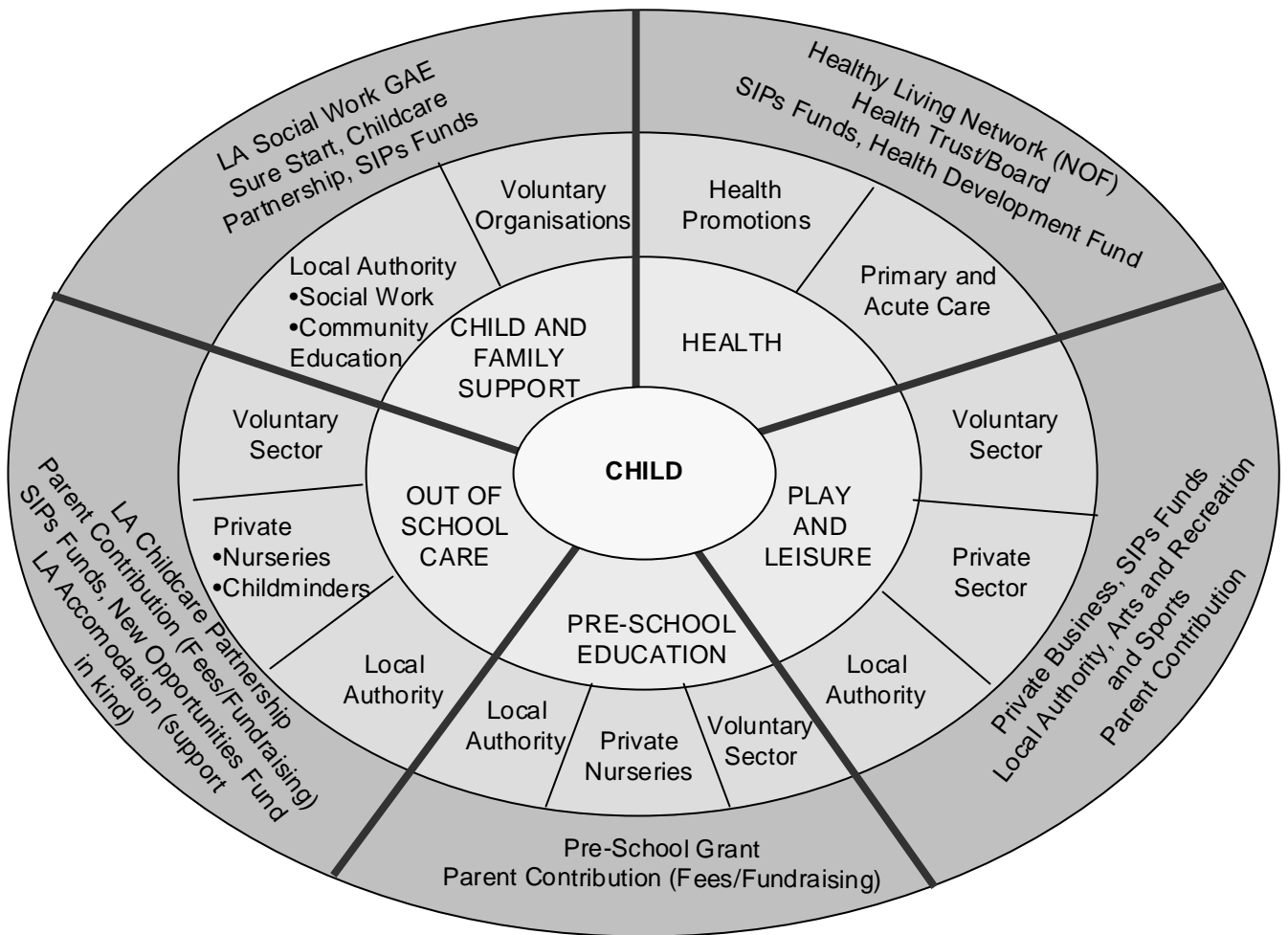
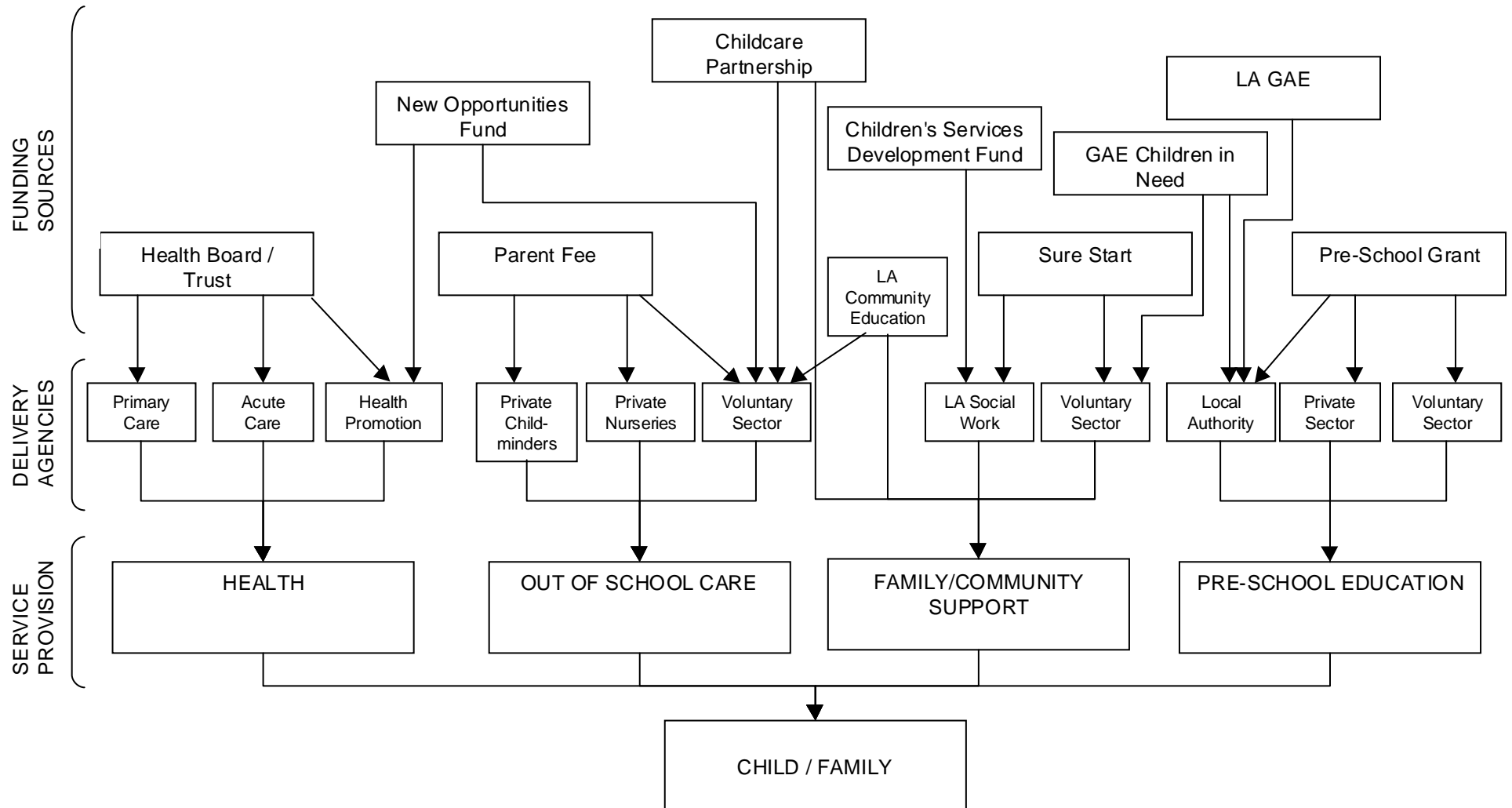
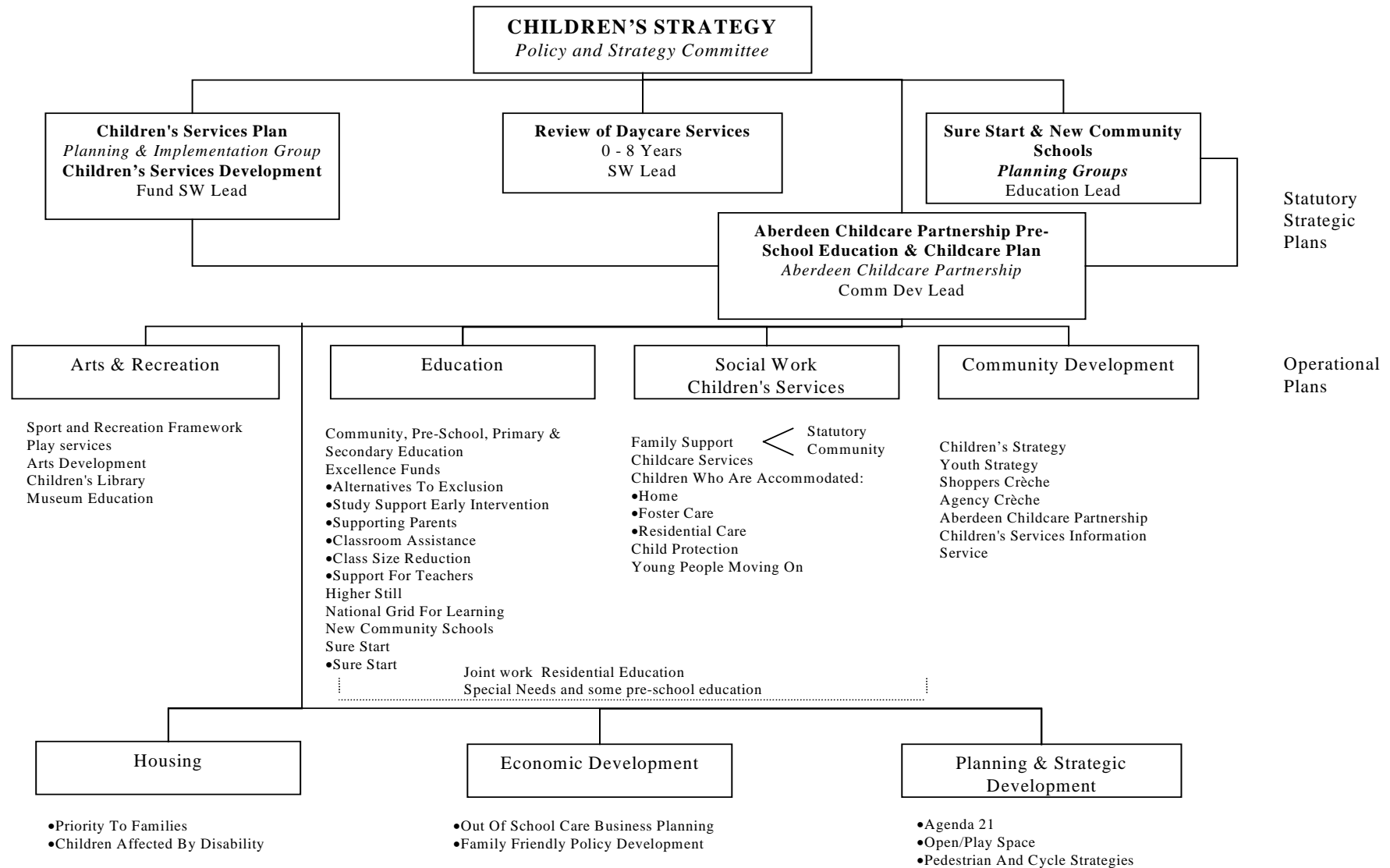


DIAGRAM 3. ABERDEEN CITY COUNCIL: EARLY YEARS SERVICES, PROVIDERS AND FUNDING FOR THE COUNCIL AS A WHOLE



ANNEX B

ABERDEEN CITY COUNCIL: SERVICE DELIVERY FUNCTIONS AND PLANNING STRUCTURES IN RELATION TO THE DELIVERY OF CHILDREN’S SERVICES



*This diagram does not describe the relationship with external agencies including health, voluntary and private sectors who are all involved in joint planning at a strategic and operational level.

ANNEX C

ABERDEEN CITY COUNCIL: THE CROSS-CUTTING NATURE OF POLICY DEVELOPMENT AND IMPLEMENTATION AS ILLUSTRATED BY THE CHILDREN'S SERVICES DEVELOPMENT FUND

