AUDIT COMMITTEE

AGENDA

4th Meeting, 2001 (Session 1)

Tuesday 6th March 2001

The Committee will meet at 2.00 pm in Committee Room 3 to consider the following agenda items:

1. **Committee Business:** The Committee will decide whether to take agenda item 2 in private.

2. **Consideration of Responses to Committee Reports:** The Committee will consider a paper from the clerk on procedures for dealing with responses to reports of the Committee.

3. **The Scottish Ambulance Service:** The Committee will consider a response from the Scottish Executive to its report entitled 'The Scottish Ambulance Service: A Service for Life' (SP Paper 142).

4. **Scottish Enterprise:** The Committee will consider a response from the Scottish Executive to its report entitled 'Scottish Enterprise: Skillseekers Training for Young People' (SP Paper 166).

5. **The Agricultural Business Improvement Scheme:** The Committee will consider a response from the Scottish Executive to its report entitled 'The Agricultural Business Improvement Scheme' (SP Paper 189).

6. **Examination of New Contract for the Management and Maintenance of the Scottish Trunk Road Network:** The Auditor General for Scotland will inform the Committee of the scope of his examination.

Callum Thomson
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The papers for this meeting are:

Agenda Item 2

Paper from the clerk on procedures for dealing with responses to Committee reports.   PRIVATE PAPER

Agenda Item 3

Letter from the Convener.   AU/01/4/1

Letter and Memorandum from Scottish Executive on Priority Based Dispatch.   AU/01/4/2

Agenda Item 4

Response from the Scottish Executive on the report entitled 'Scottish Enterprise: Skillseekers Training for Young People' (SE/2001/62).   AU/01/4/3

Summary of Scottish Executive response.   AU/01/4/4

Agenda Item 5

Response from the Scottish Executive on the report entitled the 'Agricultural Business Improvement Scheme' (SE/2000/217).   AU/01/4/5

Summary of Scottish Executive response.   AU/01/4/6

Agenda Item 6

Terms of reference of Auditor General for Scotland's examination of the new contract for the management and maintenance of the Scottish trunk road network.   AU/01/4/7

Audit Committee
From The Convener Andrew Welsh MSP

Mr John Aldridge
Accountable Officer,
Scottish Executive Health Department
St Andrew's House
Regent Road
Edinburgh EH1 3DG

30 November 2000

Dear Mr Aldridge

EXECUTIVE RESPONSE TO AUDIT COMMITTEE 2ND REPORT 2000: THE SCOTTISH AMBULANCE SERVICE: A SERVICE FOR LIFE

I am writing on behalf of the Audit Committee to thank you for your letter and Executive response of 12 September to our report on the Scottish Ambulance Service. The response was considered at our meeting on 14 November.

We welcome the positive approach taken by the Executive to the recommendations in our report, as outlined in the response. However we noted with concern that the Executive will not be in a position to respond to our recommendation on the need for an evaluation of the case for a system of priority based dispatch until around June 2001.

The evaluation of priority based dispatch is one of the major recommendations of our report. We consider it as unsatisfactory to have to wait for almost a year from the date of publication of our report to receive a response on this subject. We called on the Executive to respond to the case for the introduction of priority based dispatch by December 2000. While we note the timetable that is outlined in the response the Committee's view that it is both practical and reasonable for an interim report to be made to us by the Scottish Ambulance Service on the progress made to date on this recommendation.

I should therefore be grateful if you would arrange for the Scottish Ambulance Service to provide the Committee, by the end of December 2000, with a memorandum providing details of the review which it has undertaken.

I have copied this letter to Mr Adrian Lucas, Director of the Scottish Ambulance Service.

Yours sincerely

CONVENER

SCOTTISH EXECUTIVE

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Your ref:
Our ref:

Date: January 2001

AUDIT COMMITTEE, THIRD REPORT 2000: THE SCOTTISH AMBULANCE SERVICE: A SERVICE FOR LIFE

Thank you for your letter of 30 November 2000.

I enclose for the information of the Committee a report on progress to date with the appraisal of the case for priority based dispatch.

TREVOR JONES
Accountable Officer

PROGRESS REPORT ON CONSIDERATION OF CASE FOR PRIORITY BASED DISPATCH

Introduction

As stated in the response of September 2000 to the Audit Committee, the Department and the Scottish Ambulance Service in May 2000 commenced an appraisal of the case for priority based dispatch. The preliminary work began with the Service establishing a Project Board and Team to "Review the evidence for Priority Based Dispatch and prepare a case to show whether such a system would provide a better and more responsive system of answering emergency/urgent calls, and, if so, at what cost".

The initial phase of the project was to gather clinical and operational evidence on the effects of prioritisation. This was achieved using various means.

The Team visited 2 Ambulance Services in England who were using Priority Based Dispatch (Mersey Regional Ambulance Service Trust and Greater Manchester Ambulance Service). Here they saw the process in operation and discussed the lessons learnt by these Services. They attended the International Ambulance Exhibition in Harrogate meeting with users and suppliers of Priority Based Dispatch Systems. The Chairman and Chief Executive also visited 3 sites in the United States to learn of the American experience of prioritisation over nearly 20 years.

Further details of the process followed by the Project Board and Team, including the range of professional advice that has been secured and the consultation process, covering Focus Groups and Workshops, is set down in the attached Annex.

Review of Evidence

Evidence on the benefits and disadvantages of prioritisation was also sought using the technology and facilities available through:

- Library of the Royal College of Physicians and Surgeons of Glasgow
- Mitchell Reference Library, Glasgow
- Clinical Audit Department, Scottish Ambulance Service
- Management Information Service, Scottish Ambulance Service
- Internet Sites

The Team's researches revealed that there is very little hard evidence of the advantages or disadvantages of prioritisation to be found within the UK or indeed from International sources. It is understood, however, that some work has begun in this area in Australia and Canada.

The main reason for this appears to be the difficulties and costs associated with trying to determine the efficacy of the various interventions and treatments along the "patient pathway".

External Consultancy

The Project Team secured Operational Research in Health Ltd (ORH) as external consultants. Their key objective was to develop and cost options for change covering the status quo, improved responsiveness against the ORCON standards, partial priority dispatch and full priority dispatch.

The Service has just received and is considering the Consultants' draft report.

Other Related Scottish Ambulance Service Developments

The appraisal of the case for prioritisation is just one, albeit important, element of the Service's modernisation agenda "Beyond 2000". The agenda also includes the review of the non-emergency (patient transport) service and of operations rooms (often known as Ambulance Control Rooms) and provides for the ongoing development of the accident and emergency service. While each of these is being progressed by separate project teams, the Service's management and Board has determined and is managing the framework that is designed to ensure that all of the elements progress in a way that is mutually supportive in the best interests of patient care.

The Service has already progressed its review of operations rooms to a stage where an Outline Business Case supporting the reduction from 8 emergency operations rooms to 3 was submitted to the Department in December 2000. The OBC proposes significant investment in new mapping systems and automatic vehicle location systems to enable ambulance controllers to better manage the accident and emergency resources. Reducing to 3 emergency operations rooms will also enable the Service to free up control room staff to be re-deployed into the larger number of small control facilities for the non-emergency service that are to be located across a number of acute hospital sites. This is an integral part of the move to secure an improved non-emergency service where communication breakdown between the hospital clinic ordering the service and the ambulance control is the main cause where the patient receives a poor service.

Also integral to providing an improved service for accident and emergency patients are the Service's plans, which have been supported by the Department and by Ministers, to procure a pre-arrival software system. This will enable the Service to give better information to patients and/or anyone helping them while the ambulance is on its way. The system will also provide for better, more consistent information to be conveyed to ambulance staff on their way to the location. Each of these patient benefits are in themselves sufficient to justify the case for the procurement which has now begun. The procurement specification will also ensure that the system has the capability required to support priority based dispatch, should that be the decision of Ministers when the full appraisal from the Service has been received and considered.

Next Steps on Priority Based Dispatch

The project is on target to present the final report and Outline Business Case to the Scottish Ambulance Service Board at the end of January 2001. Following approval by the Board, the case will be submitted before the end of March 2001 to the Department for consideration. The timetable thereafter remains as set down at action 6 on page 7 of the Health Department response submitted to the Committee in September 2000. The Department and Minister shall aim to report to the Audit Committee by June 2001.

Scottish Executive Health Department
January 2001

Contacts With Other Healthcare Professionals Made, Advice Sought and Consultation Process

The Project Team established contact with other health care professionals who could assist in their task;

- Heartstart Scotland
- Scottish Trauma Audit Group
- Professional Advisory Group of the Scottish Ambulance Service
- University of Sheffield
- University of Warwick
- Other Ambulance Services in England and Wales
- AMPDS UK User Group (This is a group of ambulance users of the current prioritisation system being used in England.)
- Medical Priority
- External Consultancy

Professional Advice

The Team approached the Professional Advisory Group of the Scottish Ambulance Service to give consideration and approval to the "Minimum Data Set", the basis for determining the level of response to a patient.

Mr Malcolm Gordon, Accident and Emergency Consultant, Southern General Hospital Glasgow and Mr Andrew Marsden, Consultant Medical Director, Scottish Ambulance Service provided professional advice on the "Ideal Response Configuration". The document works in tandem with the "Minimum Data Set" and thereafter the type of response which could be appropriate in any given situation.

Consultation

A key action area for the Project Team was consultation and communication throughout the process. This was aimed at all parties considered as stakeholders including:

- Patients
- Staff
- Health Boards
- NHS Trusts
- General Practitioners
- Health Councils
- MSPs
- Police and Fire Services

Internal consultation with staff was carried out through several mediums.

- Project Manager gained membership of the Communications Forum.
- The Team made visits to all Operations Rooms and Assistant Divisional Managers.
- Presentations were given to each Divisional Joint Consultative Committee and to the Partnership Forum.
- The Communications Forum produced an easily identified newsletter.
- Staff attending Post-Proficiency training at Clydebank Station were given short presentations.
- A dedicated "hotline" and e-mail address was made available for enquiries.

Consultation with external groups also used various mediums.

- Presentations given to patient focus groups
- Presentations given to GP sub-committee groups
- Information passed to Police and Fire Services
- Market Research Scotland Ltd
- Newsletter, Hotline and e-mail
- Stakeholders Workshops

1.   Focus Groups

The service of an external consultant, Market Research Scotland Ltd, was brought in to capture expectations of emergency call handling and allocation/priority of emergency ambulance response.

Participants were both users and non-users of the Scottish Ambulance Service from 6 different locations in Scotland and from different age groups.

Some of the specific objectives of the research was to establish the experience of calling the Service for an emergency, the public expectations of the Service (including location of the Service's call handling and priority/allocation of resources) and the confidence in the Service.

The outcome of the research was that most of the participants had a high degree of confidence in the Emergency Service. There was also a clear assumption that 999 ambulance calls were prioritised currently (based on type and seriousness of injury, call location and available resources). This was also thought necessary and fair but not easy. One of the important points was the need for rapid attendance. Some also perceived that the caller was allowed to stay on line to talk whilst the ambulance was en route.

Stakeholders Workshops

Four consultation Workshops were held during November, geographically spread over Scotland:

- Ayr   14 November 2000, Ayrshire Hospice
- Falkirk   16 November 2000, Falkirk and District Royal Infirmary
- Inverness   21 November 2000, Raigmore Hospital
- Glasgow   23 November 2000, Glasgow Royal Infirmary

Invitations were sent out to all our stakeholders, a total of over 200.

A summary and explanation of the options with the pros and cons were sent out to all participants prior to the Workshops. The Project Manager Chaired each Workshop and different members of the Executive Team represented the Service.

Each Workshop was split up randomly into smaller syndicate groups to encourage discussion on the feasibility of the different proposed options.

All comments and action points taken from each of the Workshops are being analysed for inclusion within the Outline Business Case which will accompany the Service's submission to the Department.

AUDIT COMMITTEE REPORT: SCOTTISH ENTERPRISE: SKILLSEEKERS TRAINING FOR YOUNG PEOPLE

SCOTTISH EXECUTIVE RESPONSE TO THE PRINCIPAL RECOMMENDATIONS

GENERAL

The Audit Committee's Report is a useful contribution to consideration of the effectiveness of Scottish Enterprise in delivering the Skillseekers programme.

The National Audit Office's Value for Money Study on Skillseekers makes a number of recommendations based on the evidence they collected between 1996 and 1998. There have been a number of developments since then including improvements in Scottish Enterprise's management information systems, improvements in the proportion of leavers achieving a vocational qualification (VQ), and reductions in costs.

The Committee made 5 principal recommendations. The Scottish Executive response to each follows the general comments below.

The Committee looked at the variations in the cost of achieving VQs and suggested that expenditure which did not lead to a VQ might be wasted. Clearly best value is to be obtained by the successful completion of a VQ but a participant can make progress short of attaining the full qualification and it does not follow that money spent on such progress is wasted. Expenditure takes place only when a young person achieves a measurable milestone towards the VQ, and where a young person leaves the programme and subsequently rejoins it, prior achievements are recognised and need not be repeated. Nevertheless the preferred outcome is the attainment of a VQ. Achievement rates have improved since Skillseekers was introduced, but we recognise that more needs to be done to assess and improve them. Scottish Enterprise and the Executive have put in place a number of measures to tackle non-completion of training and to ensure that appropriate provision is in place for the entire client group.

The Committee was critical of the Scottish Executive's arms-length approach to Scottish Enterprise's handling of management information. The Scottish Executive collects management information from Scottish Enterprise relating to Skillseekers in addition to monitoring progress against targets which are agreed with Scottish Enterprise annually, but operational responsibility for the programme rests with the Network, which has put considerable effort into improvements to management information.

RESPONSE TO RECOMMENDATIONS

The level of additionality achieved by the Skillseekers programme should be monitored on a regular basis, targets should be set for improvement in the level of additionality and action should be taken to encourage more employers who are not participants in the Skillseekers programme to provide training to VQ standards

The Scottish Executive accepts that Scottish Enterprise should examine the scope for increasing additionality while maintaining the quality of the Skillseekers programme.

However, it must be borne in mind that the primary purpose of the programme is to meet the national Youth Training (YT) Guarantee which guarantees a training place to all 16 and 17 year olds who are not otherwise engaged in education or training. Scottish Enterprise must meet this Guarantee by ensuring that sufficient high-quality training places are available. Improving additionality is highly desirable but it is difficult, by definition, to quantify the degree of additionality which is achievable in a work-based training programme which has a strong emphasis on employed status.

While many employers may claim that they would have provided training without participation in Skillseekers, there is a lack of objective evidence to support such assertions. Nor is it clear that had training been provided by those who say they would have done so, this would have led to the achievement of a VQ. Scottish Enterprise has therefore commissioned research to test the current level of additionality in Skillseekers. The exercise will be completed early in 2001 and it will examine:

- the key factors that determine an employer's decision to recruit a young person rather than an adult;
- the key factors that determine the level of training that an employer provides for its young employees;
- why employers provide training to VQ standard if this level of training goes beyond that required to enable the young person to do the job for which they are employed;
- the extent to which the recruitment of young people would change if funding was reduced or withdrawn; and
- the extent to which the level of training provided would change if funding was reduced or withdrawn.

The Executive agrees with the Committee's recommendation that action should be taken to encourage more employers who do not participate in Skillseekers to provide training towards VQ standards, and hopes that the Committee's interest and clear steer in that direction will be noted by employers and acted upon. Scottish Enterprise will play its part, but it has to be borne in mind that the demand-led nature of the programme can inhibit the scope for introducing new employers. There is more scope at the higher skills levels, that is, with Modern Apprenticeships, and in the 18+ age group, to target those sectors in which employers have not been active in training their employees to VQ standards. Action to increase participation by employers will be targeted at specific sectors which are currently under-represented in the programme. Labour Market Intelligence will be used to anticipate the skills gaps in the Scottish economy and on which action will be focused.

Scottish Enterprise should maintain the momentum provided by the NAO report and provide us with a report by April 2001 on the roll out of their Corporate Training System and on the benefits they have gained from its use to provide:

- **assurance that the prices they pay represent the minimum public sector contribution necessary to encourage the provision of training**

- **benchmarking information to allow meaningful comparisons of variations in the costs incurred by the LECs**

- **additional information on which to draw informed conclusions on whether surpluses earned reflect over-generous payments to some LECs**

The Scottish Executive agrees that Scottish Enterprise should provide the report requested by the Committee.

The report will demonstrate to the Committee how the Corporate Training System has informed decisions relating to prices paid by the LECs and to the comparison of costs incurred in purchasing training across the Network.

However, with regard to surplus generation, the NAO report recognised that the use of surpluses had supported more efficient purchasing locally and had allowed greater flexibilities. Whilst using information gained from CTS will allow more accurate and fair price setting, Scottish Enterprise are keen to ensure that the benefits from the current process are not lost.

Attainment targets for the proportion of trainees achieving a VQ should be tested in the light of information to be gathered on the reasons why young people leave the Skillseekers programme and the improvements identified from that information

The Scottish Executive agrees that attainment targets should be set in light of information about the client group and improvements identified. From April 2000, the Executive agreed with Scottish Enterprise an Operating Plan target that 50% of Skillseekers starting in a particular year should achieve a VQ within 3 years of commencing training. It is important to note that this target encompasses the whole Skillseekers client group, including young people with special training needs, and not only those aiming for an SVQ Level 2, as was the case with the cohort examined by the NAO. It is the first year that a target has been set in terms of the number of Skillseekers starting the programme, rather than leaving the programme. The target will provide a baseline from which to gauge future improvement. The expectation is that VQ achievement will exceed the 50% target in 2000-01. In April 2000 we also set a target to reduce the number of young people who leave the programme early without achieving a qualification from 22.5% to 20%. This is an improvement of 10% on 1999-2000 levels.

Analysis of data from the follow-up survey and more detailed management information relating to achievement at different qualification levels within the wider Skillseekers

programme will allow still more meaningful targets for VQ achievement to be set. Using the more detailed management information available to us we shall, in the next set of annual Operating Plan targets, agree a range of targets with Scottish Enterprise which examine particular VQ achievements by the different client groups including Skillseekers with special training needs. The performance against VQ achievement this year will be taken into account and the trend will be the basis of improvements to be targeted in future years.

The Scottish Executive should take an active interest in ensuring that Scottish Enterprise fulfils their promises for improving management information and provide the Audit Committee with a report on whether they are fully satisfied that the information is sufficiently accurate by April 2001.

The Executive collects a range of management information relating to Skillseekers from Scottish Enterprise. Considerable improvements have been made to Scottish Enterprise's management information systems since the introduction of CTS. Scottish Enterprise has kept the Executive fully informed of developments in CTS and KWEB and will continue to do so, to enable us to provide a report to the Audit Committee by April 2001 as proposed.

The follow-up survey of trainees leaving Skillseekers should be improved to ensure that the essential information required to analyse the outcomes of training is available to monitor improvement through the use of targets relating to employability

The Scottish Executive agrees that improvements should be made to the follow-up survey. A more user-friendly approach was adopted in 1999 and in that year the response rate improved from the 11% quoted by the NAO to 17%. This has improved further to 29% in the current year. Scottish Enterprise now surveys leavers at 2 points: 6 months and 12 months after leaving the programme. Scottish Enterprise would be happy to share the findings of the surveys with the Committee in April 2001.

 The setting of targets relating to employability is problematic for the following reasons. The purpose of the Skillseekers programme is fulfilment of the YT Guarantee which relates only to the provision of a training place. It does not guarantee a job. While an objective of the programme, and a Government priority, is that participants increase their employability through the attainment of a recognised qualification, Scottish Enterprise is not in a position to ensure that any one individual will be successful in obtaining a job. Even if that were not the case, a target relating simply to the number of those entering employment at the end of the training period would not alone necessarily be a valuable outcome. Some young people might well take on (or indeed be encouraged to take on) short-term employment with no lasting gain, for no other reason than to enable a target to be met. Were targets to be set these would more appropriately focus on the longer-term labour market experience of participants in the programme, in which case the direct link between Scottish Enterprise's performance as opposed to that of the individual's own would be less clear.

Nevertheless, the Executive appreciates the value of having as much information as possible on the success or otherwise of Skillseekers participants in obtaining and holding down jobs following the successful completion of training under the programme. It also accepts that such information may be helpful in informing both the future direction of the programme as

well as Scottish Enterprise's operational effectiveness. Scottish Enterprise will therefore continue to improve the quantity and quality of information on the employment of Skillseekers participants and will in the light of the data available consider, with the Scottish Executive, what measures might be put in place to increase the likelihood that those successfully completing the programme will obtain sustainable employment of appropriate quality.

AUDIT COMMITTEE 4TH REPORT 2000 – SCOTTISH ENTERPRISE SKILLSEEKERS TRAINING FOR YOUNG PEOPLE

SUMMARY OF SCOTTISH EXECUTIVE RESPONSE

Audit Committee Conclusions/Recommendations	Scottish Executive Response
1. The level of additionality achieved by the Skillseekers programme should be monitored on a regular basis, targets should be set for improvement in the level of additionality and action taken to encourage more employers who are not participants in the Skillseekers programme to provide training to VQ standards.	Scottish Enterprise has commissioned research to test the current level of additionality in Skillseekers. The exercise is due to be completed early 2001. Scottish Enterprise plan to encourage more employers who are not participants in the Skillseekers programme to provide training to VQ standards by targeting specific employer sectors which are underrepresented in the Skillseekers programme. Scottish Enterprise plan to use labour market intelligence information to anticipate the skills gaps in the Scottish economy and to focus Scottish Enterprise's action.
2. Scottish Enterprise should maintain the momentum provided by the NAO report and provide us with a report by April 2001 on the roll out of their Corporate Training System and on the benefits they have gained from its use to provide: • Assurance that the prices they pay represent the minimum public sector contribution necessary to encourage the provision of training • Benchmarking information to allow meaningful comparisons of variations in the costs incurred by the LECs • Additional information on which to draw informed conclusions on whether surpluses earned reflect over generous payments to some LECs	The Scottish Executive has agreed to provide the Committee with such a report.
3. Attainment targets for the proportion of trainees achieving a VQ should be tested in the light of information to be gathered on the reasons why people leave the Skillseekers programme and the improvements identified from that information.	The Scottish Executive agrees that attainment targets should be set in light of information about the client group and improvements identified. The Scottish Executive consider that analysis of data from the follow up survey and more detailed management information relating to achievement at different qualification levels within the wider Skillseekers programme will allow still more meaningful targets for VQ achievement to be set. Using the more detailed management information available the Scottish Executive shall, for the 2001/2002 Operating Plan targets, agree a range of targets with Scottish Enterprise which examine particular VQ achievements by the different client groups including Skillseekers with special training needs. The performance against VQ achievement in 2000/01 will be taken into account and the trend will be the basis of improvements to be targeted in future years.
4. The Scottish Executive should take an active interest in ensuring that Scottish Enterprise fulfils their promises for improving management information and provide the Audit Committee with a report on whether they are fully satisfied that the information is sufficiently accurate by April	The Scottish Executive has agreed to provide the Committee with such a report.

	2001.
5.	The follow-up survey of trainees leaving Skillseekers should be improved to ensure that the essential information required to analyse the outcomes of training is available to monitor improvement through the use of targets relating to employability.	The Scottish Executive notes that a more "user-friendly" follow up survey was adopted in 1999/2000 and in that year the response rate improved from 11% to 17%. In 2000/2001 this has further improved to 29%. The Scottish Executive appreciates the value of having as much information as possible on the success or otherwise of Skillseekers participants in holding down jobs following training and that such information may be helpful in informing both the future direction of the programme as well as Scottish Enterprise's operational effectiveness. The Scottish Executive notes that Scottish Enterprise will continue to improve the quantity and quality of information on the employment of Skillseeker participants and will consider, with the Scottish Executive, what measures might be put in place to increase the likelihood that those successfully completing the programme will obtain sustainable employment of appropriate quality.

AUDIT COMMITTEE

5TH REPORT 2000

THE AGRICULTURAL BUSINESS IMPROVEMENT SCHEME

General

The Department welcomes the Committee's Report on the above Scheme and offers its response in relation to the principal conclusions and recommendations in the following paragraphs.

We trust that following devolution the approval process for making changes to a scheme will be more streamlined than was the case for ABIS.

The Department has acknowledged that the process of deciding on the changes to ABIS was unduly protracted, and in the light of the ABIS experience the Department will seek to ensure that the approval process for new schemes, and revisions to schemes, is significantly more streamlined. Steps have been taken to set out more clearly the procedures required in introducing new schemes and the time needed for each stage. However, as Figure 12 on page 22 of the Auditor General's Report shows, for any grant scheme co-financed by the European Union, there are a number of requisite steps to be completed before changes can be made. There is also a need to fit in with domestic budgetary timetables.

We consider it is vital that the Department has in place robust methodology for accurately ascertaining the likely levels of demand for new or revised schemes in the future. We do not think this currently exists and we therefore recommend that the Department re-assesses its current method of operation in this area with a view to adopting more reliable market research systems. This should complement the relationship the Department has with the representative organisations rather than be seen as a substitute for it.

The Department recognises that the best possible assessment of likely future demand should be taken into account before the decision is taken to go ahead with a demand-led scheme and will continue to be needed so that it can be properly monitored and managed. The Department is taking steps to improve the information it uses but recognises that it is difficult to predict uptake for demand-led grant schemes with certainty. The demand profile is likely to be scheme specific and subject to a number of external factors such as availability of private finance, the relevance of the scheme to industry priorities, the terms and flexibility of the scheme, and industry (and possibly area) specific conditions reflecting economic profitability (eg market conditions and the weather). Furthermore, a scheme's own performance and history can affect the level of uptake. A more mature scheme is likely to have a higher level of uptake given people's familiarity with it. For a new scheme the problems of predicting uptake are likely to be even greater given the inability to use experience as the basis for forecasting likely uptake.

Nevertheless, the Department is exploring ways of improving existing techniques, including seeking the views of the various representative farming organisations. Additional research to assist in the assessment of potential future demand for the new Agricultural Business

Development Scheme is now under detailed consideration by the Department and might comprise of a range of elements. For example,

- an exploration of farmers' views and attitudinal data through a sample survey of farmers in the relevant area;

- a sample survey of those farmers who applied within the last few months of the operation of ABIS to help understand the factors contributing to their decisions to apply.

The role of the two Committees that will, among other things, advise on the financial management of the new Agricultural Business Development Scheme, will on a regular basis also address the issue of potential demand. These Committees, comprising the main stakeholders including industry representatives, will provide a valuable source of intelligence for Scheme management purposes.

Intelligence provided by Area Offices from their regular contacts with farmers will remain an important part of procedures. This concept has been extended by the designation of lead Areas responsible for collating feedback on particular schemes, as noted below. This arrangement provides an early warning of significant local issues, and will continue in the future. In addition, Areas now provide two-monthly local reports on local conditions and significant issues, for briefing. Producing these reports ensures that discussions with local bodies take place at regular intervals.

Nevertheless, demand will sometimes outstrip the funding available. In order to address that eventuality, the Department is introducing a number of procedures into the successor to ABIS to ensure clear management of such a situation. This is touched on below.

We note the Auditor General's view that the Department maintained financial control over the Scheme and bearing in mind the nature of the upsurge in applications this achievement should not be under-estimated. We do not consider, however, that this masks the fact that the methods used in administering the Scheme were not as efficient as they could have been.

The Department accepts that while its procedures were adequate for the normal administration of this grant Scheme, they were less efficient when faced with the unprecedented upsurge in demand at the end of the Scheme. A number of key lessons have been learned in the administration of ABIS in the light of the number of grant applications increasing significantly, ie 3,742 in the months of September and October 1999, representing 40% of the 9,422 applications received over the five years of the Scheme. In future, the procedures for grant schemes will be designed from the beginning to cope with substantial over-demand. Some of these, such as having an integrated computer system underpinning the management and monitoring of the scheme, are addressed elsewhere in this response to the Audit Committee. Other developments and enhancements that are likely to be applied to new schemes include:

- applicants to any grant scheme should be routinely reminded in the pre-project approval stages that there can be no guarantee of funding, ie applications are always subject to funds being available, eligibility and, if applicable, Committee decision;

- the financial and timing implications on grant applicants requiring statutory consents etc, especially towards the end of a scheme, must be recognised when announcing scheme tranche dates;

- grant applications could be invited on a tranche basis to control better the funds available under a scheme.

These processes will not necessarily avoid applicants being disappointed by a lack of funds, but they will ensure that the administrative procedures are better able to cope with such an event.

We consider that the Department was too reactive in administering ABIS and we endorse the recommendations of the Auditor General that deal with planning and management risk when changes are introduced to grant schemes.

When a grant scheme is cash-limited, no amount of risk management will avoid applicants being disappointed if demand outstrips supply. Nevertheless, the Department is taking steps to improve its assessment of demand and to ensure that the risk of such an eventuality is taken on board in the design of grant schemes. In addition to the steps already mentioned, what is said by the Auditor General in paragraph 3.12 about any plans to introduce revisions to grant schemes is acknowledged and will be undertaken. The new Committee structure that will underpin the management and delivery of, for example, the Agricultural Business Development Scheme (in broad terms the successor to ABIS, though the new scheme is more narrowly focused) will ensure communication with stakeholders by means of regular meetings. The Committee structure will provide a forum for discussion of, among other things, demand for the scheme, area-based information, timing issues, priorities for grant support, etc.

We are encouraged that the Department has already taken action to introduce a single, linked computer system to produce management information on grant schemes and consider this to be a rudimentary tool for the efficient administration of a dispersed organisation such as the Department.

The computer systems that supported ABIS dated from the mid-1990s, when the Scheme was in its infancy. The IT technology and infrastructure available to the Department has advanced considerably since then. The Department's computer systems that will help deliver the new grant schemes flowing from the Rural Development Regulation are more integrated and flexible, and will provide the necessary structured series of management information reports across the Department's Area Office network and at Headquarters.

It was accepted by our witnesses that both the quality of the monitoring of information and the time taken to do it was sub-standard for at least part of the Scheme. We are reassured that steps have already been taken to rectify the situation and we acknowledge that it should be considerably easier for a consistent application of rules to take place within a networked IT system.

The Department notes what is said.

We welcome the initiative to introduce lead office responsibility for particular schemes as being a sign of the Department's proactivity in addressing the systematic issue of communication within the Department.

To date, the lead Area approach is providing a valuable contribution over a range of scheme-related issues besides improving communication within and outside the Department. For example, the lead Area is more closely involved in the development of procedures, which allows them to suggest refinements that improve the use of local Area resources. The concept may develop further in the light of experience gained.

We intend to return to these issues within an appropriate timescale in order to assess the response of the Department to the issues which have been identified by the Auditor General and by this inquiry.

The Department notes the position.

<u>Summary</u>

The Department has:

- completed a thorough review of the management and administration of ABIS;

- issued detailed scheme literature on 30 October about the successor grant scheme to ABIS.

The Department is, or will be:

- ensuring that project planning, including the timing of key stages and risk analysis, forms an integral part of introducing new schemes or amending future ones;

- exploring ways of improving existing techniques to predict uptake for demand-led, but cash-limited, schemes;

- using various sources of intelligence for the efficient management of grant schemes, for example from the grant Committees that include the main stakeholders, and the designation of lead Area Office responsibility for collating feedback on particular schemes;

- designing an integrated, flexible computer system underpinning the management and monitoring of new grant schemes.

Rural Affairs Department
29 November 2000

AUDIT COMMITTEE 5TH REPORT 2000 – AGRICULTURAL BUSINESS IMPROVEMENT SCHEME

SUMMARY OF SCOTTISH EXECUTIVE RESPONSE

Audit Committee Conclusions/Recommendations	Scottish Executive Response
1. We trust that following devolution the approval process for making changes to a scheme will be more streamlined than was the case for ABIS.	The Department acknowledge that the process of deciding on the changes to ABIS was unduly protracted and in the light of the ABIS experience the Department will seek to ensure the approval process for new schemes and revisions to schemes is significantly more streamlined. Steps have been taken to set out more clearly the procedures required in introducing new schemes and the time needed for each stage.
2. We consider it is vital that the Department has in place robust methodology for accurately ascertaining the likely demands for new or revised schemes in the future. We do not think this currently exists and we therefore recommend that the Department re-assess its current method of operation in this area with a view to adopting more reliable market research systems. This should complement the relationship the Department has with the representative organisations rather than be seen as a substitute for it.	The Department is taking steps to improve the information it uses but recognises that it is difficult to predict uptake for demand led schemes with certainty. Nevertheless, the Department is exploring ways of improving existing techniques, including seeking the views of the various representative farming organisations. Additional research to assist in the assessment of potential future demand for the new Agricultural Business Development Scheme (ABDS) is under detailed consideration by the Department, including surveying a sample of farmers. In addition the Department have set up two committees, comprising key stakeholders, to advise on the financial management of the new scheme and consider they will provide a valuable source of intelligence for scheme management purposes. Information and intelligence provided by Area Offices, including the Areas now providing two monthly reports on local conditions and significant issues, will remain an important part of procedures.
3. We note the Auditor General's view that the Department maintained financial control over the Scheme and bearing in mind the nature of the upsurge in applications this achievement should not be under estimated. We do not consider, however, that this masks the fact that methods used in administering the Scheme were not as efficient as they could have been.	The Department accepts that while its procedures were adequate for the normal administration of the scheme they were less efficient when faced with the unprecedented upsurge in demand at the end of the scheme. In future, the procedures for grant schemes will be designed to cope with substantial over demand. In addition it is likely that other developments and enhancements will be applied to new schemes. These include: reminders to applicants that there is no guarantee of funding; grant applications could be invited on a tranche basis to control better the funds available; recognition of financial and timing implications on grant applications requiring statutory consents etc especially towards the end of a scheme, when announcing scheme tranche dates.

4.	We consider that the Department was too reactive in administering ABIS and we endorse the recommendations of the Auditor General that deal with planning and management risk when changes are introduced to grant schemes.	The Department is taking steps to improve its assessment of demand and to ensure that the risk of such an eventuality is taken on board in the design of grant schemes. The recommendations of the Auditor General regarding plans to introduce revisions to grant schemes are acknowledged and will be undertaken.
5.	We are encouraged that the Department has already taken action to introduce a single, linked computer system to produce management information on grant schemes and consider this to be a rudimentary tool for the efficient administration of a dispersed organisation such as the Department.	The IT technology and infrastructure available to the Department has advanced considerably since the introduction of ABIS. The Department's computer systems that will help deliver the new grant schemes flowing from the Rural Development Regulation are more integrated and flexible and will provide the necessary structured series of management information reports across the Department's Area Office network and at Headquarters.
6.	It was accepted by our witnesses that both the quality of the monitoring of information and the time taken to do it was sub-standard for at least part of the Scheme. We are reassured that steps have already been taken to rectify the situation and we acknowledge that it should be considerably easier for a consistent application of rules to take place within a networked IT system.	The Department notes what is said.
7.	We welcome the initiative to introduce lead office responsibility for particular schemes as being a sign of the Department's proactivity in addressing the systematic issue of communication within the Department.	The lead Area approach is providing a valuable contribution over a range of scheme related issues, besides improving communication within and outside the Department. For example, the lead Area is more closely involved in the development of procedures, which allows them to suggest refinements that improve the use of local Area resources. The concept may develop further in the light of experience gained.
8.	We intend to return to these issues within an appropriate timescale in order to assess the response of the Department to the issues which have been identified by the Auditor General and by this inquiry.	The Department notes the position.

Scottish Executive Development Department: New Contract for the Management and Maintenance of the Scottish Trunk Road Network

> Has the Scottish Executive achieved its objectives in awarding the contract and secured value for money

> What objectives were established by the Scottish Executive for the procurement of future management and maintenance of the Scottish trunk road network, consistent with promoting and achieving value for money?

> What prior review of options for future procurement of trunk road management and maintenance were conducted by the Scottish Executive?

> What preliminary appraisal was made by the Scottish Executive of the prior options, including the appraisal of any wider economic opportunities, costs and benefits that might arise?

> Did the Executive execute fairly, regularly and in accordance with good procurement practice the competition to award the new contracts, so as to achieve their objectives and secure value for money?

> Did the Scottish Executive develop and establish a robust strategic brief for the competition, with a clear view of scope and purpose, main parameters including budget aspects and what main output and outcomes were sought?

> Was the project inception/organisation satisfactory and effective? Specifically was there:
>
> - A project team with sufficient skills, knowledge and resources?
> - A clear chain of command, to provide the basis for decision making and accountability?
> - A clear project execution plan including satisfactory arrangements for monitoring progress?
> - Robust information established about the quantities of items and other significant variables affecting the competition and the eventual contract?
> - Adequate control of the management costs involved including clear budgets, monitoring costs and proper appointment of advisers?

Did the Scottish Executive conduct the contractor selection process fairly, regularly and in accordance with good practice:

- Did the Scottish Executive establish a clear specification of requirements which was fit for purpose (identified client's needs and communicated these to potential providers)?

- Did the Scottish Executive establish a good tender list, on the basis of positive response from the market and pre-determined and suitable pre-qualification criteria?

- Did the Scottish Executive provide sufficient, clear and reliable information to all bidders to enable tenderers to present high quality, compliant bids?

- Was there adequate time to enable tenderers to participate effectively?

- Was the Executive's assessment of bids conducted fairly and effectively on the basis of pre-determined and suitable criteria?

- Did the Scottish Executive comply with relevant EC and other procurement regulations in all respects?

- Were bidders satisfied with fairness, regularity and efficiency aspects of the tendering process?

Did the Scottish Executive make the contract award decisions fairly, effectively and in accordance with good practice and with regard to value for money:

- Did the Scottish Executive select the most economically advantageous bid consistent with quality and other criteria?

- Did the Scottish Executive obtain from the preferred bidders sufficient assurance that the contracts could be delivered to the required quality within the quoted costs?

- Is there a satisfactory record of any negotiations between the Scottish Executive and the preferred bidders?

- Do the contracts contain any conditions on the contractors with regard to employment conditions of former local authority staff transferred to them?

Has the Scottish Executive established robust and clear arrangements for managing the contracts once the contract period begins?

Has the Scottish Executive arrangements for ensuring that the appointed contracts deliver the required service by the quantum and quality required to satisfactory standards and without significant financial variations?

Has the Scottish Executive arrangements for dealing with necessary variations/additional work?

Has the Scottish Executive established effective procedures for monitoring the costs and quality of trunk roads maintenance service delivered?

Has the Scottish Executive established clear contingency plans in the event of quality standards not being achieved or contractor default?