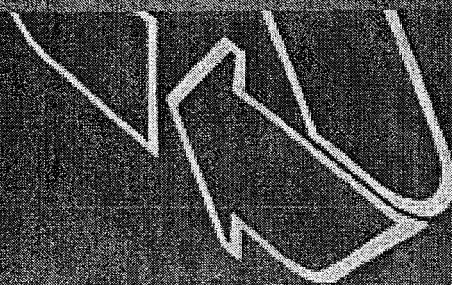


Sustainable waste management

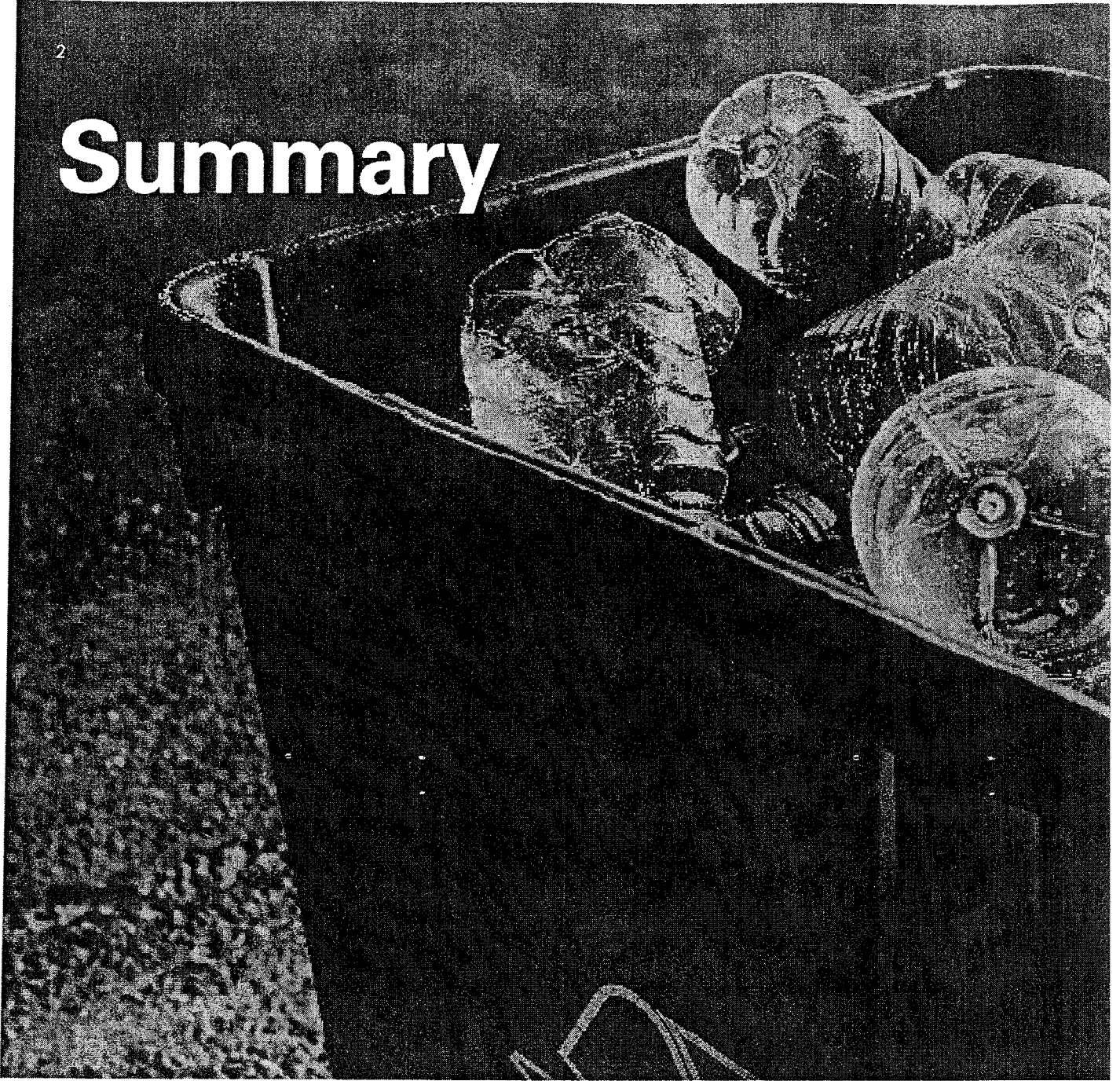


 AUDIT SCOTLAND

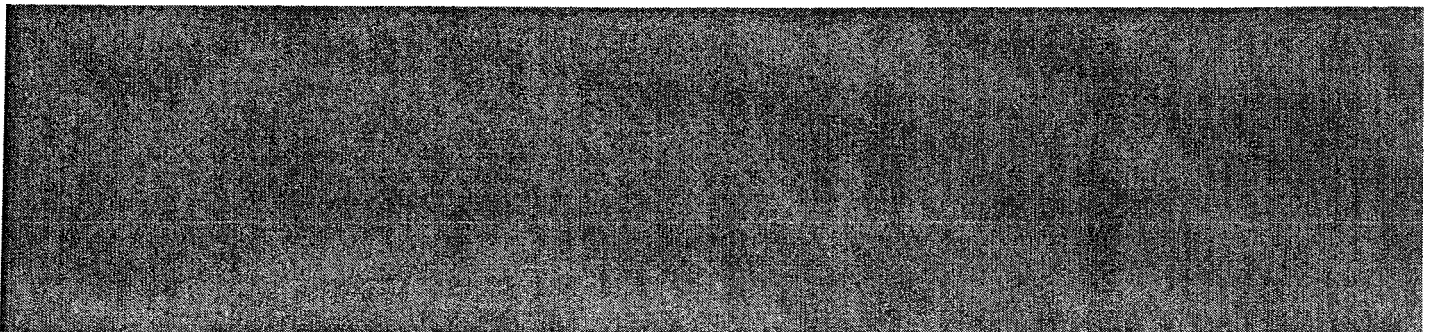
Prepared for the Auditor General for Scotland and the Accounts Commission
September 2007



Summary



Waste management is a vital local service.



About the study

1. Collecting household waste is a vital and universal household service. It is unique among council services in being provided to all homes on a weekly basis. The Accounts Commission last reviewed councils' waste management services in 2000 in its report *Benchmarking Refuse Collection*. Since then, there have been major changes in waste management, driven mainly by the European Union Landfill Directive 1999 ('the Landfill Directive') which sets targets for all member states to reduce the amount of biodegradable municipal waste disposed to landfill.

2. The overall aim of the study is to review the work of councils, the Scottish Environment Protection Agency (SEPA) and the Scottish Executive in reducing the amount of waste being sent to landfill and to make recommendations to improve the economy, efficiency and effectiveness of waste management. In particular, the study seeks to answer the following questions:

- What progress has been made in developing sustainable waste management?
- Has the investment to date from the Strategic Waste Fund (SWF) achieved value for money in increasing rates of recycling?
- What changes are required to meet the Landfill Directive (and how much will they cost)?
- Are the Executive, councils and SEPA in a position to deliver the changes required?

3. The study has been undertaken as a single exercise covering councils, SEPA and the Scottish Executive. The study also draws on statutory performance indicator information, which includes the collection of audited information on the amount of waste recycled by each council. There were four main strands to the study:

- Desk research and data analysis – drawing on existing data sources

to collect national and international information and reviewing documentation.

- Questionnaires – to gather information from councils on the cost of waste management services and other issues relating to waste management.
- Fieldwork visits to six councils (Clackmannanshire, Dundee City, Glasgow City, Highland, Perth and Kinross and South Lanarkshire) including structured interviews with senior managers and practitioners and visits to waste management facilities.
- Interviews with key officers and waste practitioners including the Executive, SEPA, the Scottish Waste Awareness Group (SWAG), REMADE, community groups and the waste industry.

Key messages

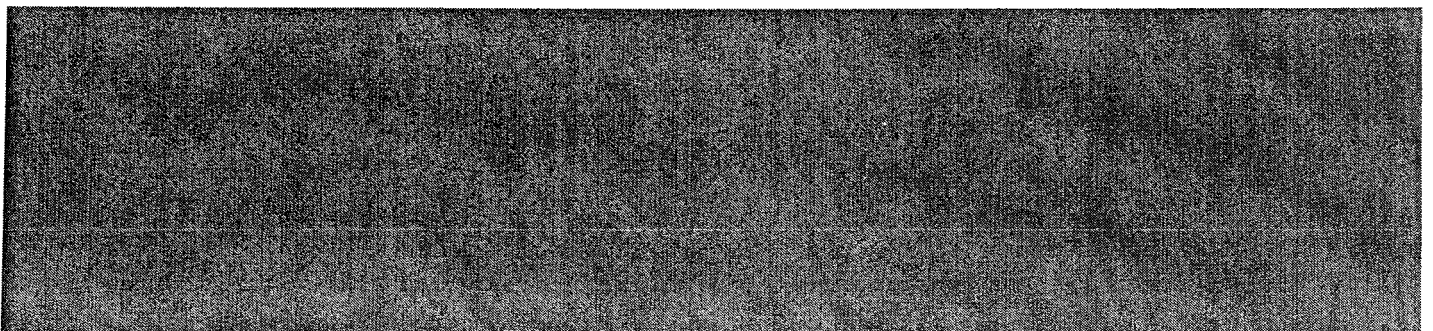
- Scottish councils need to achieve rapid reductions in the amount of biodegradable municipal waste disposed of in landfill to meet the requirements of the Landfill Directive. However, this is made more difficult by the increasing amount of waste being generated by Scottish households (Part 2).
- Significant progress has been made in meeting interim recycling targets but increasing the recycling rate further will provide great challenges. Investment by the Executive via the Strategic Waste Fund has helped councils increase the percentage of municipal waste which is recycled and composted from seven per cent in 2001/02 to 25 per cent in 2005/06. The system offering the best value for money will depend upon the level of recycling required. Co-mingled collections appear to achieve higher recycling rates (Part 3).
- In contrast to the progress on recycling, the slow progress

in developing residual waste treatment facilities means there is a significant risk that the Landfill Directive targets may not be met. In particular, early delays and a lack of organisational capacity within councils and the Executive to deliver change have slowed progress. This will make it difficult to build the residual waste treatment facilities required to achieve the Landfill Directive targets, in particular the 2013 target (Part 4).

- The increases in the amount of recycling have led to increased costs. The cost of recycling increases with the recycling rate and the value of the materials collected falls. This eventually limits the economic viability of recycling schemes. The cost to the SWF of supporting recycling would need to rise from £89 million per annum, to achieve the present 25 per cent recycling rate, to an estimated £271 million in 2020 to achieve 55 per cent recycling. Over this period the estimated waste management expenditure by councils would need to grow from £351 million in 2005/06 to an estimated £580 million per year in 2019/20, if current targets are to be met, depending on the choices made between recycling and residual waste treatment (Part 5).
- Councils, the Scottish Government and other agencies need to work more effectively together to make rapid progress in waste minimisation, recycling and waste treatment to achieve the Landfill Directive targets. There is an urgent need to build organisational capacity within councils and the Scottish Government to achieve this. Councils, SEPA and the Scottish Government should consider ways in which they can work with the waste industry and others to deliver the waste treatment facilities required to achieve the Landfill Directive targets (Part 6).

Part 7. Recommendations

An action plan should be published as a matter of urgency.



Recommendations for the Scottish Government

175. The Scottish Government should monitor the progress of its waste reduction plan and report annually on the progress being made in halting waste growth.

176. The Scottish Government and its agencies should look at further opportunities to develop secure, sustainable long-term markets to accommodate the planned increases in recycling.

177. The Scottish Government should publish procurement timetables for all major waste projects.

178. The Scottish Government should examine ways of reducing the barriers to entry into the market to ensure that there is adequate competition for residual waste treatment contracts.

Recommendations for councils

179. To measure progress with waste management initiatives councils should undertake regular waste analyses, particularly where new recycling or home composting services are being introduced.

180. Councils across Scotland should work together to standardise the type of containers they use and adopt a common colour coding system across Scotland.

181. Councils should ensure that current recycling systems offer best value by conducting option appraisals before extending recycling schemes. Option appraisals should include market testing as a way of demonstrating best value.

182. Councils should ensure that they know the final destination of recyclables sold to intermediaries.

183. Councils should examine the benefits of setting up consortia to market their recyclables.

Recommendations for the Scottish Government and councils

184. The Scottish Government and councils should undertake research to assess the contribution that direct charging for waste management could make to increasing recycling and waste reduction.

185. The Scottish Government and councils should continue to support community recycling, strengthen the framework in which they operate and build capacity by providing long-term funding for successful groups. This could be achieved through service level agreements and by encouraging partnerships with councils and the private sector.

186. The Scottish Government and councils should work together with the Scottish Waste Awareness Group to develop a programme to encourage householders to use home composting.

187. The Scottish Government and councils should undertake a technical evaluation of kerbside recycling systems to identify the most cost-effective systems to achieve the levels of recycling required to meet the Landfill Directive targets.

188. The Scottish Government should encourage councils to adopt a more consistent approach to recycling using a small number of 'best practice' schemes.

189. The Scottish Government and councils should work together to reach a decision on the level of recycling and the residual waste treatment facilities required to achieve the 2010, 2013 and 2020 Landfill Directive targets. An action plan showing the key milestones in this process should be published as a matter of urgency.

190. The Scottish Government and councils should review their staffing arrangements for delivering sustainable waste management to ensure they are fit for purpose.

191. The Scottish Government and councils should ensure that the national planning framework is used effectively to minimise planning delay in the provision of new facilities.

192. The Scottish Government and councils should look at ways of encouraging informed public debate on the options for meeting Landfill Directive targets, including the requirement for facilities to treat residual waste.

193. The Scottish Government should work in partnership with councils, SEPA and other agencies to ensure the effective procurement of residual waste facilities including:

- setting up a recognised pool of staff with procurement expertise to ensure that expertise gained in early projects can be usefully employed in later procurement exercises
- ensure that the lessons learned from completed projects are passed on
- coordinating the procurement of facilities for the treatment of residual waste.

194. To facilitate the progress of residual waste treatment facilities councils and the Scottish Government should make clear to the public the long-term benefits of technologies for the treatment of residual waste, including energy from waste.

A review of free personal and nursing care



 **AUDIT SCOTLAND**

Prepared for the Auditor General for Scotland and the Accounts Commission
January 2008



Part 1. Summary

Background

1. In 1997 the UK government set up a Royal Commission to examine the options for a sustainable system of funding for long-term care for older people in the UK, both in their own homes and in other settings. One of the Royal Commission's main recommendations was to split the costs of long-term care between living costs, housing costs and personal care and make the last free at the point of delivery after assessment.¹ It also recommended that personal and nursing care should be paid for through general taxation.
2. In 2001 the Scottish Executive announced its decision to implement free personal and nursing care (FPNC) for people aged 65 years and over, and free nursing care in care homes for people of all ages. The key aim of the policy is to *'remove current discrimination against older people who have chronic or degenerative illnesses and need personal care'*. It is intended to bring their care in line with medical and nursing care in the NHS where the principle of free care based on need is almost universally applied and accepted.²
3. FPNC was implemented from July 2002, through the Community Care and Health (Scotland) Act 2002. The Scottish Executive provided an additional allocation of £250 million to councils to support this for 2002/03 and 2003/04, with a further £300 million for 2004/05 and 2005/06. From 2006/07, additional funding has been included as part of councils' general revenue grant. This amounted to £162 million in 2006/07 and £169 million in 2007/08.³ The UK government and the Welsh Assembly decided to implement free nursing care only in England and Wales on the grounds of cost.⁴ Since then, the Welsh Assembly has introduced a more heavily subsidised personal care service for people of all ages.
4. Councils lead the implementation of free personal care for older people living at home and FPNC for those living in care homes. They work jointly with health, housing and other support services and providers in planning and delivering FPNC. Councils deliver some of the services directly but also commission personal and nursing care from a range of private and voluntary sector providers.
5. By March 2007 around 72,000 older people in Scotland were receiving personal care services free of charge. Since July 2002, the number of older people:
 - receiving public funding for personal care at home increased from 27,337 to 41,386. This includes people who prior to FPNC would have been paying for their own personal care through private contractual arrangements

¹ *With respect to old age: Long Term Care - Rights and Responsibilities*, Royal Commission on long term care, March 1999.

² *Fair Care for Older People*, Care Development Group, September 2001.

³ Scottish Parliamentary question S2W-15353

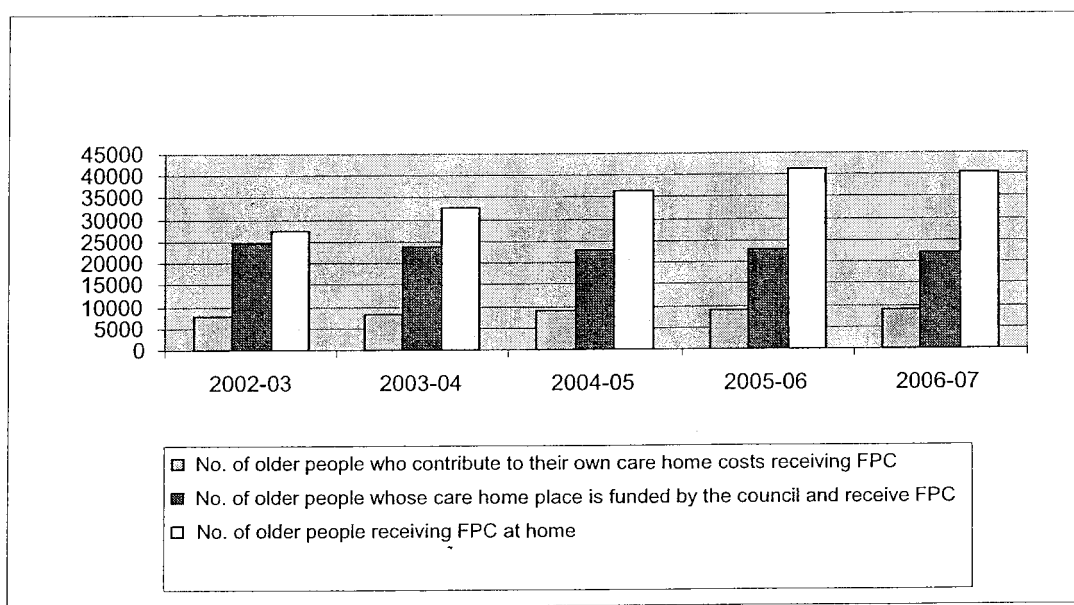
⁴ *The NHS Plan: The Government's Response to the Royal Commission on Long Term Care*, Department of Health, January 2000.

- living in care homes who are contributing to their own accommodation and living costs and who receive free personal care has increased from 7,680 to 9,361
- living in care homes who are fully publicly funded has reduced slightly from 24,569 to 22,234(Exhibit 1).^{5 6}

Exhibit 1

Total number of people receiving free personal care, July 2002 – March 2007

The number of older people receiving free personal care has risen since the policy was introduced



Note: We have assumed that all older people living in care homes who are fully publicly funded by the council are receiving free personal care.

Sources: Scottish Executive Statistics Release on Free Personal and Nursing Care Scotland 2002-2006; unpublished Scottish Executive data for 2006/07

6. Although there is an increase in the number of older people receiving public funding for personal care across Scotland, there is variation among councils in the percentage of older people receiving this (Exhibit 2). However, this is not a guide to the level of service which individuals are receiving as a range of care packages are in place.

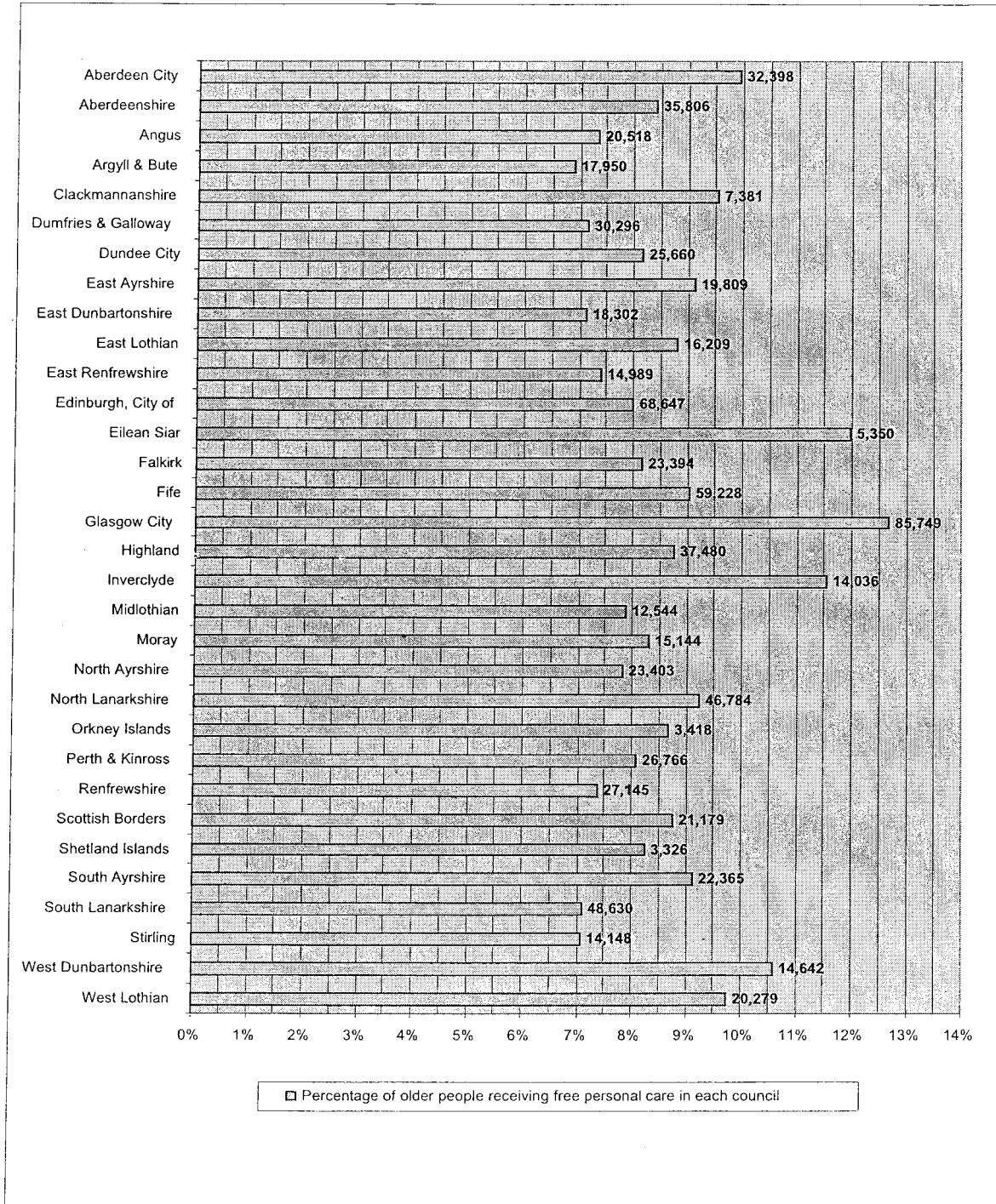
⁵ Scottish Executive Statistics Release on Free Personal and Nursing Care Scotland 2002-2006; Accounts Commission statutory performance indicators, December 2007.

⁶ These are lower income older people whose care home costs have always been fully funded by public funds.

Exhibit 2

Percentage of older people receiving free personal care, by council, 2005/06

The percentage of older people receiving free personal care ranges from just under seven per cent to just over 12.5 per cent in different council areas



Note: The number at the end of each bar refers to the total number of older people aged 65 and over living in the council area. We have assumed that all older people living in care homes who are fully publicly funded by the council are receiving free personal care.

Sources: GRO(S) and Scottish Executive

7. Two-thirds of older people in care homes who were receiving free personal care by 2007, were also receiving free nursing care.⁷

Key messages

- The financial memorandum set out in the Community Care and Health (Scotland) Act 2002 does not provide a robust and comprehensive assessment of the financial implications and risks of introducing FPNC. This was also raised by the Scottish Parliament's Health and Community Care Committee when it scrutinised the initial Bill.
- Scottish ministers made the decision to introduce FPNC early in 2001. This then set the Scottish Executive challenging timescales for developing the policy but it achieved its deadline. All councils were successful in putting in place systems to implement and deliver the policy from 1 July 2002.
- FPNC was introduced at a time of other significant changes and developments in health and social care. This, combined with a lack of intended outcome measures, makes it difficult to evaluate the impact of the policy in isolation from other changes.
- Ambiguities in both the legislation and guidance together with an inconsistency between the two around food preparation have led to different interpretations by councils and therefore variation across Scotland in how FPNC has been implemented. Older people are also unclear about what free personal care means in practice.
- The initial cost estimates for the policy were difficult to make because of the limited information available at that time, particularly regarding personal care delivered at home. However, monitoring the financial impact of the policy following implementation has been limited and central government has not updated the longer-term cost projections for FPNC since 2001, although it has carried out short-term projections to support the annual allocations.
- We estimate that the total costs of FPNC for the first four years were £1.8 billion. Councils would have spent around £1.2 billion of this even if the policy had not been introduced.
- Allowing for the limitations of the data available, we estimate that the additional costs for the first four years of FPNC are around £600 million. This has led to a growing shortfall in central funding, and by 2005/06 we estimate this was either £46 million or £63 million depending on the assumptions used.
- It is likely that demand for FPNC will continue to grow with the projected increase in the older population and this will have implications for the future costs of the policy.
- Councils are using a variety of approaches to manage demand for FPNC. Differences in the use of waiting lists and eligibility criteria mean that older people may receive different levels of service depending on where they live.

⁷ The number of older people receiving free nursing care in care homes who are publicly funded is an estimate. The estimate is based on the same number of those who contribute to their own living and accommodation costs and receive nursing care.

Key recommendations

The Scottish Parliament should require the Scottish Government to provide robust and comprehensive financial estimates, including risk assessments, in support of all bills that have financial implications.

The Scottish Government and councils should continue to work together as a matter of urgency to:

- Clarify current ambiguities with the policy. This includes making clear whether personal and nursing care is a universal entitlement to older people based on an assessment or whether locally available budgets and resources can be taken into account. There is also a need to address about the inconsistency between the legislation and guidance around food preparation. They should then ensure that the policy is consistently applied across Scotland from now on.
- Agree a national eligibility framework which defines risks and priority levels to ensure transparency in access to care for older people.

The Scottish Government should:

- Improve the central monitoring and future planning of FPNC by updating its cost projections; clearly identifying the information needed from councils; and setting out a clear framework for this purpose.
- Work with councils to ensure completion of national finance returns complies with accounting guidance so that full costs, including overheads, are reported.
- Review national allocation amounts for FPNC and methods for distributing this to councils to ensure that these accurately reflect the factors which influence local demand for services.
- Set robust outcome measures to evaluate the effectiveness of major policies in the future.

Councils should:

- Improve their information systems to enable them to collect comprehensive and accurate information on FPNC, and other aspects of care and support services. The information on FPNC should be used by the Scottish Government for central monitoring and future policy development.
- Provide clear information to older people on what is covered by FPNC.
- Publish clear information on eligibility criteria and the thresholds where services are provided, the operation of waiting lists and local care home and home care charging policies.
- Work with local health partners to evaluate the longer-term consequences of reducing domestic home care services, such as cleaning, shopping and laundry services.

Our study

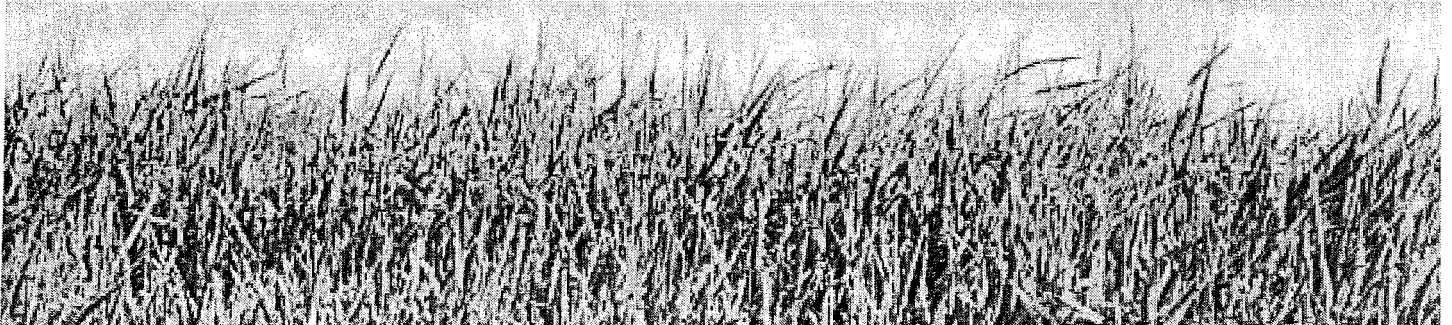
8. Our specific objectives were to:
 - evaluate the robustness of financial planning, monitoring and reporting arrangements for FPNC at both a national and local level
 - examine the current costs and funding allocations for FPNC across councils in Scotland
 - identify the financial impact of FPNC on older people, the Scottish Government and councils.
9. We did not look at continuing care arrangements in the NHS or at resource transfer between health and social care.
10. For this study we carried out:
 - an analysis of national data including demographics, older people's services and financial information
 - a data survey of the 32 councils focusing on activity, financial, policy and practice information.
 - focus groups with older people and care providers⁸
 - interviews with staff in six councils, the Convention of Scottish Local Authorities (COSLA) and the Scottish Government
 - a survey of independent care home providers
 - a review of a sample of care packages since 2002 in two councils.
11. Our study complements the work of Lord Sutherland, who has been commissioned by the Cabinet Secretary for Health and Wellbeing to carry out an independent review of the policy. He is due to report in March 2008.
12. Prior to September 2007, the Scottish Administration was generally referred to as the Scottish Executive. It is now called the Scottish Government. When dealing with the earlier period this report refers to the Scottish Executive. Recommendations for the future refer to the Scottish Government.

⁸ We commissioned Age Concern Scotland to carry out the focus groups. A report on the findings can be found on our website www.audit-scotland.gov.uk

Overview of the local authority audits 2007



Prepared for the Accounts Commission
February 2008



Commission findings

The Commission recognises the general improvement achieved. However, councils will need to increase their focus on key areas to meet the significant challenges ahead.

1. This latest report shows that local government in Scotland continues to face and address significant challenges and the Commission recognises the general improvement which has been achieved. We particularly welcome:

- Progress in service delivery, such as a further increase in the amount of waste which is recycled and composted to over 28 per cent.
- The general picture of sound financial accounting and reporting, with accounts and audits completed on time.
- Scrutiny more embedded than before.
- A further improvement in the trend of in-year council tax collection, with nearly 94 per cent of the amount due for 2006/07 collected during the year.

2. Last year we highlighted the major changes likely as a result of the 2007 elections. Many of the improvements in decision-making and scrutiny are still bedding in and councils need to keep them under review to make sure they are effective. The report shows that councillors are receiving training and councils need to build on this to support them in their new and developing roles, especially in strategic leadership and policy choice.

3. The overall context for councils is one of continuing change and pressures on resources. In particular:

- The concordat between the Scottish Government and COSLA, and in particular the shift to an outcomes-based approach, mean that councils and their partners will need to give renewed focus to ways they can demonstrate improved services for customers and citizens.

- The pressure on budgets is likely to lead to difficult choices for councils at a time when the shift to single status, for example, is still far from complete. This underlines the importance of robust long-term financial planning which is risk-based and sustainable.

4. If councils are to meet the challenges ahead, they will need to increase their focus on a number of key areas, including:

- supporting and developing leadership skills and capacity
- demonstrating the net benefits from community planning, other partnership working and shared business support services
- taking a more strategic approach to resources which informs and integrates finance, workforce and asset planning

- stronger commitment to testing the competitiveness of services and to continuous improvement
- developing robust baseline data against which improvements in service delivery can be measured and demonstrated
- improving performance management significantly to demonstrate delivery of the outcomes approach.

5. Looking ahead, the Crerar report on scrutiny, audit and inspection highlights the need for more streamlined scrutiny based upon robust self-assessment and a sharper focus on the needs and concerns of service users. We support this approach and welcome the role envisaged for the Accounts Commission in taking this forward.

Summary

This report draws on our 2007 audit work to highlight strengths and areas for improvement.

1. This report provides an overview of the main issues arising from our audit work in local government in 2007. It draws on a range of sources to identify common features in the management and delivery of services and to highlight strengths and areas for improvement.

2. The report is organised into five parts.

- Part 1. Setting the scene: gives an overview of the current context for local government in Scotland.
- Part 2. Governance: covers progress on Best Value, the arrangements for supporting governance and how councils are organised to deliver services.
- Part 3. Use of resources: covers how councils are managing their finances, workforce and assets.
- Part 4. Performance: looks at performance management and how well councils are delivering services.
- Part 5. Outlook: looks ahead and sets out the key priorities and risks for local authorities in the coming year and our audit approach.

3. We have used extracts from audit reports as exhibits and case studies; these are provided to support the text and are not necessarily the best or only examples.

Key messages

- The political context for local government has changed significantly, with a new government and a shift to more coalition and minority administrations at councils. Almost half of the councillors elected in May 2007 are new to local government; they will need continuing support to carry out their roles effectively.
- The government is committed to giving councils more flexibility in return for a focus on outcomes which are important to the achievement of national priorities. The concordat between the government and COSLA signals the start of what are likely to be significant changes for councils.
- Best Value audits are contributing to better governance, but councils could make faster progress with their improvement plans.
- Councils need to keep their political and business management processes under review to make sure that they are effective in the new context and meet the needs of citizens.
- Councils need to do more to demonstrate that the time invested in developing community planning and other forms of partnership working is resulting in improved services; the proposed new outcome agreements will require more effective management of joint delivery arrangements.
- In delivering services through external organisations such as companies and trusts, councils need to ensure good governance and to maintain clear accountability for finance and performance.
- Overall financial reserves were restored to the levels of two years ago but there are wide variations among councils. The demands on services are increasing and competing pressures on resources mean difficult choices for councils.
- Financial accounting and reporting in councils remains generally sound. Accounts and audits are completed on time and audit qualifications are rare.
- Councils are taking a more strategic approach to managing their finances, workforce and assets but greater improvement is possible, particularly in developing longer term planning which is sustainable.
- More systematic and consistent approaches are needed for seeking users' views and using complaints to inform service improvements.
- There remains an urgent need to improve performance management, including robust challenge and balanced public performance reporting. This is particularly important in the light of the outcomes approach. Councils still have some way to go in producing good quality management information to inform decision-making and to demonstrate efficiency gains and service outcomes. This limits audit's ability to provide an overview of performance across services.

Improving the school estate

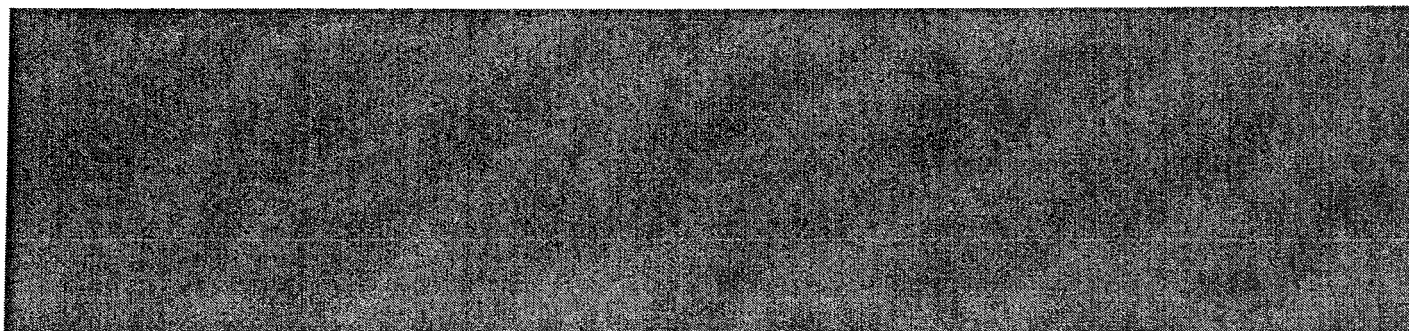


Prepared for the Auditor General for Scotland and the Accounts Commission
March 2008



Summary

This report reviews the impact of the School Estate Strategy and what has been achieved so far.



About the study

1. Ten years ago, many of Scotland's schools were in a state of serious disrepair. Education was a high-priority policy area for both central and local government and so a major programme of school building and renewal began. The programme started at the end of the 1990s, with the first new and refurbished schools opening in 2000 and 2001.¹

2. In 2003, the Scottish Executive and the Scottish Convention of Local Authorities (COSLA) launched the School Estate Strategy.² The overall aim of the strategy is to raise the quality of the school estate, ensuring that no schools are in poor condition³ or otherwise unsuitable for 21st century education. The strategy states that new and refurbished schools should be well designed, well built, and well managed.

3. The focus of this report is to evaluate the impact of the strategy on school buildings and what has been achieved to date. Where appropriate we comment on relevant recommendations from *Taking the initiative*, a previous report published in 2002 by the Accounts Commission and the Auditor General for Scotland, which examined the use of the Private Finance Initiative (PFI) in the early projects in the programme of school building and renewal.⁴

4. This report was prepared on behalf of the Accounts Commission and the Auditor General for Scotland and addresses the following questions:

- What does the School Estate Strategy aim to achieve?
- How many schools have been rebuilt or refurbished?

- How much has this cost?

- How effective are the new and refurbished school buildings?

- How well are the Scottish Government and councils managing the improvements?

5. The purpose of the study is not to assess the merits of one funding route compared to another, but to consider what has been achieved for the investment made, whatever its source. We have not examined links between improvements to school buildings and educational performance as there is limited evidence available. Our report recommends actions that will help to achieve the aims of the strategy in the future.

6. We collected evidence for this report through:

- reviewing documentation and analysing existing data
- gathering information from all councils on the profile of their school estate and the costs of improvements made to it
- assessing the design quality of 18 new and refurbished schools
- undertaking focus groups with school pupils and issuing questionnaires to staff at ten new and refurbished schools
- interviewing officers at six councils (East Lothian, East Renfrewshire, Fife, Glasgow, Highland, West Lothian)
- interviewing key officials in the Scottish Government and other key stakeholders.

Key messages

7. When the Scottish Executive launched the School Estate Strategy in 2003, there was a lack of comprehensive and consistent information from councils about their school buildings. The strategy did not set out exactly what needs to be done or how it will be achieved. The Executive allocated financial support to councils before having reliable information and before developing the strategy. However, the information available is improving so the Scottish Government and councils should now be able to review the strategy, set specific outcomes and targets and prepare a detailed plan for achieving them (Part 2).

8. The strategy has led to many schools being improved, including 219 brand new buildings by the end of 2007. Using its own criteria, the Scottish Government can show that its two interim targets of improving first 100, and then another 200, schools by 2006 have been met. However, at current rates of progress, we estimate it could take up to 20 years to remove all schools from poor condition and make them suitable for 21st century education – the overall aims of the strategy (Part 3).

9. Investment worth £3.9 billion has been committed to improving schools in the last seven years,⁵ and this is expected to have increased to over £5.2 billion by April 2008. The Scottish Government cannot accurately assess how much still has to be spent to achieve the overall aims of the strategy due to the limitations of the data and information available. If the strategy is to continue, the government now needs to assess future costs and develop a financial strategy to deliver on these.

¹ In Falkirk, Stirling, Glasgow and East Renfrewshire.

² *Building our Future: Scotland's School Estate*, Scottish Executive and COSLA, 2003.

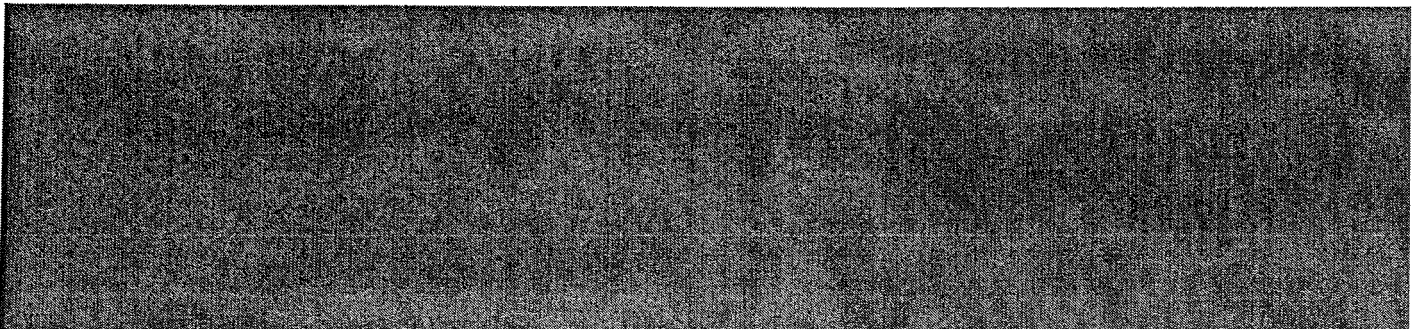
³ Assessed as being either 'in poor condition – major defects and/or not operating adequately' or 'in bad condition – life expired or at serious risk of imminent failure', *School Estate Statistics 2004*, Scottish Executive, 2005.

⁴ *Taking the initiative: using PFI contracts to renew council schools*, Audit Scotland, 2002.

⁵ From 2000/01 to 2006/07.

Part 8. Recommendations

This report makes recommendations to the Scottish Government and councils to help them maximise improvements to the school estate.



Part 2. What does the School Estate Strategy aim to achieve?

- The Scottish Government and councils should review the School Estate Strategy and set specific, measurable and meaningful targets to ensure that the aims of the strategy are clearly expressed and progress can be properly assessed.
- The strategy should contain an implementation plan, which sets out what has to be done, when and by whom.
- The Scottish Government and councils should report progress using information collected at an agreed time and to an agreed standard.

Part 3. What has been achieved?

- The Scottish Government and councils should implement standardised approaches for collecting reliable information about the condition and suitability of school buildings.
- The Scottish Government and councils should agree to report progress in terms of new, clearly defined targets reflecting key standards for condition, suitability and sufficiency.

Part 4. How much is it costing?

- The Scottish Government should identify a financial strategy for achieving the aims of the School Estate Strategy. The amount of financial investment required should be estimated now and kept under review as information improves and progress towards targets continues. The financial strategy should allow for the long lead-in time required for major school-building projects.

- Councils should develop plans for the duration of their PFI contracts that identify how they will pay the increasing charges for their PFI contracts.
- The Scottish Government and councils should ensure that adequate resources are allocated to building maintenance for schools without PFI maintenance contracts.

Part 5. How effective are the improvements?

- To maximise their positive impact, refurbishments need to be designed taking an overall view of the whole school.
- Environmental sustainability should be a key element of school design, not an added extra.
- Councils should consider preparing user guides for all new and refurbished schools to ensure that staff know how to make the best use of the facilities in their building.
- Councils should use the Scottish Executive's guidance *Optimising the internal environment* to make sure that future school designs strike a good balance for the comfort of everyone who uses the building.
- The Scottish Government and councils need to continue working to identify and share good (and bad) practice to ensure that the quality of design keeps improving.
- Councils should make sure they consult and involve school users at the design stages, even if this means the process takes longer.

- Councils should complete post-occupancy evaluations as a matter of priority. They should make the results available to other councils and take up the opportunities offered through the Local Authority School Estates Network to compare notes and learn from each other.

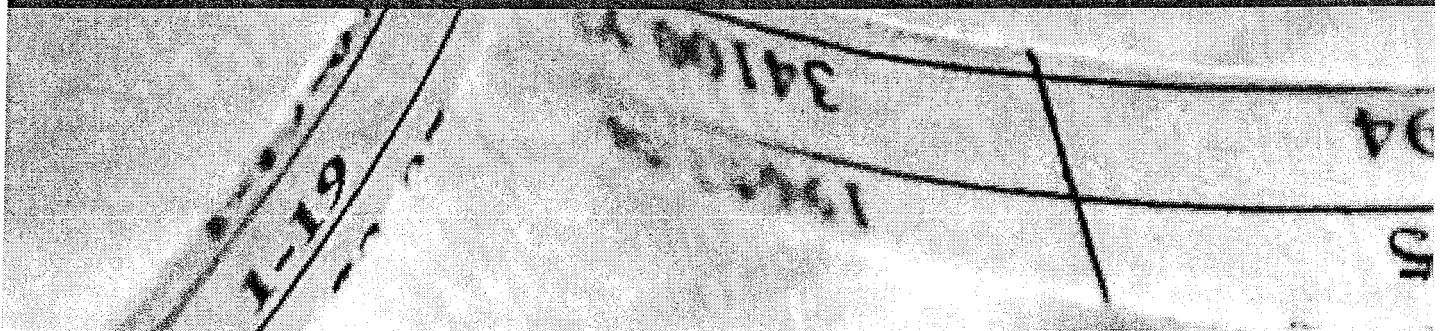
Part 6. How well are the improvements being managed?

- Councils should estimate pupil rolls for at least ten years ahead and should review these assessments at least annually.
- Councils need to build flexibility into their school estate plans to accommodate both longer term demographic changes and unforeseen local changes. This might include school buildings that can be readily expanded or easily converted to other uses.
- The Scottish Government and councils should do more to share experiences and develop joint approaches to improving the school estate. There are potential efficiency savings to be made from more sharing of staff and technical expertise.
- Councils should transfer learning from experiences on school estate management to improve general asset management across their organisations as appropriate. COSLA should take a lead role in coordinating this, in consultation with the Scottish Government and the Improvement Service if appropriate.

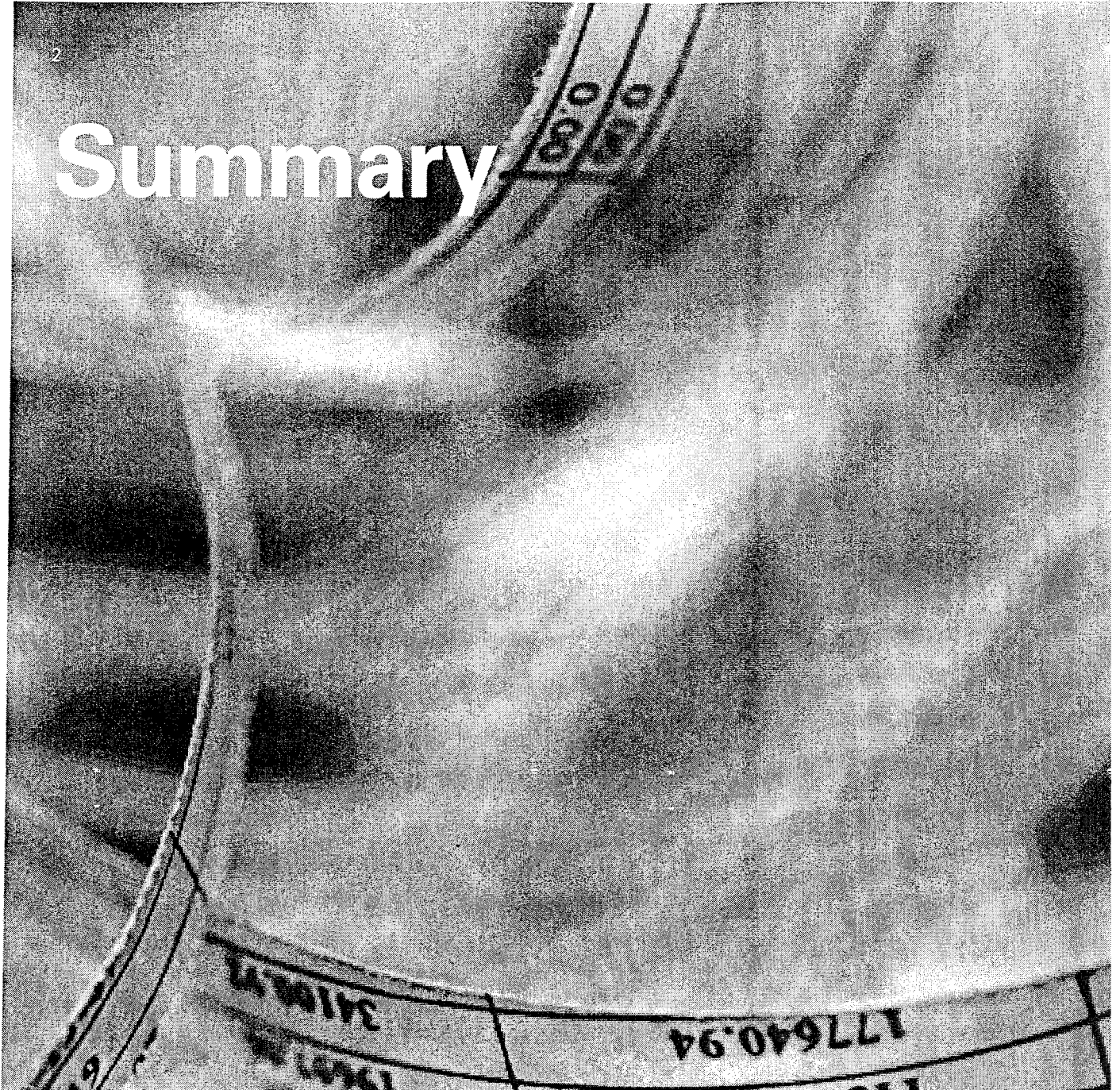
National Fraud Initiative in Scotland 2006/07

 AUDIT SCOTLAND

Prepared for the Auditor General for Scotland and the Accounts Commission
May 2008



Summary



The cumulative savings from NFI in Scotland are now around £37 million.



Key messages

- The 2006/07 National Fraud Initiative (NFI) exercise has helped to identify fraud and error of at least £9.7 million. The cumulative savings from NFI in Scotland are now around £37 million.
- The 2006/07 results suggest that NFI and other anti-fraud work is making an impact in deterring fraud, and that bodies are improving their systems of control.
- The 2008/09 NFI exercise will commence in October 2008 when data will again be collected from the participating bodies.
- Audit Scotland is liaising with the Scottish Government Criminal Justice Directorate about the provision of express powers for data matching in Scotland.

1. Audit Scotland, working with the Audit Commission, external auditors and a range of public bodies in Scotland, has undertaken another major counter-fraud exercise. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the public bodies. The latest exercise (NFI 2006/07) commenced in October 2006 and is now complete, or substantially complete, at most participating bodies.

2. Seventy-four bodies took part in NFI 2006/07. These included councils, police authorities, fire and rescue authorities, Strathclyde Partnership for Transport, health boards, the Scottish Public Pensions Agency (SPPA) and the Student Awards Agency for Scotland. The 2006/07 exercise built on the 2004/05 NFI and pilot exercises carried out in previous years.

3. NFI uses computerised data matching to compare a range of information held on bodies' systems (eg, housing benefits, public sector pay and pensions, students, disabled persons' 'blue badge' parking permits and a government register of deceased persons) to identify inconsistencies or other circumstances that might indicate fraud or error. These 'matches' are provided to the audited bodies via a secure website for them to investigate.

4. To date, fraud and overpayments of £9.7 million have been found as a result of the 2006/07 NFI in Scotland, and this amount is expected to increase in the months ahead. The main outcomes included:

- 186 occupational pensions stopped because the pensioner was found to be deceased
- 1,552 housing benefit cases involving public sector pensioners
- 672 housing benefit cases involving public sector employees
- 969 disabled blue badges cancelled after NFI identified that the holder was deceased.

5. The cumulative fraud and error detected by the NFI in Scotland is now around £37 million, and this does not reflect the extent to which NFI may help to deter more fraud.

6. The level of fraud and error identified from the 2006/07 exercise is about a third less than that reported at the 2004/05 exercise. This is not especially surprising. The most likely reasons are that:

- 2004/05 NFI was the first significant roll out of NFI for councils in Scotland, and outcomes from that exercise

were always likely to be untypical. NFI 2004/05 helped bodies to identify the longest-running frauds and errors; whereas most fraud and error found at the 2006/07 exercise should only have run for two years at most

- NFI, and other anti-fraud work by bodies, is making an impact in deterring fraud
- informed by the fraud and error cases identified previously, bodies have made improvements to their systems of control
- in addition, SPPA had not completed its investigations at the time of preparing this report and its final results are expected to reduce the difference between the 2004/05 and 2006/07 NFI outcomes.

7. Audit Scotland will continue to work with the Audit Commission on NFI and will commence the 2008/09 exercise in October 2008. We are currently revising our Code of Data Matching Practice to ensure that NFI exercises continue to comply with data protection requirements, and to reflect best practice in notifying individuals about the use of their information in NFI exercises.

8. Audit Scotland is also in discussion with the Scottish Government Criminal Justice Directorate about providing Scotland with the same express data matching powers that were recently given to other UK audit agencies by the Serious Crime Act 2007.



Prepared for the Auditor General for Scotland
June 2008

Summary

The scale of investment means that good decision-making about the capital programme and good management of individual projects are vital.

Capital investment in the public sector is significant

1. Public investment in infrastructure touches most aspects of Scottish life. It provides new and upgraded facilities, such as roads, railways, hospitals, schools, museums, prisons and major IT projects. Between 2002 and 2007, the Scottish Government and its agencies, non-departmental public bodies (NDPBs) and the NHS completed 43 publicly-funded major capital projects valued at £811 million (Appendix 1).¹

2. There are currently 104 major projects valued at £4.7 billion in progress (Appendix 2). Most of these are in the transport and health sectors (Exhibit 1). There are:

- Nine large projects – seven transport and two health projects – with a combined value of £2.8 billion. The value of these projects ranges from £120 million to £692 million.
- Thirty-seven medium projects – mainly in the transport, health and justice sectors, valued at between

£15 million and £85 million each – with a combined value of £1.4 billion.

- Fifty-eight smaller projects – covering all government portfolios, valued at less than £15 million each – with a combined value of £0.5 billion.²

3. The scale of investment means that good decision-making about the capital programme and good management of individual projects are vital.

4. In May 2008, the Scottish Government proposed the further development of the Scottish Futures Trust initiative. This includes plans to provide a focal point for coordinated public sector infrastructure planning and investment. If approved and implemented, this coordination may help address our recommendations below.

Summary of key messages

- At project approval stage, the early estimates of cost and time were too optimistic for many major projects. Performance against cost and time estimates is better after contracts are

awarded, as plans are more certain and risks clearer.

Two-thirds of projects were completed within five per cent of the contracted cost and within ten per cent of the contract time. Most current projects reviewed also appear on track to meet the contract cost.

- Most completed projects have successfully delivered the required roads, hospitals and other assets, and all current projects are forecast to do so. However, few projects have been evaluated to demonstrate that they have delivered the expected wider benefits which originally justified the investment.
- Project management and governance arrangements of individual projects are broadly effective. However, the quality of project appraisals could be improved. Initial cost estimates also need to better reflect risk and uncertainty, and consider a range of inflation scenarios.

Exhibit 1

Major capital projects by government portfolio

Portfolio	Completed projects 2002-07		Projects in progress		Projects examined by Audit Scotland	
	Number of projects	Actual cost £m	Number of projects	Estimated cost £m	Number of projects	Estimated or actual cost £m
Finance and sustainable growth (mainly transport projects)	10	198	50	3,357	8	1,463
Justice	12	213	11	350	4	181
Rural affairs and environment	1	33	5	53	2	49
Health and well-being	11	258	28	737	3	186
First Minister	1	32	7	27	2	78
Education and lifelong learning	8	77	3	52	1	38
Total	43	811	104	4,676	20	1,995

Source: Audit Scotland

1 We define a major project as having a capital cost of £5 million or more.

2 We have defined small, medium and large projects as less than £15 million, £15 -100 million and over £100 million respectively.

- There is a case for better cross-government coordination of capital investment programmes, including consideration of the capacity and capability of suppliers and contractors.

Summary of recommendations

The Scottish Government should:

- collect information on all projects and get explanations for cost, time and quality changes, and lessons learned. It should report performance publicly.
- strengthen strategic direction and investment planning through a senior, government-wide, investment coordination and challenge function
- ensure robust procurement strategies and cost estimates have been developed prior to awarding funding to projects
- take account of market conditions and construction inflation when developing its capital programme.

Public bodies should:

- prepare robust business cases for every project. These should be clear about the project aims and benefits, and include assessment of: risks; the range of options to be considered; and a clear basis for assessing, reviewing and reporting
- build whole-life costs into business cases and subsequent project reporting
- ensure cost, time and quality targets are clear from the outset, and properly recorded
- improve early-stage estimating of the cost and time of projects.

They need to ensure better assessment and quantification of risk and uncertainty, and should include a specific risk allowance, optimism bias allowance and take account of construction cost inflation in early cost estimates

- develop an appropriate procurement strategy which considers all procurement routes, competitiveness and capacity within the construction industry. Ensure that risk management strategies explicitly consider and mitigate the risk of changes in scope after the contract has been awarded
- make more use of tools available to assess and confirm both the quality of design and environmental sustainability to get the best of benefits from the available funding
- ensure appropriate project management and governance arrangements are put in place for every project
- from the outset, ensure they have project managers with appropriate experience and knowledge of effectively managing major projects
- ensure independent gateway or similar reviews at the key stages in projects
- ensure project budgets are sufficient to allow for post-project evaluation in all projects
- carry out post-project evaluations within a reasonable timescale to determine whether projects have delivered the benefits intended (benefits include satisfying the business requirements as well as providing good-quality design

and functionality). Evaluations should consider performance against cost, time and quality targets.

- set a clear plan with regard to the need for independent gateway or similar reviews at key stages in projects