

Argyll and Bute Council

Scrutiny Report

June 2019

FINAL

Money Skills Argyll

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1. Executive Summary

Introduction

1. As part of the Argyll and Bute Council's (the Council) 2018/19 internal scrutiny plan, approved by the Audit & Scrutiny Committee in June 2018, we have undertaken a scrutiny review of the Money Skills Argyll project (MSA).
2. Throughout the report reference to 'the panel' refers to the three elected members who conducted this review. They were:
 - Councillor Taylor (Chair)
 - Councillor Findlay
 - Councillor Reid
3. The panel was supported by council officers and relevant external parties who gave willingly of their time to help deliver the review. We would like to extend our appreciation for the cooperation and assistance received from all witnesses invited to provide evidence over the course of the review.

Background

4. MSA was chosen for inclusion in our scrutiny priorities for 2018/19 in light of reports from partner organisations and delays in realising the benefits of participation in an initiative (Delivering Financial Inclusion) designed to add to the resources available to help people in our communities experiencing money management difficulties.
5. Delivering Financial Inclusion is a £17 million strategic intervention jointly funded by the Big Lottery Fund (BLF) and the European Social Fund (ESF), which was established as a pilot project to support some of Scotland's most disadvantaged households by bringing improved money management skills and ensuring debt is less of a barrier to social inclusion. It is delivered via distinct projects in five local authority areas: Argyll and Bute, Dundee, Inverclyde, North Ayrshire and Glasgow. Each project is unique to its associated local authority. MSA is a £3.8 million three year project delivered in partnership by the Council and the third sector providers detailed in exhibit 1.

Exhibit 1 – Third Sector Providers

Provider	Description of Services Offered via MSA
ALLenergy	Advice on efficient energy use, help with energy billing, and support liaison with energy suppliers about energy debt and applications for energy related grants/credits.
Argyll and Bute Adult Learning	Assistance in computer use covering basic skills and the ability to access and use online financial services and tools.
Argyll and Bute Citizens Advice (ABCAB)	Assistance with money management, debt advice and income maximisation.
Argyll Community Housing Association (ACHA)	Assistance with money management and income maximisation concerns.
Argyll Networks	Network of welfare rights officers from Dunbritton Housing Association, Fyne Homes and West Highland Housing who provide support on money management and income maximisation.

Bute Advice	Support with money and debt advice, money management and income maximisation.
Carr Gomm	Support with money management and income maximisation.
HELP	Support with money management, income maximisation and digital skills.

6. Kintyre Youth Enquiry Services were initially involved in the project but withdrew at an early stage as they ceased business. ABCAB withdrew from the project in June 2018 due to concerns over cash-flow and emergent financial stability.
7. In deciding to participate in the pilot the Council recognised the potential benefit to the citizens of Argyll and Bute, by providing them with financial inclusion services which would not otherwise be available. In particular, this novel approach gave, for the first time, the various partners the opportunity to work together to provide a *holistic, person-centred service* which provides all the elements of assistance with fuel poverty, money management skills, debt advice and assistance, income maximisation and digital inclusion.
8. Underpinning the attraction of the project was the availability of ‘new’ resources and ‘new’ support for many people who would otherwise not receive any help and continue to struggle. This is particularly important to Argyll and Bute as we have one of the highest rates of fuel poverty during a period of reducing welfare funding which is increasing in-work poverty.
9. MSA focuses on improving money management skills and reducing debt as a barrier to social inclusion for disadvantaged participants. In particular it provides bespoke measures to equip eligible clients with the skills, knowledge and support to decrease debt and increase their money management skills. In this way, it was hoped that this inclusive, holistic approach would help people, currently struggling, before they get to crisis point.
10. To qualify clients must satisfy one of the following ESF eligibility criteria:
 - workless and living in a workless household
 - living in a single adult household with dependent children
 - on a low income in employment.

Scrutiny Initiation Briefing – 25 September 2018

11. In September scrutiny officers circulated a briefing to the panel which provided background on MSA. Afterwards the panel met to agree the scope and identify invitees to give evidence at a series of panels.
12. The agreed scope was to scrutinise the tendering for, and delivery of, MSA. In particular to consider:
 - the question of funding flow and its impact on organisations
 - project planning, partner organisation engagement and subsequent operation of the project
 - management of risk for the Council and partner providers
 - any lessons to be learned from this experience which could inform future projects of a similar nature.

13. The scrutiny panel agreed that they should meet with the under-noted groups, who could aid their appreciation and understanding of the project from inception to the present day. (Exhibit 2)

Exhibit 2 – Scrutiny Panels

Evidence Panel	Key Areas for Discussion
Third Sector Providers	<ul style="list-style-type: none"> • Provider experience of the project. • Project benefits and downfalls. • Impact on the providers of providing the project. • Extent to which the project is having a positive impact on clients.
Council Officers	<ul style="list-style-type: none"> • Tendering process. • Risk assessment process. • Provider consultation. • Proposals for the future operation of the project.
BLF	<ul style="list-style-type: none"> • BLF's experience of the project. • Project engagement. • Operational requirements. • Key obstacles and resolutions. • Lessons learned.

2. Panel Meetings

Panel One – Third Sector Providers – 7 November 2018

14. Panel one consisted of representatives from HELP and Citizens Advice Bureau. ACHA were also invited however they were unable to attend. The key messages from this panel are set out in Exhibit 3.

Exhibit 3 – Panel 1 – Third Sector Providers - Key Messages

Theme	Detail
Opportunity	Both providers felt MSA was an excellent opportunity to promote partnership working between the third sector and the Council and to access £3m of funding to help some of Argyll and Bute's most vulnerable citizens.
Risk Management	<p>Risk was discussed during early engagement between the Council and providers however the project was still in development at this stage and there wasn't clarity over the funding model (refer to appendix 1) or the criteria to access funding. Therefore neither the Council nor providers were fully sighted on the potential risk exposure.</p> <p>The Council, through the contracts signed with the providers, minimised the risk to the Council and passed it on to the providers. Whilst this was prudent from a risk management perspective the panel queried whether this was appropriate and whether the Council should have shouldered greater risk and provided more protection to third sector organisations.</p>
Funding Model	The lack of clarity over the funding model at the outset was a major issue which impacted on providers throughout the project. Refer to appendix 1.
Clear Expectations / Administrative Requirements	Both providers agreed that one of the main issues was starting a project before everyone appreciated what they would be expected to deliver and the administrative requirements they would need to comply with.

	<p>These requirements caused issues for providers throughout the project and were not detailed at the beginning of the process as they were not provided by BLF or ESF. They were also subject to change by BLF/ESF during the project with changes having to be applied retrospectively.</p> <p>The Council has extensive experience dealing with European projects and the panel felt providers would have benefited from a member of the Council's European team working closely with them to help them understand and comply with the requirements of European projects.</p>
Third Sector Finances / Impact on Providers	<p>Both providers felt the Council didn't fully understand how precarious the financial position of third sector organisations are, in particular the extent to which they can rely on reserves. They also feel the project has resulted in providers carrying substantial risk and that all the providers have suffered significant financial loss due to their involvement.</p> <p>The panel agreed that the Council should have carried out due diligence on prospective providers at the outset to ensure they had sufficient financial stability to deliver the project.</p>
Communication / Relationships	<p>At the outset, before the tender was successful, there was a sense of partnership working between the Council and the providers. However the relationship deteriorated after the project commenced with providers no longer feeling it was a partnership. Providers did not feel that initial monthly meetings held provided for effective partnership working. They were chaired by the Council who set the agenda and used them to update providers on project progress. Providers felt there was no opportunity to highlight issues. This was rectified, however, for a period, it caused tension between providers and the Council as providers felt the Council were the cause of their issues.</p> <p>Both providers agreed it would have been useful for BLF and/or ESF to have attended monthly project meetings as this would have identified that BLF/ESF, rather than the Council, were the root cause of many of the issues arising and those issues would have been escalated, with action taken sooner, to resolve them. This would have helped avoid the initial breakdown in relations.</p>
Client Impact	<p>Both providers feel the project has not been well received by clients. Excessive paperwork has deterred clients and the requirement to get clients to provide lots of information and sign many documents has been onerous and sometimes embarrassing for both providers and clients. Potential MSA clients are seeking intervention, often in an emergency and a sign up process that takes up to two hours is not ideal for people who could be in a position of crisis.</p>

Panel Two – External Provider and Council Officer – 13 November 2018

15. Panel two consisted of a representative from ACHA and the Council's Head of Customer and Support Services who was the lead officer involved in the tender and award of the project.
16. This panel was split into two halves, panel 2a and 2b. Panel 2a was attended by both invitees with questions focused on ACHA's experience of MSA. ACHA's representative then left and panel 2b focused on the Head of Customer and Support Service's involvement in MSA.

17. The key messages from this panel are set out in exhibits 4 and 5.

Exhibit 4 – Panel 2a – Third Sector Provider - Key Messages

Theme	Detail
Opportunity	ACHA felt MSA was an excellent opportunity to access funding to help some of Argyll and Bute's most vulnerable citizens.
Risk Management	Risks were considered at the beginning of the process however risks did not materialise as initially expected. Issues relating to administrative requirements were not anticipated at the outset so this risk was not identified. If ACHA had been aware of the requirements at the outset they may have decided not to participate however they were keen to continue their involvement due to the benefit the project could deliver.
Funding Model	The complexity of the funding model has caused extreme difficulty. In particular the timing of payments to providers and the way funding is distributed. There was no way for providers to calculate how much funding they would get back from delivering a service. Refer to appendix 1.
Administrative Requirements	Eligibility criteria in the initial invite to tender were based on an employability programme however MSA is not an employability project meaning the criteria was not appropriate. This was queried by the Council when the contract was signed and the Council were provided verbal assurance from BLF that the criteria would be changed to better fit the project. This did not happen. Administrative requirements were not known until after the contract was signed, so neither the providers nor the Council were aware of how difficult it was going to be to manage this project.
Client Impact	The project has not been well received by clients as the complexity of the sign up process is deterring people who are already, by nature, in an extremely stressful position.

Exhibit 5 – Panel 2b – Council Officer - Key Messages

Theme	Detail
Opportunity	A significant amount of work was undertaken to ascertain the level of interest across the third sector in MSA and it was clear there was a lot of demand. Providers saw MSA as a way to access funding and wanted to get involved in a partnership model. It wasn't clear whether any other body would bid for the project on behalf of Argyll and Bute so the Council prepared a bid to make sure Argyll and Bute did not miss out on the funding.
Risk Management	<p>The December 2016 Policy and Resources committee agreed to <i>"transfer the financial risks on delivering the outcomes onto the subcontractors, with the exception of the small amount of services that will be delivered by Adult Learning and Literacy"</i>.</p> <p>It was clear from the outset that MSA was a payment by results project and the Council made clear that the majority of risk sat with the providers. In particular, at a meeting in October 2016, prior to the tender being submitted, there was an agenda item on "assessment of cost, funding and risks" and the minute states that "each subcontractor will bear the financial risks for the activities which they deliver". This evidences that the Council considered the risks with providers at the process outset.</p>

	The panel acknowledged that the Council communicated the transfer of risk to providers however considered whether some providers may not have the experience or capacity to fully comprehend the implications of the terms of the contract or to carry out appropriate due diligence. It was also considered possible that providers may have placed their trust in the project as the Council was recommending it.
Clear Expectations/ Administrative Requirements	BLF advised they would provide a case management system however, at BLF's recommendation, the Council also identified an alternative system in case the BLF option did not materialise. BLF did not provide a case management system, rather they provided a spreadsheet, after the contract start date which was not intended to be a long term solution. Therefore, the Council procured the system they had identified. As the cost exceeded the expected cost submitted to BLF, this required a change request to be submitted to BLF to secure additional funding. In the meantime, the need to administer cases manually contributed to the delay to roll out MSA.
Third Sector Finances / Impact on Providers	<p>The Council knew there would be delay providing funds to providers due to the trigger points stipulated in the contract. Due to this it was anticipated there would be a minimum of a two month delay after providing a service before any funding would be received. The Council asked each provider individually whether the time lapse would be an issue for them.</p> <p>The Council were not aware quite how financially unstable some of the providers were. The providers had to complete forms as part of the tender process which were submitted to BLF which included questions on whether they were facing bankruptcy or insolvency. The Council did no further checks on the provider's financial sustainability.</p>
Communication / Relationships	There was a notable change in the relationship between the Council and providers after the contract was awarded and the MSA transferred from customer services to strategic finance. There was a period where providers felt it was no longer a partnership as meetings with BLF/Council were held separately to meetings with Council/Providers. The lack of continuity of council officers did not help communication issues. The Council should have been stronger in their communications with BLF and used collective power with other lead partners to try and rectify issues with the administrative procedures in order to find a resolution earlier in the process.

Panel Three – Council Officer – 22 November 2018

18. Panel three consisted of the Principal Accountant (Argyll and Bute), who is the lead officer involved in the operation and delivery of MSA. The key messages from this panel are set out in exhibit 6.

Exhibit 6 – Panel 3 – Council Officer - Key Messages

Theme	Detail
Opportunity / Project benefits	The main reason for continuing the involvement in MSA is the potential benefit for the community. What the project aims to do is really positive and worthwhile. Work has been ongoing with BLF to try to resolve issues to ensure the project will be deliverable going forward.
Project Governance	The preparation and submission of the tender was carried out by officers in Customer and Support services after which the project was transferred to Strategic Finance. There was no formal handover process although

	<p>officers who had been involved from the outset provided support wherever possible. This project is not a natural fit for Strategic Finance as they do not provide public advice or benefits maximisation services. In addition, Customer and Support Services officers had put a lot of work, time and effort into preparing the project bid so had accumulated knowledge which Strategic Finance didn't have. The lack of continuity of officers was considered to be the principal reason for the deterioration of the relationship between the Council and the providers.</p> <p>Delivery, communication and engagement plans had to be created immediately upon transfer to Strategic Finance as this was a deliverable required by the contract. This was an extremely difficult task for the officer who had no prior knowledge of the project.</p> <p>Having staff in place at the beginning of the project may have helped reduce some of the issues experienced. The project was supposed to go live on 20 February 2017. The Contract Manager started in post May 2017 and a financial inclusion officer was appointed in June 2017. Ideally staff would have been in place in February to allow the project to go live. This delay contributed to the financial difficulties experienced by providers as they were preparing for a February go live and some had taken on staff to deliver their element of the project.</p>
Clear Expectations / Administrative Requirements	<p>The Council and providers entered into a contract before being clear about basic principles of the project, such as the eligibility criteria and administrative requirements. The Council received different answers from different contacts in BLF for the same queries and it became clear that not only were the Council and providers learning as they went along, so were BLF.</p> <p>Council officers involvement in this project has proven to be significantly time consuming. This level of commitment was not reflected in the initial report to the Policy and Resources Committee on 15 December 2016.</p> <p>One of the most time consuming tasks is dealing with changes or clarifications around the administrative and audit requirements. When the Scottish Government make changes to project guidance they don't highlight the changes, they just issue new guidance making it time consuming to identify what has changed. All changes have to be applied retrospectively which has caused a huge amount of rework for council officers and providers.</p> <p>The Council needs to look at how they work with the third sector and make sure there is a common understanding between the Council and the providers about expectations when entering into projects of this scale. The Council has a responsibility and a critical role to make sure providers understand what they are signing up to.</p>
Funding Model	<p>The funding model was extremely complex. When the Principal Accountant first saw it he realised it would not work for a variety of reasons and he identified the funding distribution and timing of funding flow was going to be an issue. The complexity of the funding model and the delay in payment has had a negative impact on the third sector</p>

	provider's cash flow. The providers had no certainty over how much they would get or when they would get it because of the way the payment model works. This is explained further in appendix 1.
Communication/ Engagement	<p>The providers were all keen to get started at the project outset however the relationship between providers and the Council started to deteriorate when frustrations over the requirements around eligibility and record keeping kept changing. The providers initially thought that it was the Council making these changes.</p> <p>In hindsight, the Council should have made it clear earlier in the process about their limited influence over project changes. This may have avoided the early breakdown in the relationship between the Council and the providers. Providers now see the Council as a partner now and better understand the root cause of the changes to requirements.</p>

Panel Meeting Four – Big Lottery Fund – 21 January 2019

19. Panel four was attended by the Big Lottery Fund's (BLF) current Funding Manager and the Deputy Director for Scotland. The key messages from this panel are set out in exhibit 7.

Exhibit 7 – Panel 4 – Big Lottery Fund - Key Messages

Theme	Detail
Opportunity / Project Benefit	Due to the difficulties experienced considerable consideration was given to whether MSA should continue however BLF concluded there was still benefit to be achieved and it was still worthwhile in terms of helping people and providing value for money for the Scottish Government. BLF are still committed to making this project work.
Risk Management	At the project outset consideration was given to project risks. Risk registers were created for both BLF and the partners identifying what could go wrong and why it might happen.
Clear Expectations / Administrative Requirements	<p>It is not unusual for grant funded programmes like this to evolve over time and end up looking quite different to what was initially intended or envisaged. This is usually manageable when the programme is purely BLF funded however MSA was more complicated and less flexible due to the element of European funding and ESF requirements.</p> <p>BLF and partners didn't appreciate the amount of paperwork required for MSA. This should have been better planned at the outset. BLF acknowledged that, as the project progressed, their understanding of ESF's project requirements developed. This caused difficulties for the Council and third sector providers as they were required to comply with the evolving requirements and had to make retrospective changes.</p>
Funding Model	It was the Council's responsibility to ensure the funding flow was communicated to providers. The ITT sets out the way funding will be paid to the lead partner (the Council) but BLF left the allocation of funds to the discretion of the Council. BLF felt the Council's funding model was relatively complicated compared to those adopted by some other lead partners. This is explained further in appendix 1.
Communications / Engagement	BLF recognised there were a number of reasons, including a restructure within BLF and a changeover of staff, which led to delays in BLF responding to issues. Lead partners should have been stronger in their attempts to communicate issues to BLF. When BLF spoke to a number of

	lead partners the general message was 'it's all going fine, we just aren't quite there yet with the process'.
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3. Financial Risk

20. The greatest financial risk lies with the providers. Providers only receive payment if they reach the 50% and 100% action plan completion milestones. Therefore if the client completed less than 50% of their action plan the provider(s) would not receive any money regardless of the work they had done. The 50% and 100% payment triggers are stipulated in the contract with BLF.
21. The Council pay the provider based on their 50% and 100% compliance audits then submit a claim to BLF for this amount. Therefore, there is the risk that BLF may deem that a case does not comply following the BLF audit and not pay the Council's claim. In this case, the Council would need to ask the provider to return the money paid to them. There is a risk the Council would not be able to recover these funds due to the solvency of the provider(s) involved in the scheme. Requesting a return of funds due to BLF refusing claims has not occurred to date. The impact of this risk on the Council would be marginal, whereas the loss of this income could undermine the sustainability of many third sector organisations.

4. Findings

22. Based on the information obtained over the course of the review the panel has identified seven findings. These are not specific to the MSA project, they are learning points for the Council to consider when entering into projects and partnerships in future. These findings are focused on areas the panel considered to be under Council control however it is also appropriate to recognise there were issues during the project which originated from the funding bodies. For example a failure to
- clearly understand and communicate project requirements
 - agree eligibility criteria which were relevant and aligned to the objectives of the project
 - provide a case management system.

Exhibit 8 – Findings

No.	Finding	Learning Point
1	<p>Supporting Third Sector Partners</p> <p>It is clear that some providers may not have had the experience or capacity to fully comprehend the implications of the terms of the MSA contract or to carry out appropriate due diligence. It also appears that some providers may have placed their trust in the project as the Council was recommending it. For example, providers did not fully understand the principles of the funding distribution prior to signing contracts. Although the Council documented the funding distribution principles within the contract the panel believe the Council could have done more to effectively communicate</p>	<p>When engaging with the third sector the Council should ensure partners fully understand contractual requirements and appreciate the risks associated with entering into a contract and/or partnership working. This may include sharing Council expertise such as financial or legal advice to assist with this understanding.</p> <p>The Council should also ensure it strikes an appropriate balance when considering the sharing of project risk with third sector organisations.</p>

No.	Finding	Learning Point
	<p>the funding model and ensure providers understood what they were signing up to.</p> <p>The Council, through a decision made by the Policy and Resources Committee, adopted a risk averse position passing all risk to the providers. Whilst it could be argued this was prudent the Council also needs to consider its corporate social responsibility and ensure it contributes to, rather than hinder, the sustainable development of the third sector who provide a key role in the delivery of services in Argyll and Bute.</p>	
2	<p>Financial Due Diligence</p> <p>The Council was not fully aware of the financial resilience of providers when they signed up to MSA. Providers had to fill out standard forms as part of the tender process, which included questions on whether they were facing bankruptcy or insolvency however this was limited in nature and the Council did no further checks on the financial sustainability or resilience of providers. Involvement in MSA has created substantial financial issues for a number of the providers, due to inadequate resilience, or early commitment to staff expenditure in the absence of an established income stream.</p>	<p>The Council should consider whether the current level of due diligence they carry out to assess the financial resilience of third sector organisations they intend to enter into contracts or partnership arrangements with is sufficient.</p>
3	<p>Project Responsibility and Handover</p> <p>The preparation and submission of the MSA tender was carried out by officers in Customer and Support Services after which the project was transferred to Strategic Finance. The lack of continuity of officers impacted negatively on the working relationship with the providers.</p> <p>When responsibility for MSA was transferred from Customer and Support Services to Strategic Finance officers who had been involved from the outset provided support to Strategic Finance wherever possible and mobilisation meetings were held and attended by relevant officers. Copies of some documentation was also provided. Whilst these helped Strategic Finance to take on the project, their focus on operational issues gave rise to a change in</p>	<p>At the beginning of a project, the Council should determine who has the most appropriate skills and experience to manage it throughout its lifecycle. Changing the project team mid project should only be done if there is a clear benefit in doing so. Continuity of officers should be promoted wherever possible to allow positive stakeholder relationships to be developed and maintained.</p> <p>Where there is a need to transfer responsibility for a project the Council should ensure appropriate handover arrangements are in place to ensure the transfer of knowledge, skills and learning.</p>

No.	Finding	Learning Point
	<p>the Council's role from leading the Partnership group to contract management and a changing relationship with partners and approach to project management. As partners became more involved again, the Project group has together better addressed the prevailing issues with the funders.</p> <p>Delivery, communication and engagement plans had to be created immediately upon transfer to Strategic Finance as this was a deliverable required by the contract. This was an extremely difficult task for the Strategic Finance officer as they had no prior knowledge of the project. However considerable assistance was given to them in creating these plans by Customer & Support Services staff.</p>	
4	<p>Project Readiness</p> <p>The MSA contract start date stipulated by the funding bodies was 20 February 2017, however there were no resources, such as a case management system, training or staff, ready on this date.</p> <p>Staff were recruited in May and June 2017 and there were delays to this process due to BLF not providing a logo for the job adverts until after the contract was signed.</p> <p>This delay contributed to the financial difficulties experienced by providers as they were preparing for a late February go live and one had taken on new staff to deliver their element of the project.</p>	<p>The Council should aim to have appropriate resources in place in advance of project start date or build in appropriate lead in times to avoid unnecessary delays. Where this is not possible they should communicate and agree a realistic and achievable start date with all stakeholders as soon as a risk of delay is identified.</p>
5	<p>Understanding Project Requirements</p> <p>The opportunity to access new funding to support vulnerable citizens was understandably attractive to the Council and the third sector. However, basic principles of the project, such as eligibility criteria and complex administrative requirements, were not understood by BLF, the Council or providers when they entered into the contract. This caused additional work for Council and providers and added to the delay in receiving funding for work carried out. The Council did query eligibility criteria</p>	<p>The Council should ensure that appropriate planning processes, such as a critical appraisal of the implications of committing to a project, are followed to ensure contract requirements are fully understood, and queries formally resolved, before they enter into a contract.</p> <p>Furthermore, the Council should be more robust when highlighting issues to funding bodies and ensuring they are resolved adequately.</p>

No.	Finding	Learning Point
	<p>with BLF at the beginning of the process as criteria included within the contract was based on an employability programme, which MSA isn't. The Council and third party providers subsequently placed trust in BLF following verbal assurance from them that the eligibility criteria would be changed however this did not occur.</p>	
6	<p>Project Impact</p> <p>Client participation in MSA has not been at the level or nature anticipated. This is partially due to client sign up being targeted by partners to those needing crisis intervention rather than holistic support which was the original objective of the project. Partners have been put off extending the service to struggling low income families.</p> <p>Furthermore, the complexity of the sign up process deterred people who are already, by nature, in an extremely stressful position. Excessive paperwork has deterred clients and has been onerous and sometimes embarrassing for both providers and clients. Potential MSA clients are often seeking emergency intervention and a sign up process that takes up to two hours is not ideal for people who could be in a position of crisis.</p> <p>This has often resulted in the client receiving a service but the provider being unable to claim back the cost of delivering it due to the inability to meet administrative requirements.</p>	<p>When considering projects the Council should consider the suitability of the project in meeting the target client needs and demands. This should include considering how the requirements of this project could potentially impact clients and delivery partners.</p>
7	<p>Partnership Working and Engagement</p> <p>There was a notable change in the relationship between Council and providers after the contract was awarded and the project transferred from Customer & Support Services to Strategic Finance. There was a period of time where providers felt they were no longer part of a partnership as meetings with BLF/Council were held separately to meetings with Council/Providers. In addition, it was not communicated to providers that the Council</p>	<p>When managing projects delivered by multiple partners the Council should recognise it's lead role in placing an emphasis on the importance of engaging and communicating with all stakeholders and encourage a flow of information from between all stakeholders.</p>

No.	Finding	Learning Point
	was not the root cause of the administrative complexities of the project. This should have been communicated earlier in the process to avoid the negative impact and tension in the relationship between the Council and providers.	

Appendix 1 – Funding Model

As the funding model proved to be one of the major issues for the providers it was thought to be worthwhile explaining how it worked.

A detailed personal action plan is created for each eligible participant based on their assessed need. Action plans are made up of a number of actions which may be delivered by various providers. Initially it was a BLF/ESF requirement that at least two providers are involved in delivering an action plan. This caused issues for providers and clients as some activities were being included in the action plan as an 'add on' purely to meet this multi-provider requirement. Consequently clients would often not complete the action plan in full as they would have received the support required to deal with their immediate financial difficulties and have limited incentive to complete their action plan. This would result in a loss of income for the relevant provider. This requirement has since been removed.

An average unit cost of £1,593 was calculated at contract stage. This was calculated by dividing the total funding available by the key performance indicator (KPI) participant figures. This is demonstrated in exhibit 9.

Exhibit 9 – Project Unit Cost

Total Support Costs	£3,002,328
Target number of participants (across 3 years of project)	1,571
Unit Cost (with VAT)	£1,911
Unit cost (Excluding VAT)	£1,593

The calculation of the actual cost of an action plan is based on agreed unit costs for each service which are detailed in the contract. The funding is split between the providers involved depending on their share of the action plan cost at the respective claim point (i.e. 50% complete or 100% complete).

The unit cost of £1,593 is the maximum amount that the Council can reclaim from BLF for each action plan that is 100% complete (£796.50 can be claimed for 50% complete). The Council can reclaim this amount regardless of the total cost of completing the action plan, which may result in a surplus or deficit of funds for individual plans. The theory being that surplus funds can be reallocated to pay for plans that are delivered at a deficit. However, to date, no plans have been delivered with a surplus meaning there are no surplus funds available for reallocation. This has resulted in cost pressures and funding problems for providers.

Funding is paid by BLF to the Council/providers based on two milestones, 50% of action plan completed and 100% of action plan completed. If an eligible participant withdraws from this process before the triggers are met then the provider is not eligible for any funding. This creates further cost pressures for providers.

A compliance audit is carried out by Council's MSA team when the action plan is 50% complete/100% complete. If the audit is satisfactory the Council provides the appropriate share of payment to the provider(s) based on their contribution to the cost of the service provided up to that point. An example of the funding distribution is provided at appendix 2.

The Council prepares and submits monthly claims to BLF for reimbursement of the funds they have paid to provider(s). BLF undertakes their own compliance audits and may raise queries prior to payment of the claim. For the first claim submitted BLF queried and requested more information for

16 out of 18 cases included in the claim. This resulted in additional time and expense for the Council and providers.

The claim is paid to the Council following completion of the BLF compliance check although there is currently a five month lead time for payment.

The 50% and 100% payment triggers were determined in the ITT however it was left at the Lead Partner's (the Council) discretion to determine how the distribution of funding would work. Case studies were included in the contract between the Council and providers explaining the principles of the funding distribution. An example case study is provided in exhibit 10:

Exhibit 10 – Case Study for Mr Smith

50% COMPLETION OF ACTION PLAN

Service	Service Unit Cost (£)	Partner	No. of Actions Planned	50% Completed	Cost of Completed Actions (£)
Income Maximisation	450	A	2	2	450
Money Management	240	A	2	1	120
Partner A subtotal	690	A	4	3	570
Debt Advice	2,000	B	2	1	1,000
Money Advice	100	B	2	0	0
Partner B subtotal	2,100	B	4	1	1,000
TOTAL	2,790		8	4	1,570

Mr Smith has completed 50% of the agreed actions so that triggers a payment of £796.50 (50% of the £1,593 unit cost agreed in the project tender). The £796.50 is split between the providers based on their costs to date.

	Calculation	Payment due (£)
Partner A	$570/1570 * 796.50$	289.18
Partner B	$1000/1570 * 796.50$	507.32
TOTAL		796.50

100% COMPLETION OF ACTION PLAN

Service	Service Unit Cost (£)	Partner	No. of Actions Planned	100% Completed	Cost of Completed Actions (£)
Income Maximisation	450	A	2	2	450
Money Management	240	A	2	2	240
Partner A subtotal	690	A	4	4	690
Debt Advice	2,000	B	2	2	2,000
Money Advice	100	B	2	2	100
Partner B subtotal	2,100	B	4	4	2,100
TOTAL	2,790		8	8	2,790

Mr Smith has completed 100% of the agreed actions so that triggers a payment of the remaining balance of £796.50.

	Calculation	Less Payment To Date	Payment Due
Partner A payment (£)	$690/2790 * 1593$	$393.97 - 289.18$	104.80
Partner B payment (£)	$2100/2790 * 1593$	$1,199.03 - 507.32$	691.70
TOTAL PAYMENT (£)			796.50

Appendix 2 – Funding Flow

