

# East Ayrshire Council

**Report to Members and the Controller of Audit  
on the 2007/08 Audit**



October 2008



# East Ayrshire Council

**Report to Members and the Controller of Audit  
on the 2007/08 Audit**

# Contents

<b>Key Messages</b>	<b>1</b>	<b>Governance</b>	<b>22</b>
<b>Introduction</b>	<b>4</b>	<b>Performance</b>	<b>28</b>
<b>Financial statements</b>	<b>5</b>	<b>Final Remarks</b>	<b>45</b>
<b>Financial position</b>	<b>10</b>	<b>Appendix A: Action Plan</b>	<b>46</b>



# Key Messages

## Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by the council. We audited the financial statements and we looked at aspects of performance management and governance. This report sets out our main findings, summarising key outcomes from the 2007/08 audit and the outlook for the period ahead.

## Financial Statements

We have given an **unqualified** opinion on the financial statements of the East Ayrshire Council. The council dealt well with significant changes to the format of the accounts.

## Financial Position

Spending across services was contained within budgets for the year resulting in a general fund surplus (after taking account of unbudgeted transfers from reserves) of £9.105 million. Savings on central costs (insurance premiums £1.137 million and debt charges £1.125 million) contributed to this position. The council ended 2007/08 with a general fund balance of £32.827 million. Of this balance some £26.630 million has been earmarked for use in future years. The council is to review the level of earmarked balances after the conclusion of the annual audit.

The building and works significant trading operation (STO) continues to make significant surpluses. A cross-cutting best value service review of property maintenance identified a number of significant issues which the council have moved to address. The council anticipate that the charging mechanism for repairs will change in 2009/10 and that the building and works STO will be designated as a non-statutory trading account.

The council's capital programmes have been subject to considerable slippage in previous years. Following a reorganisation of the responsibilities for delivery of the capital programme and the subsequent decision to buy in external professional assistance the council delivered an enhanced capital programme during 2007/08. In effect it regained the ground lost in 2006/07- a considerable achievement given recent levels of delivery.

The council's school estate programme is progressing well. The PPP element has now been completed with three PPP schools now in operation and handover of a fourth imminent.



## **Governance**

The council has updated its local code of corporate governance in accordance with the May 2008 CIPFA/SOLACE Code of Practice. The council's corporate governance assurance statement concludes that the level of compliance with the code is adequate in all areas and notes that an action plan is in place to direct further improvements.

Our assessment of the council's statement on the system of internal financial control was that the council's governance arrangements are generally sound.

During the year we conducted reviews of the council's main financial systems in order to provide us with assurance for our financial statements work. We reported on five key systems in June 2008, providing an action plan to address the improvements agreed.

## **Performance**

Following the 2006 audit of Best Value and Community Planning the council developed an "improvement agenda" which included 62 action plan points. The council report that 54 of these points have been fully achieved.

The East Ayrshire Community Planning Partnership reported that it had fully achieved 66% of its targets for 2007/08 and partially or largely achieved a further 24% of targets.

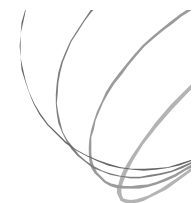
During the year external inspectorates reviewed arrangements for the protection of children and young people and the provision of housing. Although both reports were generally positive a number of areas for improvement were identified.

The council recycled 41.8% of its municipal waste during the year. This was a considerable achievement and confirms East Ayrshire Council as one of the leading recycling councils in Scotland. In terms of residual landfill diversion, however, more needs to be done to mitigate the escalating costs in the form of landfill tax.

The council achieved its objective of submitting its single outcome agreement to the Scottish Government by 30 June 2008. Due to the strategic importance of the community plan, community planning partners took the decision to develop a Community Planning Partnership Single Outcome Agreement by June 2008 – one year ahead of schedule.

## **Outlook for future audits**

The council faces a number of budgetary pressures arising from increased general inflation and specific areas of cost increases, for example, energy costs and landfill taxes.



In addition there is a risk of increased costs and reduced capital receipts arising from the current turmoil in global financial markets. Notwithstanding there may also be opportunities for the council to take advantage of the consequences of a slow down, through for example, greater competition for capital works contracts.

Social Work Services, in particular, faces significant budget pressures going forward. The main areas of concern are home care services, adult care packages, elderly care and foster care. The corporate management team are keenly aware of the position. Reports have been made to cabinet, and a sustainability board has been set up to address the future spending profile of the service.

The council has awarded a contract for a web based performance management system. Further work is now required to integrate the system into the council's IT infrastructure, populate the system and ensure that council and strategic partners' staff are trained in its operation.

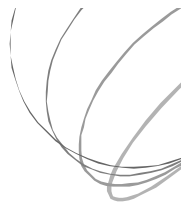
The triennial valuation of the Strathclyde local government pension scheme will be reported in early 2009. The likelihood is that employers' contributions will increase. This will entail further significant costs to be met by services over the next few years.

Equal pay and single status continues to present all councils with financial challenges. There is an ongoing risk that there will be a considerable financial impact over the coming years.

At the time of writing this report councils across the United Kingdom face financial risk in relation to the widespread uncertainty in the global banking system. The council continues to monitor its position and is in regular contact with its treasury management advisors to minimise its exposure to this risk. In common with a number of other public and private sector bodies the council has deposits with two UK subsidiaries of Icelandic banks. The position is presently unclear, resolution will ultimately depend on national and international developments. This issue will be considered in more detail during our 2008/09 audit.



October 2008



# Introduction

1. This report summarises the findings from our 2007/08 audit of East Ayrshire Council, the second year of a five year appointment. Findings are set out in four sections: financial statements, financial position, governance and performance. Within each of these sections we have also provided an outlook section which sets out the key issues and concerns which are likely to affect the council in the near future.
2. The scope of the audit is set out in our Annual Audit Plan (AAP), which was submitted to the council in March 2008. The AAP summarises the specific governance and other risks that could affect the council's financial statements. It describes the work we planned to carry out in response to these risks.
3. As part of the planned work we submitted a Strategic Audit Risk Analysis (SARA) to the council in March 2008. Under the following strategic themes, the SARA set out our views on the key business risks facing the council and described the work we planned to carry out as part of the annual audit:
  - political governance
  - community planning and partnership working
  - performance management
  - financial planning
  - workforce planning
  - procuring and managing assets.
4. Overall conclusions on the council's management of key risks are discussed throughout this report. Appendix A sets out the key risks highlighted in this report which we wish to draw to the attention of members and the action planned by management to address them.



# Financial statements

## Introduction

5. In this section we summarise key outcomes from our audit of the council's financial statements for 2007/08. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
6. We audit the financial statements and give an opinion on:
  - whether they present fairly the financial position of the council and its expenditure and income for the year
  - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
7. We also review the statement on the system of internal financial control by considering the adequacy of the process by which the council obtains assurance on the systems of internal financial control. We also assess whether disclosures in the statement are consistent with our knowledge of the council. This is discussed in more detail in the governance section of this report.

## Overall conclusion

8. We have given an **unqualified** opinion on the financial statements of East Ayrshire Council for 2007/08.
9. The Local Government in Scotland Act 2003 requires councils to maintain and disclose trading accounts for significant trading operations (STOs), which are required to break-even over a three year rolling period. The council's three STOs achieved their statutory targets.
10. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources. The council's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Final accounts preparation processes and working papers were generally of good quality and this enabled the audit to progress smoothly. The independent auditor's report (opinion) was issued prior to the target date of 30 September 2008. The financial statements are now available for presentation to the council and publication.





## Accounting practice

11. Local authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice* (the SORP). The 2007 SORP required a number of significant changes to be made to the format of the 2007/08 financial statements to make them more consistent with the accounts of other public and private sector entities. The major changes include:
  - accounting for financial instruments based on financial reporting standard (FRS) 25, FRS 26 and FRS 29
  - replacement of the fixed asset restatement account and capital financing account by a revaluation reserve and capital adjustment account.
12. The changes introduced by the 2007 SORP were not as extensive as in the previous year, but still required significant effort in preparation by the Finance Service staff of the council. Overall, we were satisfied that the council had prepared the accounts in accordance with the revised SORP.
13. During the course of all audits errors and misstatements are found. Most can be regarded as non-significant or trivial and we did identify several areas where, after discussion with the Executive Head of Finance and Asset Management, it was agreed that amendments to the un-audited accounts would be made. The net effect of these adjustments has been to reduce the deficit shown on the face of the income and expenditure account by £236,000, with the council's net worth on the balance sheet moving by a similar amount. We are pleased to note that our international standard on auditing (ISA) 260 report to those charged with governance identified no unadjusted errors in the financial statements.

## Identification and valuation of common good assets

14. There have been a number of petitions to the Scottish Parliament concerning the proper recording, auditing and safeguarding of common good assets. Nationally, this area continues to produce a significant amount of correspondence and complaints. In December 2007, the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance note for practitioners. The paper recognises the legal distinction of the common good as a separate fund, requires separate disclosure within the local authority financial statements this year and requires that common good asset registers are in place by March 2009.
15. Following discussion with the Executive Head of Finance and Asset Management, it has been agreed that a review of the council's asset register, to ensure that all common good assets are being appropriately accounted for, will be undertaken during 2008/09. We will review progress as part of our planning and audit of the 2008/09 financial statements.

**Key Risk Area 1**



## **Investment properties**

16. As reported last year, the council's balance sheet includes a line entitled "Investment Properties," now standing at £13.517 million. Our view is that these are not, in terms of the guidance, investment properties. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and did not support the service or strategic objectives of the authority. This is a national issue which will require to be resolved by LASAAC.

## **Council tax bad debt provision**

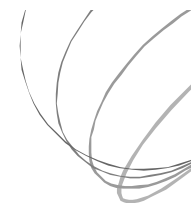
17. The council makes provision against the non-collection of various types of debt. The increase/decrease in council tax provision is charged or written back to the council tax account each year, directly impacting on the charge borne by the local taxpayer. Our view is that the level of bad debt provision in the balance sheet for council tax could be reduced. This is supported by the collection rates already available for 2008/09 and the council's improved performance in collecting council tax due from previous years. The Executive Head of Finance and Asset Management has referred to the council's improved performance in council tax collection in his foreword to the financial statements.

## **Accrued expenditure**

18. Our audit work identified two IT related invoices, totalling £152,228 which had been inappropriately charged to the 2007/08 accounts. In neither case had the goods been received at year end and one invoice related to computer equipment for which the supplier had been paid and asked to warehouse the goods until the service was able to provide storage for them. Payment in advance of this type inflates current year expenditure and exposes the council to the risk of financial loss. These actions are in breach of the council's financial regulations, and the Executive Head of Finance and Asset Management has drawn attention to this fact in a letter to the Executive Directors of the services concerned.

## **Surplus assets**

19. In order to ensure that the council is making best use of the assets it holds to provide services, it is necessary that regular reviews are undertaken to identify those assets which are surplus to requirements and can be disposed of. This principle has been formalised in new accounting rules which require that assets so identified are transferred to the surplus assets category in the asset register and revalued at the point that the identification is made. This valuation is then used as the basis for calculating the gain or loss on disposal of the asset. We have drawn this requirement to the attention of the Executive Head of Finance and Asset Management and he has agreed to develop



appropriate procedures to support this process as part of the council's ongoing work on asset management.

## Building and works

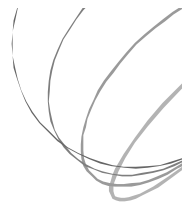
20. We drew attention in our report last year to the fact that a significant proportion of the high levels of surplus reported by the building and works STO are generated from charges to the housing revenue account (HRA), which impacts on the rents paid by council tenants. The surplus reported for 2007/08 amounts to £2.322 million, which the accounts show as contributing to an overall surplus of £7.789 million over the last three years. The table below compares the performance of building and works against four other west of Scotland councils over the three years to 31 March 2007.

**Table 1: Comparison of 3 year property maintenance surpluses**

Results for the period 2004/05 – 2006/07	Turnover	Surplus	Percentage return
	£'million	£'million	
<b>East Ayrshire Council</b>	<b>62.429</b>	<b>7.455</b>	<b>11.9%</b>
<b>Council A</b>	<b>52.860</b>	<b>5.740</b>	<b>10.9%</b>
<b>Council B</b>	<b>42.514</b>	<b>3.918</b>	<b>9.2%</b>
<b>Council C</b>	<b>65.200</b>	<b>1.380</b>	<b>2.1%</b>
<b>Council D</b>	<b>20.462</b>	<b>0.436</b>	<b>2.1%</b>

## Legality

21. Each year we request written confirmation from the proper officer that the council's financial transactions accord with relevant legislation and regulations. The Executive Head of Finance and Asset management has confirmed that, to the best of his knowledge and belief and having received formal confirmation from individual members of the council's management team, the financial transactions of the council were in accordance with the relevant legislation and regulations governing its activities.
22. We reported last year that councils with registered charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund, although the date of full implementation has been deferred by the Office of the Scottish Charities Regulator (OSCR). OSCR has indicated that the interim measures introduced in 2006/07 can again be used in 2007/08 and reliance placed on the existing disclosures for trust funds in councils' financial statements.



23. Our audit of the council's trust funds covers only those trusts which fall under section 106 of the Local Government (Scotland) Act 1973, which excludes bodies for which other than elected members act as trustees. The Mair Bequest and the Ayrshire Educational Trust have therefore been excluded from the East Ayrshire Council accounts. Since the Accounts Commission has the power to appoint auditors only to bodies which fall under section 106, separate audit arrangements will need to be made for these trusts.
24. There are no additional legality issues arising from our audit which require to be brought to members' attention.

## **Financial reporting outlook**

### **IFRS adoption**

25. Central government and NHS bodies are to move from UK Generally Accepted Accounting Principles (UK GAAP) to international financial reporting standards (IFRS) with effect from 2009/10. The government also announced its intention to publish whole of government accounts on an IFRS basis from 2009/10. The intention is that local government will adopt IFRS for 2010/11, although there is a possibility that early adoption may be required in some areas and this might include public private partnerships (PPP).



# Financial position

## Introduction

26. In this section we summarise key aspects of the council's reported financial position and performance to 31 March 2008, providing an outlook on future financial prospects, including our views on potential financial risks. Under the strategic theme of 'financial planning', our Strategic Audit Risk Analysis recognised the significant challenges being faced by the council both in relation to delivery of its improvement agenda and also with regard to managing ongoing financial pressures such as the increasing costs of social care provision for children and the elderly and the potential for further equal pay compensation payments. Our findings and key messages are set out in this section.

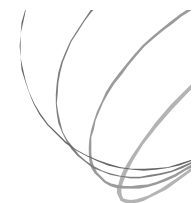
## Council tax and the general fund

### Operating performance 2007/08

27. The council sets an annual budget to meet its service and other commitments for the forthcoming financial year. Funding is from three main sources: general and specific government grant; miscellaneous receipts; and local taxation. Where an unplanned surplus or deficit has been made members should, as part of their monitoring duties, obtain appropriate explanations from relevant officers.

28. East Ayrshire Council's financial statements for 2007/08 have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice* (the SORP). The income and expenditure account discloses the income and expenditure for the year calculated in accordance with UK GAAP. The deficit disclosed on the income and expenditure account represents the amount by which expenditure exceeds income. However, to align the results for the year with the council's budget a number of adjustments must be made. These adjustments are made in the statement of the movement on the general fund balance. The general fund surplus for the year is disclosed within the statement on the movement of the general fund balance. The figure disclosed is, however, after a net transfer of balances from other reserves, principally arising from the dissolution of the insurance fund.

29. The budget set for 2007/08 was based on a Band D council tax level of £1,189. The budget was set at break even, that is, there was no planned use of reserves in setting the 2007/08 general fund budget and determining the council tax for the year. During the course of the year the budget was supplemented by some £1.000 million of unallocated general fund balances and a further £4.020 million of earmarked balances.

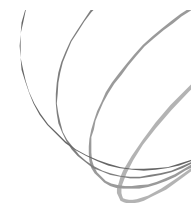


30. The council's net (of general receipts) operating expenditure in 2007/08 was £252.744 million. This was met by government grants and local taxation of £234.878 million, resulting in a deficit of £17.866 million. After making the necessary adjustments, as specified by the SORP, a general fund surplus for the year of £11.560 million has been disclosed on the statement on the movement of the general fund balance. When unbudgeted transfers from reserves are taken into account a general fund surplus for the year of £9.105 million arises. Table 2 sets out the most significant underspends:

**Table 2 – Significant underspends 2007/08**

<b>Service</b>	<b>Underspend £'million</b>
<b>Education and Social Work</b>	<b>1.471</b>
<b>Finance &amp; Asset Management</b>	<b>2.062</b>
<b>Neighbourhood Services</b>	<b>0.744</b>
<b>Central Services</b>	<b>2.294</b>
<b>Debt Charges</b>	<b>1.125</b>

31. Education and Social Services reported a total underspend of £1.471 million, this represents 0.6% of gross expenditure on these services. Employee costs were underspent by around £1 million over both services due mainly to staff turnover. Education transport costs included a £0.380 million overspend relating to the SPT contract mainly due to contract variations and costs arising from PPP build delays. The other notable overspend in Education Services was £0.562 million on “outwith placements”. In Social Work Services an overspend of some £1.5 million related to payments in respect of elderly and children’s care. Some £2.9 million in extra income was received during the year, due mainly to unanticipated grant funding from the Scottish Government and significant extra income from NHS Ayrshire and Arran to fund community care packages.
32. The Finance and Asset Management underspend is attributable, in the main, to net additional income of some £0.470 million in fee recharges, underspent corporate accommodation of £0.340 million and some £1.023 million underspending on repairs which were ordered but not completed at year end.
33. Neighbourhood Services reported a total underspend of £0.736 million, this is approximately 1.5% of gross expenditure. The final budget monitoring report for 2007/08 reported that the main element of the underspend was income received in respect of “partnerships and projects” and developers’ contributions.



34. The most significant element of the Central Services underspend was a saving on insurance premiums of £1.137 million as a consequence of re-tendering the contract after the implementation of a number of best practice risk management initiatives. In addition, schools PPP and efficiency and reform grant totalling £0.622 million were not spent in the year.

## Housing revenue account

35. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to at least cover the costs of its social housing provision. The council's strategy on rent levels was set by the Housing Committee in April 2005. In order to fund the achievement of the Scottish Housing Quality Standard by the target date of 2015 the Committee agreed that rents should increase annually by retail price index plus 1%.
36. The budget for 2007/08 was approved by the Housing Committee in January 2007. The budget presented to the committee estimated a total expenditure of £33.669 million and income of £32.295 million leaving a shortfall of £1.374 million to be funded by a rent increase. The rent increase for 2007/08 was subsequently set at £1.92 per week (approximately 4.4%) by the Policy and Resources Committee on 7 February 2007.
37. The housing revenue account shows a surplus of £3.918 million for 2007/08. Following adjustment to the statutory basis this becomes a surplus of £0.654. The year end surplus reflects the impact of the following significant under and overspends:

- £1.710 million underspend on debt charges
- £1.354 million overspend on capital funded from current revenue (CFCR)
- £0.949 million overspend on repairs
- £0.196 million underspend on insurance premiums
- £0.185 million underspend on voids
- £0.515 million other net underspends
- £0.353 million extra income

38. Essentially, additional resources released from debt charges, insurance and rent income were spent on additional repairs.
39. During 2007/08 officers took the decision to buy out gas central heating operating leases at a cost of £1.354 million. The expenditure is capital in nature and was properly treated as such by the council. Officers took the decision to fund this expenditure from revenue by making a transfer from other budget heads where savings had been made. Whilst these actions were reported to committee in revenue monitoring reports, explicit approval or ratification was not obtained; nor were options provided for the funding of the buyout of the leases or alternative uses for the savings made on other



budget lines. The CFCR budget line is entirely within the control of the council; had the CFCR charge not been made, the actual surplus recorded by the HRA in 2007/08 would have been £2.008 million.

40. The building and works STO has reported a surplus of £2.322 million (£2.379 million 2006/07). This surplus is transferred to the general fund. The HRA contribution to the building and works STO surplus, based on a simple pro-rata turnover calculation, is around £1.366 million (£1.4 million estimated in 2006/07). This is a significant transfer of resource from the HRA into the general fund: this could be viewed as a subsidy to the general fund from council house rents.

## Key Risk Area 2

41. During 2007/08 an in depth cross-cutting best value service review of property maintenance was undertaken by the council. This review provides a candid assessment of the issues currently faced by the building and works STO. Implementation of the measures in the action plan will, in our view, lead to an improved value for money service to tenants.

## Reserves and balances

42. Table 3 shows the balance on the council's funds at 31 March 2008 compared to the previous year. At 31 March 2008, the council had total cash backed funds of £58.221 million, an increase of £11.678 million on the previous year. Analysis of unaudited figures returned for Scottish councils in 2007/08 shows that East Ayrshire Council has the third highest level of reserves per head of population.

Table 3 - Reserves and funds as at 31 March 2008

Description	2007/08	2006/07
	£'million	£'million
General Fund	32.827	21.267
General Fund – HRA balance	2.055	1.401
Capital Fund	16.984	13.793
Repair and Renewal Fund	6.355	4.508
Insurance Fund	nil*	5.574
<b>Total Reserves and Funds</b>	<b>58.221</b>	<b>46.543</b>
<b>* Insurance fund dissolved and transferred to general fund in 2007/08</b>		

43. Some £26.630 million of the general fund reserve is earmarked as being already allocated for use in future years. The financial statements of 2006/07 noted that £14.771 million from a total balance of £21.267 million was already allocated. Only £4.020 million of this was used in 2007/08.





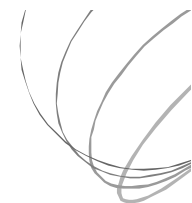
44. Some of the general fund balance relates to specific grant income carried forward, however, a significant element of this balance is unspent budget carried forward. The council is required to set a council tax rate in order to provide sufficient income to meet expenses incurred during the financial year. The general principle is that current council tax payers should not be meeting the expenses to be incurred in future years, although councils can make allowance for expenses previously incurred and contingencies.
45. The council policy is that budget holders can carry forward “managed” savings to the next financial year. Year end budget monitoring reports provide variance explanations but do not include detailed explanations of “earmarked balances” carried forward. Members should be presented with sufficient information to allow them to challenge budget holders where earmarked balances are reported. Where a case for carry forward has been made, including an explanation as to why spending was not incurred in the financial year, we consider that a more appropriate means of allocating resources to services is by a formally agreed supplementary budget for the succeeding financial year.
46. The current carry forward arrangements were considered by cabinet in January 2008 and it was agreed that the Executive Head of Finance and Asset Management is to undertake a review of service balances and report back to cabinet immediately following the conclusion of the audit of the 2007/08 financial statements.

### **Key Risk Area 3**

47. The council maintains a capital fund and a repair and renewal fund. The balances on these funds stand at £16.984 million and £6.355 million respectively. In setting the budget for 2008/09 the cabinet of 24 January 2008 approved a financial services strategy covering funds held by the council. There were no specific plans to use any of the capital fund or repairs and renewal fund balances.

## **Group balances and going concern**

48. The widening diversity of service delivery vehicles used by local authorities means that group accounts are required to present fairly all the activities of councils. The overall effect of inclusion of all of the council's associates on the group balance sheet is to reduce net assets by £158.108 million, substantially as a result of the pension liabilities of associated joint boards. All group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax.
49. The council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member. Of these boards Strathclyde Joint Police Board and Strathclyde Fire and Rescue Joint Board had an excess of liabilities over assets at 31 March 2008 due to the accrual of pension liabilities. In total these deficits amounted to £3,539 million, with the council's share being £163.871 million.

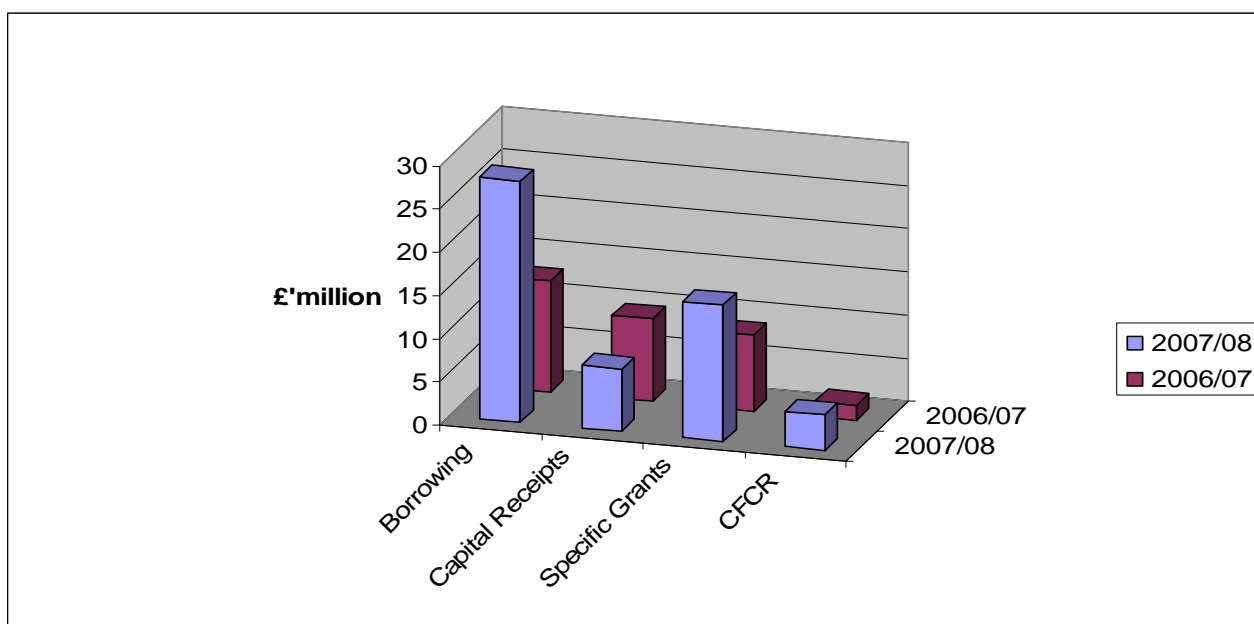


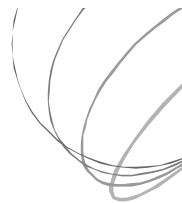
## Spending on assets and long-term borrowing

### Capital performance 2007/08

50. Following the introduction of the “Prudential Code” in April 2004 councils can decide locally on a capital investment strategy which meets best value affordability criteria. The council’s prudential indicators for 2007/08 were set in March 2007 at which point the council anticipated using £37.821 million to improve its asset infrastructure.
51. Following the re-organisation of the council’s services on 1 April 2007 and a clear commitment to improve the delivery of the capital programme, revisions to the capital programme were made throughout the year. The final programme was set at £59.723 million, in comparison to the capital programme of £40.377 million for 2006/07. Capital expenditure in 2007/08 totalled £54.961 million, rising from £32.925 million in 2006/07. Revisions to the 2007/08 capital programme were designed to address the significant slippage of the capital programme in 2006/07. Although final expenditure was £4.762 million less than the final plan, the results for the year represent a significant achievement in recovering the previous year’s slippage.
52. Capital investment in the last two years was funded as shown at chart 1. Overall, £5.933 million less than planned needed to be funded through borrowing.

Chart 1 - Sources of finance for capital expenditure 2007/08





## Borrowing and temporary investments

53. In recent years, some councils have held significant amounts of cash and temporary investments to take advantage of favourable interest rates for planned capital programmes. In these circumstances, the early borrowing must be justified in its own right as representing the best time for borrowing the amount required. This must be assessed without regard to temporary investment gains, otherwise the action may be judged to be unlawful.
54. East Ayrshire Council discloses £41.650 million of current investments in the 2007/08 balance sheet (2006/07 £54.000 million). We reviewed the position as part of our audit of the financial statements and concluded that the current level of investment is largely attributable to the usable reserves held on the balance sheet.
55. The council's treasury management strategy for 2008/09 was updated in April 2008, in accordance with the 2008 CIPFA Code of Practice for Treasury Management in the Public Services. This has been reviewed in the light of national and global economic circumstances. The council's Treasury Manager monitors the position on a daily basis. An "approved counterparty" list (for placing short term investments) is updated by the council's external treasury advisers as and when new information becomes available. The council reviewed their lending patterns prior to the Icelandic banks collapse and it no longer places money in the market for periods of more than 3 months. Since the Icelandic bank collapse lending has been restricted to UK and Irish government guaranteed financial institutions and other local authorities.

## Significant trading operations

56. The Local Government in Scotland Act 2003 replaced compulsory competitive tendering regulations with a duty to maintain and disclose trading accounts for significant trading operations (STOs), which are required to break even over a three year rolling period. The council disclosed three STOs in its 2007/08 financial statements, all of which met the statutory financial objective.

## Financial outlook

### Council tax freeze

57. The council is party to the concordat between the Scottish Government and CoSLA. The financial features of this include an agreement to freeze council tax levels for three years in return for some additional funding and the removal of some ringfencing.
58. East Ayrshire Council's revenue budget for 2008/09 was approved in February 2008. The budget is based on a band D council tax level of £1,189 which is the same as that set for 2007/08. There were no proposals in the budget to augment or apply any reserves in setting the budget.



59. In his report to the cabinet meeting of 13 February 2008 the Executive Head of Finance and Asset Management outlined some of the pressures being faced by the council. Increases to service budgets were restricted to additional costs arising from unavoidable legislative and policy issues and areas of high risk. These areas are mainly confined to Education and Social Services.
60. The report also provided indicative allocations for financial years 2009/10 and 2010/11 based on the assumption of a continuing freeze on council tax levels. The report also set out the need to maintain the pursuit of efficiency saving in budgets and recommended service targets for efficiency savings in 2008/09 and the two succeeding financial years. Total efficiency saving being sought over the three year period amounts to some £18.718 million.
61. The Executive Head of Finance and Asset management in conjunction with Executive Directors examined spending in areas previously funded by ringfenced grants. The approach was to seek justification of current expenditure levels in terms of service and community planning objectives. This exercise yielded some £1.003 million of savings from a total spend of £18.614 million.
62. As part of its best value improvement agenda the council carried out a strategic review of its revenue budget (SRRB) under the guidance of Professor Arthur Midwinter, an independent specialist in local government finance. Fundamental to the council's SRRB initiative was to compare the council's spending on services with its expenditure needs as measured by grant aided expenditure (GAE) and to ensure that spending was consistent with the achievement of its community plan objectives.
63. The final report on SRRB was submitted to cabinet on 24 January 2008. Potential redistributions of some £4.452 million were identified across a range of services. The corporate management team discussed the savings set out in Professor Midwinter's paper and, having assessed the risks involved, decided to focus on those savings where a deliverable strategy could be identified to achieve them. Accordingly it was recommended to, and approved by, cabinet that £1.687 million be taken and re-allocated to other areas of service provision.

## **Equal pay**

64. The Equal Pay Act 1970 makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. Employees who consider that they have been discriminated against in terms of pay can put forward claims to an employment tribunal. Equal pay compensation packages were agreed with relevant staff during 2005/06 and £4.701 million was recognised in that year's accounts.
65. Following the judgement in a recent English case (Redcar & Cleveland BC v Bainbridge and others) the extent of the exposure of Scottish councils arising from equal pay claims has become even more



uncertain. In addition, there remains a possibility of more equal pay claims from further groups of employees. No further provision has been made in respect of these potential liabilities, however, the Executive Head of Finance and Asset Management has recognised a contingent liability in a note to the accounts.

#### Key Risk Area 4

### Single status

66. In 1999 a single status agreement was reached between Scottish local authorities and trade unions to harmonise the terms and conditions of manual and administrative, professional, technical and clerical workers (covering pay, working hours, leave and negotiating mechanisms). There was a presumption that single status would be cost neutral with any increased costs being offset by savings arising from changes to other conditions of service or from efficiencies.
67. Implementation of the single status scheme was approved by council in March 2007. The scheme provided for backdating salary and wage adjustments to 1 April 2006 and the 2006/07 accounts included a charge of some £1.800 million in respect of backdated awards. Proposals on the harmonisation of terms and conditions are currently being prepared with a target of submission to cabinet of March 2009.

### Future capital programme

68. The council's capital investment programmes for 2008/9 to 2010/11 and the estimated borrowing need is set out at table 4.

Table 4 – Capital programme 2008/09-2010/11

<b>Year</b>	<b>General services</b>	<b>Housing</b>	<b>Total expenditure</b>	<b>Borrowing</b>
	<i>£'million</i>	<i>£'million</i>	<i>£'million</i>	<i>£'million</i>
<b>2008/09</b>	<b>25.593</b>	<b>15.592</b>	<b>41.185</b>	<b>29.124</b>
<b>2009/10</b>	<b>24.798</b>	<b>15.616</b>	<b>40.414</b>	<b>29.965</b>
<b>2010/11</b>	<b>20.956</b>	<b>15.026</b>	<b>35.982</b>	<b>26.781</b>
	<b>71.347</b>	<b>46.234</b>	<b>117.581</b>	<b>85.870</b>



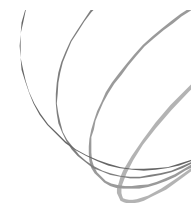
## **EC landfill directive**

69. Article 5(2) of the EC Landfill Directive sets challenging targets to reduce the amount of biodegradable municipal waste going to landfill. The Landfill Allowance Scheme (Scotland) Regulations 2005 prescribe penalties which may be imposed by Scottish Ministers. For 2008/09 and subsequent years this will be £150 per tonne. In addition a supplementary penalty, in proportion to a council's contribution to the national excess, may be imposed if the UK as a whole incurs an EU fine for excess landfill. The current rate of landfill tax is £32 per tonne and this is set to increase to £40 per tonne in 2009. The cost of waste disposal will inevitably increase in the medium term. The council will need to ensure that its own anticipated landfill use is measured in a robust manner consistent with the mechanisms set out in the regulations.

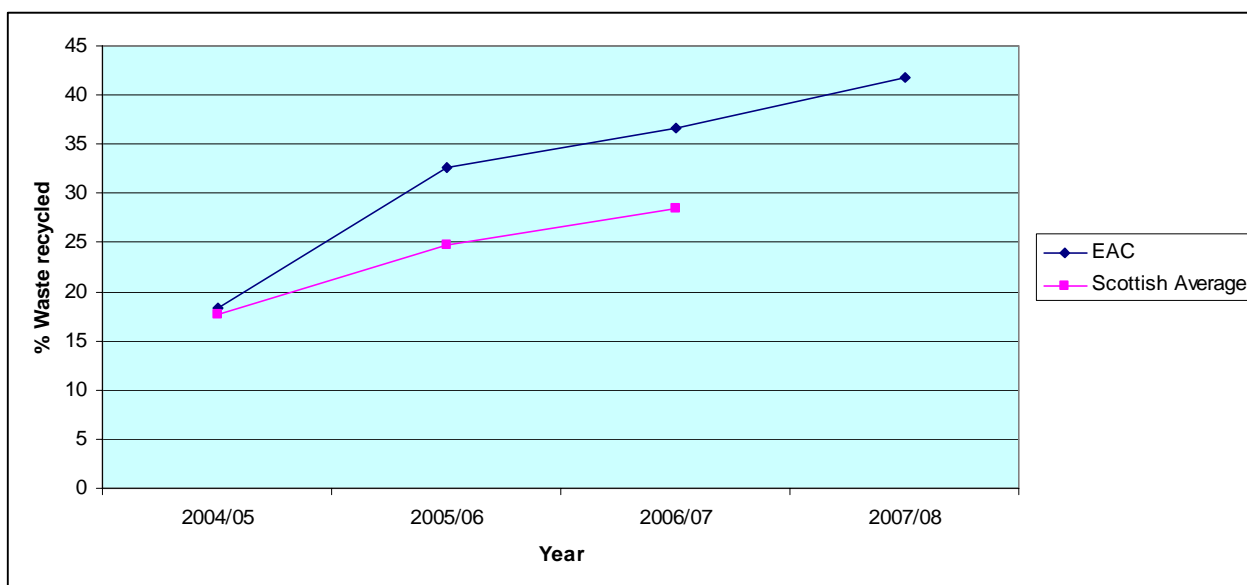
### **Key Risk Area 5**

70. The Scottish Minister for the Environment has the power to waive penalties and he has advised CoSLA that he may be prepared to do this in certain circumstances. Councils which have made genuine efforts to maximise landfill diversion and had not met targets due to circumstances outwith their control may have penalties waived. From 2008/09 onwards Scottish councils will be allowed to trade landfill allowances.

71. The council is aware of the risk of incurring penalties under the Landfill Allowances Scheme (LAS). A significant strand of the council's approach is to encourage recycling and a target of recycling 40% of waste has been set. East Ayrshire Council has made strong progress over the last few years in its efforts to recycle municipal waste and this year has exceeded its target of 40%, chart 2. This provides a strong indicator of how well its landfill diversion measures are working. However, the escalation of the landfill tax rate will inevitably mean increased future costs.



**Chart 2 – East Ayrshire Council percentage of municipal waste recycled 2004/05 – 2007/08**



*Scottish average figure for 2007/08 not yet available.*

72. The council have also commissioned a report from Caledonian University Environment Centre which is to provide recommendations on the future disposal of waste. The council is actively engaging with its neighbouring Ayrshire councils to investigate joint solutions to a common issue

## Pension liabilities

73. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, the estimation process is complex and involves many areas of uncertainty that are the subject of estimates. A recent Audit Scotland report on public sector pension schemes highlighted that the combined funding shortfall and unfunded liabilities of the six local government pension schemes in Scotland may be as high as £53 billion.
74. In accounting for pensions, FRS 17 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in very large future liabilities being recognised in the annual accounts.
75. The council's estimated pension liabilities at 31 March 2008 exceeded its share of the assets in the Strathclyde local government pension scheme fund by £1.883 million, a reduction of some £50.270 million over the 2006/07 figure of £52.153 million. The last actuarial valuation as at 31 March 2005 was reported in April 2006 and calculated the funding level, the ratio of fund assets to past service



liabilities, as 97%. Between the triennial valuations, intervaluation reports are prepared but these have been volatile (31 March 2007 108%, 31 March 2008 89%). Employer contributions (as a ratio of employee contributions) are increasing from 270% in 2007/08 to 280% in 2008/09. The next triennial valuation, as at 31 March 2008, is due to be reported early in 2009 and future employer contribution rates for 2009/10 and the following two financial years will be considered at that time.





# Governance

## Introduction

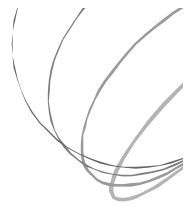
76. In this section we comment on key aspects of the council's governance arrangements during 2007/08. We also provide an outlook on future governance issues, including our views on potential risks.

## Overview of arrangements in 2007/08

77. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. Based on the work undertaken, we concluded that the council had systems in place that operated well within a generally sound control environment.
78. The council has adopted a local code of corporate governance based on the May 2008 CIPFA/SOLACE Code of Practice. A corporate governance assurance statement is included within the annual financial statements and has been signed by the Leader of the Council and the Chief Executive. The statement is based on an assessment by the council of its arrangements against the CIPFA/SOLACE framework, supported by written declarations from Executive Directors and Heads of Service that confirm compliance with their governance responsibilities. The statement concludes that the level of compliance with the code is adequate in all areas and notes that an action plan is in place to direct further improvements.

## Political governance

79. The political context for councils in Scotland changed significantly in 2007, with a new national administration and a shift to more coalition and minority administrations in local government. Nearly half of the councillors elected in May 2007 were new to local government, requiring that councils quickly develop training packages sufficient to allow new members to effectively fulfil their responsibilities. The need for effective member support has been increased in those councils which, like East Ayrshire Council, have opted to move from a functional committee structure to the cabinet model. The cabinet model functions very differently in terms of oversight and all members have therefore been required to develop an understanding of the new procedures.
80. The council monitors the training which its members receive and is on course to develop individual development plans for all members by December 2008.
81. The creation of multi-member wards has required new ways of working to support efficient representation and sharing of the workload. The council has taken the view that protocols to support



the effective working of the new system are best developed as the need arises. To date this approach appears to be working well. The council is investigating case management software which is designed to make it easier for members to manage their responsibilities. This is part of an ongoing review of member support, encompassing reporting arrangements, information access and personal development. However, multi-member wards are still fairly new in Scotland and the practical issues will become clearer as the new arrangements mature.

## **Audit committee**

82. Effective scrutiny is central to good governance. Members have a significant role scrutinising performance, holding management to account on service delivery and supporting the improvement and modernisation agenda. This scrutiny role is the responsibility of the Governance and Scrutiny Committee, which also monitors corporate governance, standards of conduct, performance and best value as well as audit and risk. This range of roles means that the Governance and Scrutiny Committee must be able not only to carry out the conventional audit committee role but also scrutinise performance and hold management to account.
83. We noted in our 2006/07 report that the council's establishment of the Governance and Scrutiny Committee meant that it was fully compliant with the current "Audit Committee Principles in Local Authorities in Scotland" guidance issued by CIPFA. We have reviewed the training provided to members during 2007/08 and note that all members of the committee have been provided with training in their scrutiny role. We were pleased to support this development by providing a presentation to members in February 2008, alongside the council's Internal Audit Service on the role of audit in supporting the committee's activities. The wide ranging responsibilities of committee members requires considerable effort on their part and the council should ensure that they are fully supported with the training and information necessary to manage all aspects of their remit, including consideration of issues arising from audit reports.

## **Internal audit**

84. Internal audit provides an independent appraisal service to management, by reviewing and evaluating the effectiveness of the internal control system. We carry out an annual review of the council's internal audit arrangements against the CIPFA Code of Practice for Internal Audit in Local Government 2006. We found that the function continues to deliver quality work in accordance with a risk based framework. With only minor adjustments to its planned activity, to reflect resourcing demands in year, internal audit were able to deliver the range of planned work.



## Systems of internal control

85. A statement on the system of internal financial control for the council and its group was included within the financial statements. In accordance with the SORP, the statement reflects the internal control environment for the group as a whole. Following receipt of a range of assurances from managers across the council and the Chief Internal Auditor, alongside assurance obtained from associates, the Chief Executive and Executive Head of Finance and Asset Management have concluded that reasonable assurance can be placed on the adequacy and effectiveness of the systems of internal control operated by the council and its group.
86. The statement acknowledges that further work is needed to enhance internal controls in three specific areas:
- the accuracy and charging of repairs and maintenance
  - consistent compliance with council guidance on following the public pound
  - the need to strengthen the control environment in Social Work Services.

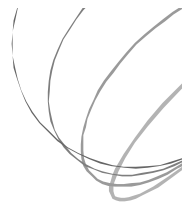
We will monitor progress on these issues as part of our 2008/09 audit.

87. As part of our work to provide an opinion on the annual financial statements we assessed the extent to which we could gain assurance on the council's main financial systems. During 2007/08 we conducted high level reviews of all the council's main financial systems, the significant findings from which were reported to management in June 2008. Specific comment was made in this report on the following main systems:
- budgetary control
  - loans and borrowing
  - rent accounting
  - council tax billing and collection
  - cash and banking

88. Action plans have been agreed in respect of each weakness identified and we will monitor progress as part of our 2008/09 audit work. We did not report any weaknesses in the systems for managing housing rents, and we commended the team for their record in managing rent arrears.
89. We were also able to place reliance for our opinion work on the full systems reviews conducted by internal audit on all aspects of the operation of the non domestic rates and council tax systems.

## Prevention and detection of fraud and irregularities

90. At the corporate level, the council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include an anti-fraud and corruption



policy, introduced during 2007/08, a whistle blowing policy, codes of conduct for elected members and staff, and defined remits for committees and cabinet.

## **NFI in Scotland**

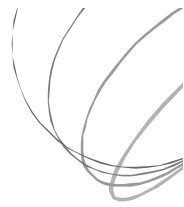
91. During 2007/08, we continued to monitor the council's participation in the 2006/07 national fraud initiative (NFI). This exercise is undertaken as part of the audits of the participating bodies. NFI brings together data from councils, police and fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated significant savings for Scottish public bodies (£9.7 million from the 2006/07 exercise and £37 million including previous exercises). Where fraud or overpayments are not identified in a body, assurances can usually be taken about internal arrangements for preventing and detecting fraud.
92. In our 2006/07 report we reported that the council had made significant progress towards following up referrals although it had concentrated on high quality matches. Some lower quality risk-based matches, where the returns were likely to be small in relation to the effort required had not been examined. The council did not intend to follow up matches in areas where previous work had given adequate assurance. At East Ayrshire Council 26 frauds have been detected and around £100,000 has been identified as savings. The council has now checked most of its high quality matches and a significant proportion of its other matches.
93. Between the 2006/07 and 2008/09 exercises, councils have had the opportunity to pursue an interim set of matches concentrating on information available from the electoral register and the council tax systems. Due to legal concerns, the council has not yet participated in this exercise. These concerns have now been alleviated and the council will now undertake the examination of these matches.

## **Housing and council tax benefits**

94. From April 2008, Audit Scotland took over responsibility for inspecting the housing and council tax benefit functions from the Department for Work and Pensions' Benefit Fraud Inspectorate. A central team is carrying out inspections on a cyclical basis and all councils will be inspected during an 18 month period. Councils will be subject to review based on a risk assessment of benefit performance and processes, which means that the timing of each review will depend on the relative performance of different authorities. The council will be notified of its review date in due course.

## **Data handling and security**

95. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The council shares data with a number of organisations such as the Department for Work and Pensions and other government departments.



Information security is now a service delivery issue where a significant failure of controls could lead to loss of stakeholder confidence and opt out from services, higher compliance costs due to enforcement action, withdrawal of third party services such as payment card processing, legal costs relating to civil litigation and prosecution.

96. We reported on our 2007/08 review of data handling within the council in July 2008 and noted that the council had a number of areas of good practice in respect of its governance arrangements. We also identified four areas where the council was exposed to risk, including the need to formally classify and monitor information in accordance with an overarching information and knowledge strategy.

### **Payment card standards**

97. The Payment Card Industry Data Security Standard (PCI/DSS) was developed by major credit card companies as a guideline to assist organisations that process card payments to prevent credit card fraud, hacking and various other security threats. Any organisation processing, storing or transmitting payment card data must be PCI/DSS compliant or risk losing their ability to process credit card payments. The council is currently investigating the possibility of using a hosted service to ensure full compliance with these requirements and negotiations are underway to identify a suitable supplier.

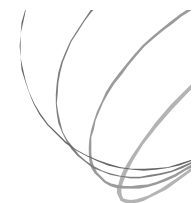
### **Your business @ risk**

98. Your business @ risk (YB@R) is a web-based survey that helps auditors and public sector organisations to focus on the business risks associated with information and communications technology. The survey is part of a portfolio of tools developed by the Audit Commission's Good Conduct and Counter Fraud and IT Knowledge Networks. The Graham Committee report on the Standards of Conduct in Public Life endorsed these tools and recommended that they be used throughout the whole of the public sector.
99. Audit Scotland piloted YB@R in a number of central and local government clients during 2006/07. In the last year work has been done, in conjunction with the Audit Commission, to upgrade the survey for more widespread rollout in Scotland. It is anticipated that this will occur during 2008/09.

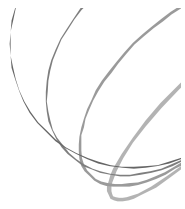
## **Governance outlook**

### **Single outcome agreements**

100. The concordat between the Scottish Government and CoSLA aims to establish a new relationship between national and local government in Scotland. The concordat will determine the level and structure of funding provided to local government over the period 2008/09 to 2010/11. Central to the concordat is the single outcome agreement (SOA) between each council and the Scottish government



101. The council is required to report annually to the Scottish Government on local progress against the SOA. This annual report will include a retrospective element reviewing the year passed, as well as a forward looking element setting out future plans. An action plan has now been produced which sets out the next steps required to March 2009 and we will continue to monitor this area. Further comment in regard to the council's SOA has been made in the Performance section of this report.



# Performance

## Introduction

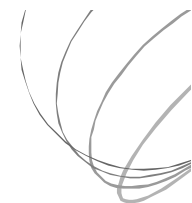
102. In this section we summarise how the council manages its performance. We set out the council's community planning objectives and themes and set out the reported achievement against thematic action plans. We comment on the council's performance as reported through its public performance report, statutory performance indicators and Best Value improvement agenda. We give an outlook on future performance and update the position of the issues identified in our Strategic Audit Risk Analysis (SARA). Finally, we comment on the findings of other inspectorates and Audit Scotland's national performance studies, relating them to the council's position.

## Corporate objectives and priorities

103. East Ayrshire Council has a vision, shared with its community planning partners, which seeks to ensure that East Ayrshire will be a place with strong, vibrant communities where everyone has a good quality of life and access to opportunities, choices and high quality services which are sustainable, accessible and meet people's needs. This statement is the foundation to the council's sovereign planning document, the community plan.

104. The community plan was, and continues to be, developed in conjunction with the council's planning partners and identifies and prioritises what actions need to be taken to achieve its vision, in addition the plan addresses how the council and its partners will achieve their objectives. In order to ensure that the community planning process is consistent, the community plan highlights a number of guiding principles which the council must work towards in order to achieve its goals, these are:

- to promote social justice and social inclusion
- to build sustainability
- to succeed in joint working and involving people
- to ensure quality and accessibility
- to deliver continuous improvement and best value.



105. Underpinning these guiding principles are six thematic action plans each having a number of planned actions and outputs and each contributing to securing the community plan objectives. The themes are:

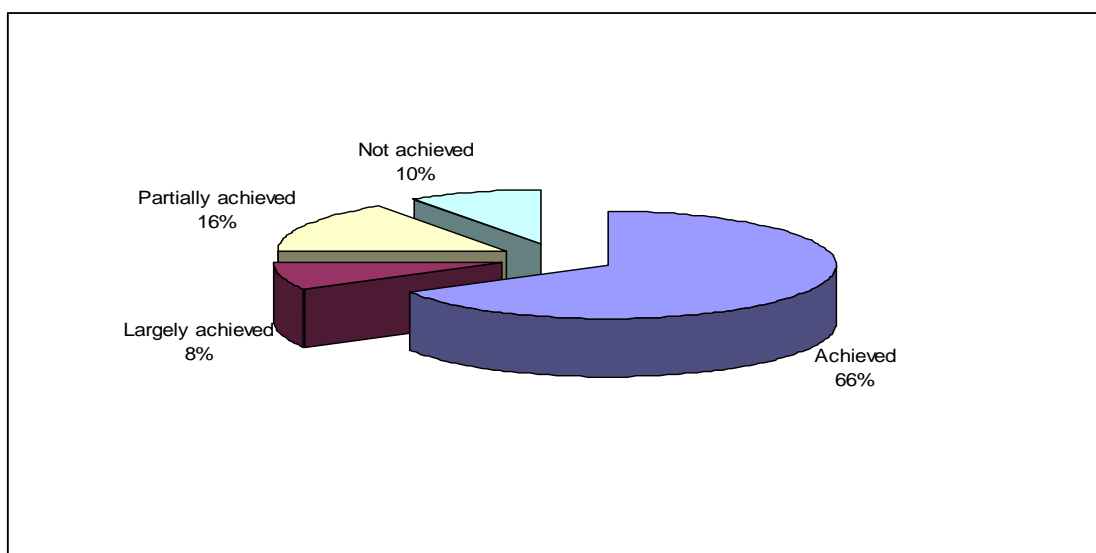
- promoting community learning
- improving health
- improving opportunities
- eliminating poverty
- improving community safety
- improving the environment

106. Measuring the council's progress against the thematic action plans is crucial to the effective management of performance. The council reports its performance annually as part of the annual performance report, and provides a mid term report to cabinet.

107. Performance against the thematic action plans for 2007/08 was reported to the Community Planning Partnership Board in June 2008. Across the six thematic action plans there were 240 planned outputs. Of these outputs the council reported that 160 were fully achieved, 19 largely achieved and a further 38 partially achieved. The remaining 23 outputs had limited progress made against them.

---

**Chart 3 – Community planning outputs achieved 2007/08**







108. The 2007/08 annual performance report highlighted the following as being key achievements in the year:

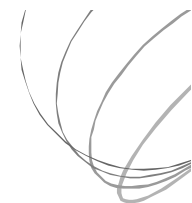
- 67 health, culture, parenting and entrepreneurship courses delivered during the year
- 51 early education and childcare workers completed qualifications in 2007/08
- 20 additional “20’s plenty” zones established
- 14,268 young people participated in sports/physical activities
- 673 successful benefits claims made arising from contacts made by the joint council/DWP benefits team.

## Overview of performance in 2007/08

### Annual public performance report

109. The council’s annual public performance report will be published soon. The report will highlight some of the council’s significant achievements over the previous 12 months. Some of the notable achievements to be reported include:

- The delivery of a number of flagship school developments across East Ayrshire.
- Dumfries House was officially opened to the public in June of this year by HRH The Prince of Wales in a ceremony also attended by the First Minister Alex Salmond. The Prince’s vision for the project is to use the house and surrounding land as a way of encouraging the regeneration of the Cumnock area.
- The CONDUIT programme provides information technology training to long-term unemployed people living in East Ayrshire. 74% of the project’s participants in 2007/08 progressed to employment, whilst 96% of participants achieved an SVQ Level II in administration.
- The risk management centre opened in May 2008 and now monitors all public space close circuit television cameras across East Ayrshire. The system has 49 cameras located not only in the main centres of Kilmarnock and Cumnock, but also in other smaller population centres.
- The Flexible Warden Unit was introduced in September 2007 and allows much greater coverage within the communities of East Ayrshire. This service has been improved further with access to the North Ayrshire mobile CCTV vehicle.
- “Streetsport cages” have now been installed within 22 communities across East Ayrshire. Run in partnership with the council’s Outdoor Services, Anti Social Behaviour Team and the local police, these cages provide outdoor sports facilities that are floodlit until 10.00 p.m each night



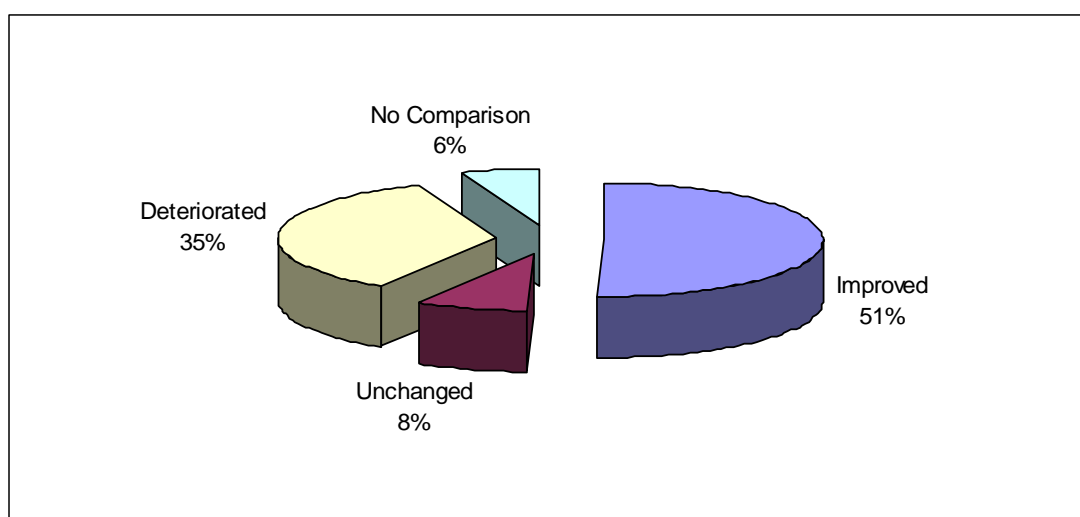
and can be used by young people at no cost. Figures produced by the police indicate a 46% reduction in youth-related calls in the 12 months following the installation of the cages.

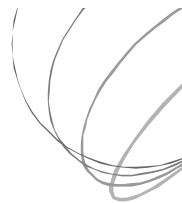
- The latest co-location initiative, the Stewarton Area Centre, was completed during the year. This facility brings together council and police services in the centre of Stewarton.
- The Berryknowe Care Home, which provides modern facilities meeting national care and accessibility standards, opened in May 2008.
- The council completed the 4,500th home to be provided with a grade 'A' gas central heating system. Other energy saving improvements to the housing stock include enhancing loft and wall insulation and draught proofing to doors and windows.

## Statutory performance indicators

110. One of the ways of measuring the council's comparative performance is by using statutory performance indicators (SPIs). Historically, the council has been well placed in national comparisons for a range of indicators, however, it also recognises that for other indicators, such as those for development services, improvements can be made and has placed emphasis in using targets to improve performance in these areas. In 2007/08, the council reported continued improvement and high performance for a proportion of its SPIs and has set itself targets in areas where improvement is required.

Chart 4 – Statutory performance indicators 2007/08





111. Examples of SPIs displaying a sustained improvement trend are:

- the percentage of operational buildings that are suitable for their current use
- the average time taken to process new benefits claims
- the net cost of refuse collection per premise
- current tenant rent arrears as a percentage of the net amount of rent due for the year.

112. Reported performance in 2007/08 has, however, declined in a number of areas, notably:

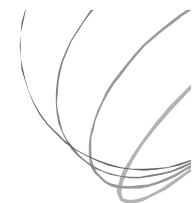
- the cost of collecting council tax per dwelling has increased by £6.55
- the average time to re-let houses which are not low demand has risen by 7 days, from 31 days to 38 days.

113. The percentage of income due from council tax that was received by the end of the financial year remained unchanged at 92.4%.

114. Each year we review the reliability of the council's reported SPIs. The council's Internal Audit Service provided invaluable assistance in completing this task. We were able to conclude that the reported figures were reliable.

## **Best value and community planning audit**

115. The Local Government in Scotland Act 2003 established best value and community planning as statutory duties for local authorities. In response the Accounts Commission introduced new arrangements for the audit of best value based on a full review by a specialist team once every three years. In the intervening years short follow-up reviews are carried out by the local auditor.



116. The Best Value audit of East Ayrshire Council was carried out in 2006 and the findings published in September 2006. Overall conclusions from the audit are set out in table 5.

---

**Table 5 – Extract from East Ayrshire Council Best Value and Community Planning audit report**

*“East Ayrshire Council can demonstrate a clear commitment to Best Value. It is focused on meeting the diverse needs of its communities, and is enthusiastic and innovative in working with a range of partners through Community Planning.*

*The council is characterised by strong and effective leadership from its senior management, which is developing a culture of continuous improvement throughout the organisation.*

*Progress has been made in performance management and other essential elements of Best Value, but further development is required, such as in linking service and budget planning and more balanced reporting on service performance.*

*The available evidence suggests there are good services in community care, housing, finance and education, although attainment levels remain a challenge in many schools. Statutory Performance Indicators (SPIs) could improve in a number of areas. The council also needs to ensure that it encourages a positive approach to challenging and discussing areas in need of improvement”.*

117. As a consequence of the Best Value audit an improvement agenda, underpinned by detailed improvement action plans, was put in place. Annual progress reporting is considered by the Governance and Scrutiny Committee. The improvement plan has been incorporated into the council’s ongoing performance management arrangements.

118. A number of the actions in the improvement plan were identified by the council as part of its own strategic self assessment which preceded the Best Value audit. Officers have reported to council that 54 of the 62 actions had been fully achieved as at 31 July 2008.



119. Whilst the council has largely implemented the priorities set out in its improvement agenda, a number of important actions are still being progressed. Examples include:

- the production of a revised suite of local performance indicators for the implementation of the IT based performance management system
- the development of personal development plan scheme for members
- the rationalisation of the council's repairs service following recommendations of the cross-cutting best value service review of property maintenance.

120. The council's strategy for community-based public services is to work closely with its community planning partners in providing fully integrated public services, co-located in shared premises. The first co-location project, the Dalmellington Area Centre, was recognised nationally as a flagship partnership joint working project. This brought together under one roof, police, health and council services. Since this centre opened in 2001, a further four major co-located projects have become operational throughout the East Ayrshire area. The most recent co-location project, the Stewarton Area Centre, was opened during the year.

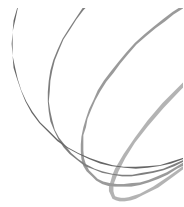
121. The council is committed to further extending this model of shared service provision to other parts of East Ayrshire. Work is also about to commence on a new area centre in Crosshouse. This latest co-location initiative, scheduled for completion in 2009/10, will incorporate a learning centre, community library and local office, and provide accommodation for a range of health professionals including GPs, podiatrists and community health visitors.

## Performance outlook – opportunities and risks

122. In the course of our audit work we identified some strategic risks to East Ayrshire Council delivering on its stated objectives and priorities in the years ahead. These risks were set out in the SARA and grouped into six risk themes. In the following paragraphs, we comment on the progress made by the council during the year and the key risks yet to be fully addressed.

## Political governance

123. The minority SNP administration which was formed after the May 2007 elections has, in common with a number of other Scottish local authorities, introduced a cabinet structure to replace the previous arrangements based around service committees. The cabinet structure invests a number of members with "executive portfolios" based around the community planning themes and with special responsibility for council activity in these areas. The current cabinet has the Leader of the Council acting as spokesperson for Community Planning and Equalities, while two members have joint responsibility for each of the remaining portfolios, Lifelong Learning, Management and Resources,



Environment and Regeneration and Community Wellbeing. The Leader of the Opposition is also a member of the cabinet. Further comment is made on these developments in the governance section of this report.

## **Community planning and partnership working**

124. East Ayrshire Council has clearly signalled its commitment to a shared vision by its decision to adopt the community plan as its strategic plan, with no need for a separate corporate plan. The council believe that it not only reinforces its commitment to partnership working but also gives other benefits, including clarity of purpose across the council and a common framework for coordinated action.
125. The key development in community planning during 2007/08 was the requirement to agree a Single Outcome Agreement (SOA) with the Scottish Government by 30 June 2008. Due to the strategic importance of the community plan, community planning partners took the decision to develop a Community Planning Partnership Single Outcome Agreement by June 2008 – one year ahead of schedule. The SOA and its development was considered routinely by cabinet during its preparation and was endorsed by the Community Planning Partnership (CPP) Board on 26 June, prior to submission to the Scottish Government on 27 June.
126. East Ayrshire Community Planning Partnership's SOA for 2008-2011 links strategically to the East Ayrshire community plan and the priorities, measures and targets contained within it were drawn from the community planning thematic action plans, partner agencies' key strategic priorities and current reporting requirements for example, SPIs and HEAT targets. The intention is to build on existing strategic and performance monitoring arrangements as the transition is made to the SOA process.
127. The SOA links strategically to the community plan therefore existing planning and budgeting cycles have been used. The specific 'commitments' set out within the 2007 Concordat are currently being costed and considered by the council. The response to these commitments, as they relate to East Ayrshire, will be built into the SOA over the coming year.
128. As a result of a review of consultation and engagement, the council and its community planning partners agreed to establish four new Local Community Planning Forums. These were inaugurated on 1 April 2008. To shape the overall development of the forums and inform the agenda for individual forums a two day "Working Together, Learning Together" event was held in early April and an annual plan agreed.



## Performance management

129. The council undertook a strategic self-assessment as part of its preparations for the 2006 Best Value audit. This exercise identified a number of key areas for improvement and the council prepared detailed action plans to address these. In the action plan the Chief Executive highlighted a number of specific priority areas, including:

- integrating service and budget planning processes
- linking customer feedback to improvement and public performance reporting
- improving management information on staffing resources and staff views
- introducing personal development and appraisal for directors
- increasing the use of comparative analysis
- standardising performance reporting across the council through an annual consolidated system.

130. The Best Value report of September 2006 recognised that much had already been done, noting that:

*“The council’s system for measuring and monitoring its business is based on many sound elements of performance management. The council recognises the need to consolidate and streamline its approach, and this should result in more consistent links between the different parts of the system and improved scrutiny of performance by members.”*

131. The corporate management team concluded that in order to fully meet its objectives, performance management software that would allow the development and implementation of a customised web-based performance management framework was needed. It was also determined that this would be delivered under a formal project management discipline. The detailed procurement process has recently been concluded and the contract awarded to CorVu Ltd., a company with extensive experience in this field within both the public and private sectors. This electronic framework will eventually manage all council and community planning performance information.

132. The council is about to enter the design/implementation phase of the project. This process will involve concluding the reviews that are being carried out across council services on local performance indicators; preparing a server to host the software; agreeing the prioritisation for the uploading of performance information; arranging appropriate access to the system for community planning partners; and, agreeing an overall implementation plan with the dedicated project manager appointed by CorVu Ltd. It has already been agreed that the council's SOA and the performance review template for Executive Directors will provide an early source for populating the system. It is anticipated that the system, with the initial performance data and early reporting structures, will 'go live' in 2009/10.



## Financial Planning

133. Financial planning is key to the continued provision of effective front line services against a backdrop of economic uncertainty and changing demographics. Service planning must take account of all future developments and cost pressures whilst ensuring that the people, communities and businesses continue to receive an appropriate level of service.

134. Evidence gathered from our Priority and Risk Framework (PRF) review and our audit of the 2007/08 financial statements has established that East Ayrshire Council have made significant progress in mitigating the risks in this area including:

- strategic review of the revenue budget
- a review of ring fenced funding
- proposed review of earmarked reserve balances
- progress in the development of a corporate asset management system.

135. The current budgetary position for Social Work Services is a projected overspend of some £1.432 million. The main areas of pressure are home care services, adult care packages, elderly care and foster care. Potentially the budget will have to be supplemented, using uncommitted balances, to provide the necessary resources. The cabinet established a sustainability board, led by the Executive Director of Education and Social Services, which reports to the Chief Executive. The board, on which the Executive Head of Finance and Asset Management also sits, is tasked with realigning resources to ensure the longer term sustainability of the Social Work Services budget.

### Key Risk Area 6

## Workforce Planning

136. The council recognises that its most important asset is its people, that providing them with the right skills through training and development is key to delivering its long term plans and that workforce planning has a central role to play in delivering improved services.

137. A workforce planning template has now been prepared and approved by cabinet. The intention is to use the template to draw together existing arrangements into a comprehensive corporate planning tool. The template builds on workforce planning elements already included within individual service plans will be aligned with the budget setting process.

138. Each service will be required to prepare annually a consolidated workforce plan which will feed into the setting of annual service plans and budgets. It is anticipated that the council's corporate workforce





strategy will be fully embedded into departmental service plans and budgets by 31 March 2009 to allow incorporation into budget cycles for 2009/10 and beyond.

## **Procuring and managing assets**

139. The council needs facilities and infrastructure that are suitable and sufficient to meet the requirements placed on them in the provision of services and the delivery of council objectives, both now and in the future. The council has made progress in the implementation of its corporate asset management strategy. An asset management database has been developed and work has started to gather the necessary technical data to populate it. A new asset manager has been appointed and staff were transferred from Corporate Finance to the Asset Management Service during the year. Cabinet approved a five year capital investment strategy in December 2007.

140. The council's Procurement Section is now within the Administration and Legal Service and provides advice and practical support to all council departments in any matters relating to the procurement of goods, services and works, ensuring that the council complies with all relevant UK and European legislative requirements.

141. Improvements in procurement are also part of the improvement agenda. The council is obliged to achieve efficiencies through the application of modern procurement/purchasing methods, including e-procurement and more effective use of consortia arrangements. In response to the agenda the council has:

- progressed the roll out of the PECOS system
- signed up to Scotland Excel for an initial three year period.

## **Reports by other inspection agencies**

### **Report by the Scottish Housing Regulator**

142. In 2007/08, the Scottish Housing Regulator, on behalf of Scottish Ministers, carried out a review of the effectiveness of housing service delivery at East Ayrshire Council. Their report, which was issued in April 2008, focused on two main areas; how good are the services inspected and how well services are managed for improvement. Inspection grades of A – D are awarded for housing management, asset management and repairs, and services to homeless people. Overall, the council received a positive report, however, a number of areas were identified as having the potential for improvement.

143. Services to homeless people fell behind housing management, asset management and repairs by being awarded a C grade (fair). Weaknesses included the fact that emergency accommodation is not always available to people presenting out of hours, there is no formal protocol for referral to independent advice providers and the assessment process was found to be weak. It was noted that



the homeless service has not developed performance management as effectively as the rest of the housing service. The report states however that the council is quick to interview people identified as homeless, and that those people are offered the same choices as other applicants when applying for permanent housing.

144. Other issues identified within the report include the fact that the council was not carrying out gas safety checks in accordance with the legislative timetable, nor was it fully compliant with the “Right to Repair” legislation. However, the report also noted that the council’s remedial action plan implemented in September 2007 had improved performance and 97% of safety checks are now completed within 12 months. Robust arrangements are now in place to secure entry to premises, through court action where necessary, to achieve full compliance. A recommendation was made regarding the council’s approach to cancelling and suspending housing applications and action has been taken to improve information to applicants and guidance for staff. The report recognised that the council provides social housing a large number of people and that the service is widely accessible through a variety of means. Consultation with tenants over issues such as repairs, has led to increased tenant satisfaction and tenants are reported to be satisfied with their neighbourhoods.

### **Joint inspection of services to protect children and young people**

145. Her Majesty’s Inspectorate of Education (HMIe) issued its final report on the joint inspection of services to protect children and young people in East Ayrshire in January 2008. The inspection covered the range of services and staff involved in the protection of children. The findings of the report are based on a sample of cases and do not claim to assure the quality of service provided to every single child.
146. The inspection evaluated services provided by the council, NHS Ayrshire and Arran, Strathclyde Police and the Scottish Children’s Reporter’s Administration. Of the 18 quality indicators used by inspectors, 13 were assessed as good, very good or excellent, four were deemed to be adequate and one indicator was identified as weak. Following the inspection, the partner agencies have developed and are implementing an action plan which addresses the points raised by inspectors. This includes improving the time taken to complete an assessment, a review of the duty system in social work to ensure telephone referrals are promptly actioned and intervening earlier, particularly in cases of domestic abuse and pre-birth issues.
147. The report recognises that the council’s vision, values and aims for protecting young people are shared across all agencies, and strongly influence the work of all involved in child protection. Planning processes are clearly linked to the community plan; staff treat the plan as a working document and are keen to identify their role within it, thereby promoting ownership of work and unity between services. Public awareness of the safety and protection of young people is very good and children are reported to be aware of strategies to keep themselves safe. An action plan is being



prepared to address the key findings of the report and this will be incorporated into the business planning process for the Child Protection Committee, which will become the focus of work in 2008/09.

## **Social Work Inspection Agency (SWIA)**

148. SWIA will carry out an inspection of the council's social work services during 2008/09. We will report the findings in our report for 2008/09.

## **National studies**

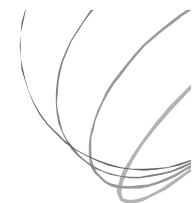
149. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council are described below. Further information on these studies and copies of the reports can be obtained from Audit Scotland's web page at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## **Sustainable waste management**

150. Collecting municipal waste is a vital and universal service. In recent years significant new investment has been made to reduce the amount of waste sent to landfill. Our national report on sustainable waste management, published in September 2007, highlighted that:

- Significant progress has been made in meeting interim recycling targets, but the rate varies considerably between councils. The percentage of municipal waste recycled and composted increased from 7% in 2001/2 to 25% in 2005/6. Co-mingled collections appear to achieve higher recycling rates.
- There has been slow progress in developing facilities to treat residual waste and there is a significant risk that EU landfill directive targets might not be met.
- Increased recycling has led to increased costs for councils.
- All parties need to work more effectively together to make progress in waste minimisation, recycling and waste.

151. East Ayrshire Council have made significant improvements in recycling and composting with the report highlighting that the rates were the sixth and eighth highest amongst Scottish local authorities. In addition 67.3% of municipal waste has been disposed of in landfill sites – the ninth lowest rate in Scotland and better than the average figure of 69%. Further progress has been noted in 2007/08 and we have commented further on this in the financial position section of this report under the EC Landfill Directive.



**Table 6 – Case study – Delivering sustainable waste management in East Ayrshire Council**

*“In East Ayrshire, our recycling performance continues to go from strength to strength. In 2007/08 we recycled 41.8% of our waste, a 5% increase on our figure from 2006/07. This places us as one of the leading recycling authorities in Scotland, a position which we are keen to hold on to. So, how have we achieved this increase?”*

*The redeveloped and expanded Recycling Centre at Western Road, Kilmarnock was officially opened earlier this year by Mike Russell MSP, Minister for the Environment. This new facility has extended the range of materials accepted for recycling and has improved access for members of the public. The range of materials accepted for recycling has also been extended at the Council's Recycling Centre at Garlaff, Cumnock. Both Centres now accept items including mobile phones, cooking oil, household batteries and all types of electrical and electronic goods.*

*In response to householder demand, we are constantly reviewing the location of plastic skips throughout the area. These are now in place at 15 of our local Recycling Points. Our major supermarket sites now have plastic skips in place and a new Recycling Point has recently been opened within the Nurseries Direct car park at Stair. Last year we collected 127 tonnes of plastics from these sites.*

*Perhaps the most innovative of our recycling initiatives is the householder cooking oil recycling scheme which was launched in October 2007. This scheme provides residents with the opportunity to exchange used cooking oil for money off travel vouchers which can then be used on Stagecoach bus services within the Kilmarnock area. The cooking oil is then used to power the distinctive green Bio Buses which are powered by biodiesel made entirely from by-products from the food industry.”*

**East Ayrshire Council public performance report 2007/08**

152. Developments in recycling, composting and disposal methods have come at a cost, with the average cost for refuse disposal, per household, increasing from £58.61 in 2004/05 to £78.91 in 2007/08. This is amongst the highest cost per household in the council's peer group.



## Free personal and nursing care

153. Since July 2002, all councils have had systems in place to deliver free personal and nursing care (FPNC). People of all ages living in care homes are entitled to free nursing care and people over 65, living in any setting, are entitled to free personal and nursing care. Our national report about the financial implications of FPNC, published in September 2007, found that:

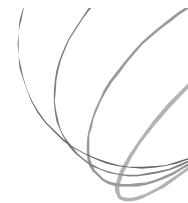
- Councils have interpreted the legislation and guidance relating to food preparation differently across Scotland.
- Councils should improve their information systems to enable them to collect comprehensive and accurate information on FPNC and other aspects of care and support services.
- Councils should provide clear information to older people on what is covered by FPNC.
- Councils should work with local health partners to evaluate the longer term consequences of reducing domestic homecare services.

154. East Ayrshire Council has not, so far, operated a waiting list in relation to FPNC. The council provides information to all service users on what is covered by FPNC, any eligibility criteria in place and how to access this. The full range of information provision to older people is currently being reviewed to ensure clarity around eligibility and access to support available. The council reviews care at home support services as part of the “shifting the balance of care” with health partners. East Ayrshire Council exhibits very low levels of domestic homecare services and a high percentage of intensive home care packages in line with Scottish Government targets.

## Scotland’s school estate

155. A major programme of school building renewal started at the end of the 1990s and is continuing today. The programme aims to create a school estate that achieves the government’s vision for 21<sup>st</sup> century schools that are well designed, well built and well managed. Our national study reviewed what has been achieved so far, how much it is costing, how effective the improvements are and how well the Scottish Government and councils are working together to manage improvements to the schools estate. One of the main conclusions of our report, published in March 2008, is that the current rate of progress will take up to 20 years to remove all schools from poor or bad condition. The report recommends actions for the Scottish Government and councils to help improve arrangements and support future achievements. These include:

- Better planning by councils and the Scottish Government to set specific, measurable and meaningful targets for the school estate strategy.



- Greater use of the Scottish Government guidance by councils to make sure future school design strikes a good balance for the comfort of everyone who uses the building.
- Making environmental sustainability a key element of school design.
- Doing more to identify and share good (and bad) practice in school design and estate management.
- Estimating pupil rolls for at least ten years ahead with a minimum annual review.

156. East Ayrshire Council's "Vision for the School Estate" commits the council to ensuring "the delivery of a modern curriculum in school buildings that are suitable for purpose". In keeping with this vision, the council has continued to develop educational facilities in the area through both the use of its own capital programme and through investment in the schools public private partnership (PPP).

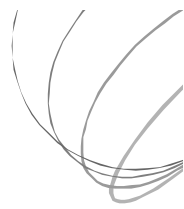
157. Traditionally financed projects completed during 2007/08 included a new build for Galston Primary and Nursery School and an extension for Dunlop Primary School. Both projects have finished and the schools were fully operational for the new school year. In addition, the Council's £74 million PPP schools programme has now been completed. This has seen the opening of a major new nursery, primary and secondary school campus at St Joseph's in Kilmarnock and new primaries in Shortlees and Mauchline, Contractor delay has meant that the remaining primary, secondary and special school campus at Grange Academy in Kilmarnock was not handed over, as planned, in time for the 2008/09 school session. Handover took place in September 2008.

158. During 2007 the council conducted an extensive review of its school estate with a view to securing the best use of resources to improve accommodation for learning and teaching. This culminated in a significant exercise involving six school rationalisation projects. The council went to great lengths to engage with communities. Parents and communities engaged with the consultation process resulting in some changes to the original plans and an undertaking to explore further options for at least one primary school.

## **Overview of sport in Scotland**

159. Public bodies spend on average £558 million a year on sport in Scotland. Councils are responsible for 90% of this expenditure. Most of the money is spent on providing and maintaining facilities as well as programmes to encourage participation and support individual athletes. Our national report, published in April 2008, found that:

- The provision of sports facilities and other services is fragmented, with no clear links between the government's national strategy for sport and councils' investment. The development of single outcome agreements is an opportunity to clarify and align the links between national and local strategies.



- The level of participation and funding in sport has been declining and participation by younger people falls short of targets.
- **sportscotland** estimates that an additional £110 million a year is needed for the next 25 years to bring sports facilities up to an acceptable standard.
- Arrangements to deliver the 2014 Commonwealth Games are still being developed. These will be critical in ensuring the success of the games and safeguarding the large sums of public money that will be invested.

160. East Ayrshire Council is currently preparing a new leisure and cultural strategy. The consultation period starts on 6 October 2008. The new strategy encompasses linkages with national strategy and the Commonwealth Games in Glasgow in 2014. Leisure Services will also be undergoing a best value service review later this year which will also take into consideration aspects of national strategy.

161. The geography of East Ayrshire dictates, to a large degree, the scale of provision and type of facilities, many of which are small scale, community facilities. In the Kilmarnock area provision is more varied with more modern facilities coming on stream from the new PPP schools at St Joseph's and Grange campuses. In addition, new athletics track facilities are proposed for Kilmarnock. The **sportscotland** facilities planning model has identified further need of new facilities for the Stewarton area and a new sportshall/gym/all-weather pitch complex is planned.

162. The council has incurred considerable capital expenditure either designing into new schools, undertaking refurbishments of existing facilities or providing new facilities, for example "street sportcages".

163. While the council's strategy, with respect to the Glasgow 2014 Commonwealth Games, has still to be fully developed it recognises that there will be an increased interest in sport on the lead up to the games. The council is developing a strategy for the support of talented athletes in its area.

164. East Ayrshire Council participates, with its community planning partners, in **sportscotland's** "Active Schools" programme. A new three year partnership has recently been agreed which outlines the basis for **sportscotland's** investment in East Ayrshire and incorporates staffing structures and investment profiles for 2008-20011.



# Final Remarks

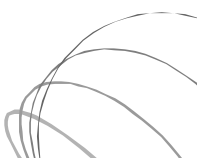
165. We have made a number of recommendations in the various reports we have issued during the course of the year and have obtained assurances from officials that action will be taken as appropriate.

166. Attached to this report is an action plan setting out the key risks identified by the audit which we are highlighting for the attention of members. In response, officers have considered the issues and have agreed to take the specific steps set out in the column headed 'planned management action'. On occasion, officers may choose to accept the risk and take no action. Alternatively, there may be no further action that can be taken to minimise the risk. Where appropriate, the action plan clearly sets out management's response to the identified risks.

167. Appropriate mechanisms should be considered and agreed by members for monitoring the effectiveness of planned action by officers. We will review the operation of the agreed mechanism as part of the 2008/09 audit.

168. The co-operation and assistance given to us by the East Ayrshire Council members, officers and staff during the year is gratefully acknowledged.

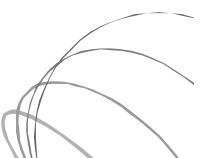




# Appendix A: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	2007/08 SARA Ref	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1.	15	n/a	<p><b>Common good fund assets</b></p> <p>The existence of common good fund assets is uncertain.  <b>Risk: Assets inadvertently disposed off. Challenge by local residents.</b></p>	A review of the asset register will be carried out to ensure that all common good assets are appropriately accounted for.	Financial Controller	31 May 2008
2.	40	n/a	<p><b>Building and works STO repairs charges</b></p> <p>The STO generates over half of its surplus from the HRA.  <b>Risk: Rents are perceived to be unfairly set to subsidise the general fund.</b></p>	The cabinet has agreed changes to the arrangements for property maintenance which will see building and works being declassified as an STO and instead becoming part of the Housing Service.	Executive Director of Neighbourhood Services	1 Oct 2009
3.	46	9	<p><b>Earmarked reserves</b></p> <p>£26.630 million of the general fund balance is earmarked as being already allocated for use in future years. This is a consequence of the facility which allows budget holders to carry forward "managed" savings to the next financial year.  <b>Risk: Unless properly controlled, services may use this facility for the carry forward of unspent budget.</b></p>	The cabinet will review all earmarked balances on an annual basis.	Executive Head of Finance and Asset Management	30 Nov 2008



Action Point		Refer Para No	2007/08 SARA Ref	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4.	65	14	<p><b>Equal pay/single status</b></p> <p>The full implications of the recent English court case are unknown. There are a number of claims pending and latent.</p> <p><b>Risk: Liabilities could be substantial.</b></p>	<p>The position will be monitored including the legal and financial implications.</p>	<p>Head of Human Resources</p>	<p>31 May 2008</p>	
5.	69	12	<p><b>Waste management</b></p> <p>Landfill tax will increase by a further £8 per tonne next year. A penalty regime for excess landfill tonnage is in place.</p> <p><b>Risk: The council will face increasing costs from both landfill taxes and penalties.</b></p>	<p>Alternatives to landfill are being investigated in conjunction with neighbouring authorities.</p>	<p>Executive Director of Neighbourhood Services</p>	<p>31 Mar 2010</p>	
6.	135	n/a	<p><b>Social Work Services expenditure</b></p> <p>Social Work Services will overspend its original budget in 2008/09. The service faces significant challenges in respect of elderly and children's care costs.</p> <p><b>Risk: Present levels of service are not sustainable.</b></p>	<p>The cabinet has established a budget sustainability board headed by the Executive Director of Educational and Social Services to prepare and present a plan in advance of the 2009/10 budget.</p>	<p>Executive Director of Educational and Social Services</p>	<p>31 Dec 2008</p>	