

Best Value

Moray Council



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
March 2024

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Key facts

	864	Square miles
	96,410	Population
	3,800	Workforce (FTE)
	26	Elected members 9 Conservative, 1 Conservative non-aligned, 9 SNP, 3 Labour, 3 Independent and 1 Green (minority Conservative administration)
	£31m	Savings required by 2025/26 (Cumulative funding gap of £31 million projected for the period 2023–26)
	£258.2m	Net revenue budget 2022/23
	£43.4m	Capital budget 2022/23

Commission findings

- 1** The Commission welcomes and endorses the Controller of Audit's report on Best Value in Moray Council.
- 2** We note that the council has received six Best Value reports since 2006. These reports have consistently highlighted that while the council has made improvements, the pace of progress has not been fast enough.
- 3** Despite this extended series of reports, the council still needs to accelerate the pace of change to deliver the significant progress needed to demonstrate Best Value for its citizens. Our specific findings that follow are therefore focused on supporting the council to make the necessary improvements.
- 4** The Commission is extremely concerned by the council's reliance on unidentified savings to deal with its significant forecasted budget gap, and agrees with the Controller that the continued use of useable reserves is not sustainable.
- 5** To bridge its budget gap and ensure its financial sustainability, the council must accelerate the pace and ambition of its transformation plans, and most importantly it must show clear, sustained evidence of this transformation. We therefore expect the council's Improvement Modernisation Programme to set out clear deliverables, deadlines and lines of accountability. In doing so the council must ensure strong financial management and put in place arrangements to ensure the accuracy of its forecasting and its in-year budget monitoring.
- 6** The council has an ambitious capital plan, much of which is planned to be financed through loans. We are surprised that capital and revenue plans are not more clearly integrated, especially given the revenue implications of the high level of borrowing planned, and this should be done as a matter of urgency. The council should also demonstrate how it intends to prioritise its capital investment in line with the council plan.
- 7** At the time of considering the Controller's report in March 2024, the council still had not published its annual performance report for 2022/23, and is therefore not meeting its statutory requirement to publish this information in a timely manner. While the council has an effective approach to reporting service performance,

it must make improvements in the timeliness of overall performance reporting and urgently finalise its approach to self-evaluation. We expect the council to set out a timeline to deliver these improvements. This will enable the council to promptly address areas of poor performance relative to other councils.

- 8** We acknowledge long-standing issues with recruiting senior staff, particularly in finance as well as in the leadership of its transformation programme. As a result of these issues, the Commission has real concerns about the capacity of the council to make the step change that is needed to deliver its transformation plans at the scale and pace required whilst also maintaining and improving everyday service delivery. The council therefore needs to demonstrate how it will close this capacity gap.
 - 9** Linked to this, the council has long-standing issues related to a lack of effective cross-party working, highlighted in previous Best Value reports, and this continues to be a strong concern expressed in the Annual Audit Report (particularly regarding the Audit, Risk and Scrutiny Committee) and the Controller's report. We are therefore pleased to see that the council has sought external support and strongly encourage the continued use of this support, particularly in light of the forthcoming retirement of the Chief Executive. Further, we are pleased to note that the council's recent Budget for 2024/25 was agreed on a cross-party basis, and hope that these encouraging signs continue.
 - 10** The way in which public audit operates means that, inevitably, there can be time lags between audit work being completed and reports coming to the Commission. In Moray's case, it appears to the Commission that, since the Annual Audit Report was completed, some positive steps have been taken, though these steps have not yet been subject to audit. We note that the council intends to bring its improvement actions together in a Best Value action plan, by April 2024. It will be important for this plan to consider the issues highlighted in this and previous reports to demonstrate sustained pace and momentum.
 - 11** The actions identified from the audit will be followed up in future annual audit reports to the council, and the Commission asks the Controller of Audit to monitor the council's progress and report back to the Commission with any concerns if she deems it necessary.
 - 12** We also look forward to our forthcoming meeting with the council, which we undertake following all reports on Best Value, where we will be looking to discuss all of the Commission's findings, in particular around effective political leadership and the council's Best Value action plan.
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Controller of Audit report

1. This report is made by the Controller of Audit to the Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973. It is based on evidence collected in the 2022/23 annual audit which reported in October 2023. [Appendix 1](#) includes the 2022/23 Annual Audit Report (AAR), and [Appendix 2](#) includes a link to the Best Value Statutory Guidance. The reporting of Best Value is now undertaken through the annual audit at each council and includes detailed work each year focusing on a Scotland-wide theme. The theme this year concerns councils' leadership of the development of new local strategic priorities.

2. The Best Value Assurance Report (BVAR) for Moray Council published in August 2020 highlighted that the council has received six Best Value reports since 2006 which have consistently highlighted that, while there have been improvements, the pace of progress has been slow. The Commission considered a progress report in 2022 and concluded that they were encouraged by the steps the council had taken but were concerned about whether momentum would be maintained.

3. My report highlights that the council continues to face challenges in demonstrating Best Value. [Appendix 3](#) shows a timeline of Best Value audit activity at Moray Council; while [Appendix 4](#) provides a summary of progress reported in the 2022 progress report and 2022/23 AAR against the recommendations made in the 2020 BVAR. Important aspects of Best Value raised in previous reports continue to be issues the council needs to prioritise.

4. The AAR noted that, as at October 2023, the council had not yet approved its new Corporate Plan. The council is now due to consider its revised Corporate Plan at its full council meeting in February 2024.

5. The council has a finely balanced political leadership position and there have been changes in leadership and elected members since the local government election in 2022. Decision-making appears to be time consuming and challenging due to a lack of effective cross-party working. This, alongside emerging national issues such as the Verity House Agreement and the challenging financial position, have contributed to the delay in agreeing the Corporate Plan.

6. Auditors identified in the AAR that there was some confusion within the Audit Risk and Scrutiny Committee on its remit, with often lengthy discussions on what issues should be escalated rather than the issue at hand. The council has used external support to develop its collaborative leadership, scrutiny, and improve member and officer working

relationships including the introduction of a Strategic Leadership Forum. This is an area auditors will keep under close review.

The council should ensure that members work effectively together to act on key decisions in an effective and efficient manner.

The council should ensure all Audit and Scrutiny Committee members are clear on their remit.

7. The council engages well with citizens and communities. The auditors found the council's community engagement work to inform the new Corporate Plan to be an area of strength. The council has undertaken a consultation exercise for the 2024/25 budget asking citizens to consider strategic priorities. It has also involved local communities in smaller-scale participatory budgeting exercises, a recent example being the refurbishment of a community playpark. These amount to some 0.26 per cent of council expenditure, below the Scottish Government target of one per cent.

The council should undertake further consultation and engagement to ensure local communities are more involved in participatory budgeting.

8. The council reports performance and progress internally through its service committees, and it reports progress on its corporate plan annually to full council. It is updating its corporate delivery framework to align with its draft Corporate Plan. It is therefore too early to assess its effectiveness in demonstrating progress toward the new priorities.

9. The council has undertaken some self-evaluation exercises, including community learning and development. The AAR noted the council lacked an established approach to corporate self-evaluation. It had previously adopted the Public Sector Improvement Framework self-evaluation approach but suspended its use due to the Covid-19 pandemic in 2020, and it has not applied this since. The council is currently developing an approach to corporate self-evaluation.

The council needs to finalise the performance and delivery framework for its new Corporate Plan. It should implement annual self-evaluation to identify strengths as well as areas for improvement.

10. The council's annual performance reporting is not done in a timely manner. It has yet to publish its annual performance report for 2022/23. The last annual performance report to Audit and Scrutiny Committee was for 2020/21 Local Government Benchmarking Framework (LGBF) data in February 2023.

The council needs to report performance in a more timely manner.

11. Auditors' analysis of the most recent LGBF data shows a declining picture of service performance relative to other councils. In 2022/23, 47 per cent of performance indicators were in the upper two quartiles of performance, compared to 54 per cent in the relevant 'base years' for these indicators.¹

12. The council has financial, workforce and asset plans that align with the priorities in its current Corporate Plan. The digital strategy and plan were approved by the council's Corporate Committee in August 2023. The medium-term financial plan (MTFP) currently extends to 2025/26 and the council is looking to extend this further to capture a longer time frame. The council revises its MTFP three times a year, taking into account budget setting and its use of reserves.

13. A report to council in January 2024 identified a £31 million cumulative budget gap over the three-year period covered by the MTFP to 2025/26 after using £17.2 million of reserves. The council plans to bridge its budget gap, primarily from savings from 2024/25 onward. It has identified that it must make £20 million of savings in 2024/25 of which only £6.5 million are currently identified. The continued use of earmarked reserves to bridge the budget gap is not sustainable beyond the short term unless the council identifies savings at pace.

14. The council approved its Improvement and Modernisation Programme (IMP) in December 2018. This is integral to it delivering the savings component of its budget gap and achieving sustainable transformation in line with its 'Council of the Future' ambitions.

15. The IMP incorporates digital, service restructure, asset and other transformation projects. The council has delivered its projected £2.3 million savings from the IMP and other transformation schemes up to 2022/23. It has also projected future savings of £2.4 million over the life of identified projects.

16. The council needs to increase its pace of change to achieve the required future savings. In November 2023, a report to Corporate Committee noted that eight of the 14 active projects within the IMP and

¹ The LGBF covers over 100 indicators and base years range from 2007 to 2019 depending upon when each indicator was introduced.

transformation programme were off target. Some £13.5 million of savings are still required to be identified to bridge the 2024/25 budget gap. The council recognises this as a priority. It is developing a programme of further transformation and intends to report this in April 2024. The auditors will follow-up on progress through their annual audit work.

The council needs to increase its pace of transformation and identify savings to ensure its financial sustainability.

17. The AAR noted that the council has an ambitious capital plan with £501 million total expenditure between 2023/24 and 2032/33, of which £400.5 million (80 per cent) is planned to be financed through loans. This level of borrowing has significant revenue implications for the council in an already challenging financial climate. In January 2024, the council scaled back its ten-year capital plan to £351.4m expenditure, with £272.2 million to be financed from a similar proportion of borrowing, equivalent to 77 per cent. The council plans to offset this borrowing to a significant degree with external funding including Learning Estate Investment Programme funding.

The council should keep the affordability of its capital plan and related revenue implications under review.

18. There have been recurring underspends in the council's capital programme. These have increased in the past five years from a 12 per cent underspend to a 35 per cent underspend. These are in part attributable to the Covid-19 pandemic and to council decisions to manage and reduce its capital spend. Capital underspends can result in additional costs to the revenue budget through extending the council's borrowing requirement over time.

The council should continue to monitor any slippage of the capital plan.

19. The AAR highlighted that the council also has a history of underspend against its revenue budget and its forecasted year end position. In 2021/22, it returned a £6.8 million underspend; and in 2022/23 a £17 million underspend. Allowing for one-off savings and additional income this amounts to only a two per cent variation in outturn for 2022/23. Inaccurate forecasting can impact on decisions taken by members on the allocation of financial resources to deliver council priorities.

The council should review its forecasting process to ensure the most accurate projections.

20. The draft council priorities and the Local Outcomes Improvement Plan clearly reflect issues of inequality, including child poverty and supporting vulnerable members of the community. The council uses equality impact assessments to consider the risks and implications of its decisions.

21. The current 2019-2024 Corporate Plan references the councils aims to protect and sustain the environment. The council declared a climate change emergency in June 2019. In 2020 it introduced its Climate Change Strategy and action plan with the aim of becoming carbon neutral by 2030. These, together with the Local Development Plan, are designed to provide a coordinated local response to the expected challenges of climate change. The delivery of this target remains challenging.

22. Previous Best Value reporting has highlighted capacity and skills pressures with some recruitment challenges in key posts. This remains a challenging issue for the council and it should continue to review its capacity to deliver on its priorities.

Appendix 1.

2022/23 Annual Audit Report

This report summarises the findings from the 2022/23 annual audit of Moray Council.

This Annual Audit Report comprises:

- significant matters arising from the audit of the council's Annual Accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
 - Financial management
 - Financial sustainability
 - Vision, leadership and governance
 - Use of resources to improve outcomes.



Appendix 2.

Best Value











[The Local Government in Scotland Act 2003](#) introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development.
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Appendix 3.

Moray Council Best Value progress

Moray Council Best Value timeline

 	<p>Feb 2006 Audit of Best Value and Community Planning</p>	<ul style="list-style-type: none"> • Moray Council has a very long way to go to respond to its statutory duties on Best Value. Significant work is needed to create a culture of improvement. • Since 2004 new political leaders and the chief executive have started to make a considerable difference and introduced a series of reforms. Implementation of these will take time.
 	<p>August 2007 Progress report on the audit of Best Value and Community Planning</p>	<ul style="list-style-type: none"> • The pace of change has been steady. The council needs to sustain the pace of improvement to deliver better outcomes for local communities. • Elected members need to set a clearer strategic direction and ensure that there is sufficient capacity to sustain improvement.
 	<p>February 2009 Progress report</p>	<ul style="list-style-type: none"> • The council has demonstrated a willingness to progress improvement and has an increased openness to external advice. • Elected member leadership has improved; the council has clearer priorities and more systematic performance management. • A more structured approach is required to manage strategic priorities, and to ensure continuous improvement in services. • Elected members need to increase their commitment to personal development.
 	<p>September 2012 Moray Council Targeted Best Value audit work</p>	<ul style="list-style-type: none"> • Political and officer leadership has improved. The council needs to consolidate its strategic planning to demonstrate progress. • Elected members and officers are challenging performance more effectively. • The council is making progress with improvement. It needs to improve governance and reporting and prioritise its improvement programmes.
 	<p>October 2015 Progress report</p>	<ul style="list-style-type: none"> • Progress with strategic planning and improvement action plans – ten-year community plan, and corporate plan link to service planning and performance review. • Council showed a shared commitment to develop these but must increase the pace of change to meet its Best Value duties.

Moray Council Best Value timeline



August 2020

Best Value Assurance Report

- Continued political instability and lack of focus has resulted in a slow pace of change. Some progress toward significant strategic decisions (eg revised corporate plan, learning estate review).
- The financial position is extremely challenging and reliance on reserves to balance the budget is unsustainable.
- Performance reporting is service-focused and does not clearly show council progress with its overall priorities.
- Performance relative to other councils has deteriorated over the past five years, particularly in educational attainment.
- Staff capacity to deliver change is a significant risk to the delivery of Best Value.









March 2022

Progress report


- Progress in some important areas; challenges remain in delivering strategic change. Elected members need to work better together to deliver the council's priorities.
- The council was quick to respond to the Covid-19 pandemic, but this impacted the overall pace of transformation.
- Improved capacity to drive strategic change but recruitment challenges in key posts eg head of transformation.
- Decision-making is challenging. Elected members need to work constructively together and ensure a shared and clear view on scrutiny and the remit of the Audit and Scrutiny Committee.
- The council should continue to seek external support. It needs to continue to address capacity to ensure its priorities are achievable and that it protects the wellbeing of its staff.

Appendix 4.








Progress against 2020 BVAR recommendations

Collaborative leadership		
 ⋮ ↓	Controller of Audit BVAR recommendations 2020	<ul style="list-style-type: none"> • The council needs to continue to progress its governance review, including reviews of committee structures, schemes of delegation and reporting to committee. • The elected member development strategy should be implemented through programmed activity and personal development plans.
 ⋮ ↓	2022 Progress report conclusions	<ul style="list-style-type: none"> • Elected members need to work better together to deliver council priorities. This should be a priority and external support will be helpful. • A governance review is being finalised and the remit of the Audit and Scrutiny Committee is still to be agreed. • Council plans to implement elected member development strategy from May 2022.
 ⋮ ↓	2024 AAR and BV thematic conclusions	<ul style="list-style-type: none"> • Lack of effective cross party working – decision-making is time consuming and challenging. • Members remain unclear on remit of the Audit and Scrutiny Committee including what should be escalated to the council. • Auditors recommend further members training. The council has committed to a briefing on this topic by 31 March 2024.
Performance management		
 ⋮ ↓	Controller of Audit BVAR recommendations 2020	<ul style="list-style-type: none"> • The council needs to complete its performance management suite of documents. This should include key indicators to support priorities and address the level of reporting at an overall council level versus service level.
 ⋮ ↓	2022 Progress report conclusions	<ul style="list-style-type: none"> • Council has made good progress. Performance reports focus on strategic priorities and improvement. • Emphasis now on refining performance management to drive priorities and outcomes.
 ⋮ ↓	2024 AAR and BV thematic conclusions	<ul style="list-style-type: none"> • Delays in signing off the Council Plan and delivery framework. • Annual performance reporting is not timely. • Auditors recommended the council implement an annual self-evaluation to identify strengths and areas for improvement.




Service performance

  	Controller of Audit BVAR recommendations 2020	<ul style="list-style-type: none"> • The council should investigate and better understand the reasons for poorer satisfaction levels in housing. • Development work is required to improve educational attainment, alongside making significant changes to the school estate.
  	2022 Progress report conclusions	<ul style="list-style-type: none"> • The Scottish Housing Regulator has no major concerns and actions are being taken to better understand tenant satisfaction. • Measures have continued to be taken to improve attainment; it is not possible to make national comparisons given lack of data during Covid-19 pandemic.
	2024 AAR and BV thematic conclusions	<ul style="list-style-type: none"> • Performance in 2021/22 significantly below the national average for 'Proportion of council dwellings meeting Scottish Housing Quality Standards'. The latest 2022/23 service report shows a slight improvement but the council continues to underperform.




Financial sustainability

  	Controller of Audit BVAR recommendations 2020	<ul style="list-style-type: none"> • The medium- and longer-term financial position needs to be addressed and the continued reduction in the council's reserve position halted before the position becomes acute.
  	2022 Progress report conclusions	<ul style="list-style-type: none"> • Financial position improved over the last two years; reserves are sustainable in the medium term. • The council plans to use significant Covid-19 reserves to balance its budget in 2022/23 and 2023/24. • It plans to develop new transformation projects to deliver the savings required and ensure services are financially sustainable.
	2024 AAR and BV thematic conclusions	<ul style="list-style-type: none"> • Budget underspends – council needs to improve its financial management. • Developing Medium to long term financial strategy. • Significant funding gap over the three years to 2025/26. Identification of further savings will be challenging.

Transformation

	Controller of Audit BVAR recommendations 2020	<ul style="list-style-type: none"> The council needs to make some difficult strategic decisions on areas such as, asset management, leisure services, flexible working, income generation and service transformation in education and social work.
	2022 Progress report conclusions	<ul style="list-style-type: none"> Council approved a revised and re-prioritised an Improvement Modernisation Programme (IMP). IMP more clearly aligns with priorities and sets short and medium- to long-term targets.
	2024 AAR and BV thematic conclusions	<ul style="list-style-type: none"> Major transformation is needed to close the funding gap. IMP programme is currently unlikely to deliver the scale of transformation required. Council needs to progress this at pace. Council has an asset strategy spanning ten-year period to 2032/33. Council need to consider the revenue implications and affordability.

Partnership working and Community engagement

	Controller of Audit BVAR recommendations 2020	<ul style="list-style-type: none"> The council needs to continue working with CPP partners to determine clear outcome milestones and performance reporting.
	2022 Progress report conclusions	<ul style="list-style-type: none"> Performance management is being refocused. This is an evolving area of work which has been affected by the pandemic.
	2024 AAR and BV thematic conclusions	<ul style="list-style-type: none"> Community empowerment is reflected in council priorities; good engagement over the corporate plan. Examples of participatory budgeting, but council are not achieving the one per cent of expenditure target.

Best Value

Moray Council



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