



Moray Council

Wednesday, 25 October 2023

NOTICE IS HEREBY GIVEN that a Special Meeting of the **Moray Council** is to be held at **Council Chambers, Council Office, High Street, Elgin, IV30 1BX** on **Wednesday, 25 October 2023 at 09:30.**

BUSINESS

1. **Sederunt**
2. **Declaration of Group Decisions and Members Interests ***
3. **External Audit - Annual Report to Members on 2022-23** 5 - 94
Audit
Report by Depute Chief Executive (Economy, Environment and Finance)
4. **Audited Annual Accounts 1 April 2022 to 31 March 2023** 95 - 98
Report by Depute Chief Executive (Economy, Environment and Finance)
5. **Audited Connected Charities Audited Annual Accounts 1 April 2022 to 31 March 2023** 99 - 124
Report by Depute Chief Executive (Economy, Environment and Finance)
6. **Best Value Thematic Review 2022 - 2023** 125 - 166
Report by Chief Executive
7. **UK Government Our Long Term Plan for Towns** 167 - 174
Report by Depute Chief Executive (Economy, Environment and Finance)

8. **Moray Council Permission for Hospitality Businesses to Place Furniture and Non Furniture on Public Footways** 175 - 190

Report by Depute Chief Executive (Economy, Environment and Finance)

Watching the Meeting

You can watch the webcast live by going to:

http://www.moray.gov.uk/moray_standard/page_43661.html

Webcasts are available to view for 1 year following the meeting.

You can also attend the meeting in person, if you wish to do so, please come to the High Street entrance door and a member of staff will be let into the building.

GUIDANCE NOTES

- * **Declaration of Group Decisions and Members Interests** - The Chair of the meeting shall seek declarations from any individual or political group at the beginning of a meeting whether any prior decision has been reached on how the individual or members of the group will vote on any item(s) of business on the Agenda, and if so on which item(s). A prior decision shall be one that the individual or the group deems to be mandatory on the individual or the group members such that the individual or the group members will be subject to sanctions should they not vote in accordance with the prior decision. Any such prior decisions will be recorded in the Minute of the meeting.

MORAY COUNCIL

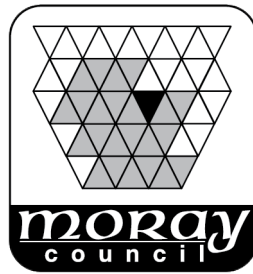
Moray Council

SEDERUNT

Councillor Kathleen Robertson (Chair)
Councillor Donald Gatt (Depute Chair)

Councillor James Allan (Member)
Councillor Peter Bloomfield (Member)
Councillor Neil Cameron (Member)
Councillor Tracy Colyer (Member)
Councillor Theresa Coull (Member)
Councillor John Cowe (Member)
Councillor John Divers (Member)
Councillor Amber Dunbar (Member)
Councillor Jérémie Fernandes (Member)
Councillor David Gordon (Member)
Councillor Juli Harris (Member)
Councillor Sandy Keith (Member)
Councillor Scott Lawrence (Member)
Councillor Graham Leadbitter (Member)
Councillor Marc Macrae (Member)
Councillor Paul McBain (Member)
Councillor Neil McLennan (Member)
Councillor Shona Morrison (Member)
Councillor Bridget Mustard (Member)
Councillor Derek Ross (Member)
Councillor John Stuart (Member)
Councillor Draeyk Van Der Horn (Member)
Councillor Sonya Warren (Member)
Councillor Ben Williams (Member)

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REPORT TO: SPECIAL MORAY COUNCIL ON 25 OCTOBER 2023

SUBJECT: EXTERNAL AUDIT – ANNUAL REPORT TO MEMBERS ON 2022/23 AUDIT

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To provide the Council with a copy of the External Auditor's Annual Audit Report to Council on the 2022/23 accounts.
- 1.2 This report is submitted to the Council for consideration as part of a suite of reports on the Annual Audit and Accounts for 2022/23.

2. RECOMMENDATION

- 2.1 It is recommended that the Council consider and note the contents of the Annual Audit Report 2022/23.**

3. BACKGROUND

- 3.1 The Council's External Auditor, Grant Thornton, provides an Annual Report to those in charge of governance who are the Council and the Controller of Audit. This report is a significant document and covers:

- The audit of the 2022/23 annual accounts
- Financial management
- Financial sustainability
- Vision, Leadership and Governance
- Use of Resources
- Other Wider Scope areas (Climate Change and Cyber Security)
- Best Value
- Action Plan recommendations from the External Auditor and management's response

- 3.2 A copy of the External Auditor's Annual Audit is attached as **APPENDIX 1**. A representative of the Council's External Auditor will present the report at the meeting.

- 3.3 The report coincides with the completion of the Annual Audit of the Council's Annual Accounts, also an item on this agenda. The Council has received an

unqualified Audit Opinion for 2022/23 on the Council's annual accounts and on the Connected Charities accounts, also an item on this agenda.

4. ANNUAL AUDIT REPORT

4.1 Audit of the Accounts

The report identifies 4 new areas of work which added to the complexity of the audit. The draft accounts included a Prior Period Adjustment (PPA) as the basis of valuation of assets approved in previous audits by Audit Scotland was not considered appropriate by Grant Thornton as it did not fully adjust all assets which had not been revalued in 2021/22 for indexation. This entailed significant additional work for the Accountancy section and for the Auditor. The Council implemented a new Fixed Asset Register (FAR) during 2022/23 and implementation of the FAR required additional verification by the auditor. Grant Thornton carry out a detailed technical review as part of their audit process. As a result of this review a number of presentational amendments were required to the layout agreed with Audit Scotland in 2021/22. The final area of work was in recognising a pension asset instead of a liability as had previously been the case. This required an additional assessment by the Pension Fund actuaries and is recognised in the Audit Report as having been a significant issue for all bodies with pension assets in 2022/23 and their auditors, with Grant Thornton's technical team developing audit guidance during the course of the audit. The main amendments to the final accounts from the draft accounts are explained in the covering report to the audited Annual Accounts, which is another item on the agenda for this meeting.

- 4.2 Audit planning identified that the Council has no formal authorisation of journals within the General Ledger. Additional audit work was carried out but no issues identified. The report includes three recommendations from the audit, including a review of authorisation of General Ledger journals. Other recommendations related to fixed assets: reconciliation of the disclosure notes to the FAR and review of fully depreciated assets. Only 2 recommendations from previous audit report recommendations remain open, with the completion date for the second (relating to business continuity) still to come.

Financial Management

- 4.3 The report concludes that the Auditor is satisfied that the Council has appropriate financial management arrangements in place. The Auditor notes significant variances against forecast for both capital and revenue at the year end. No Action Plan recommendation is made.

Financial Sustainability

- 4.4 The report notes the considerable challenge facing the Council to achieve a balanced budget in 2024/25. The following recommendations are made: that the Council monitors its level of general reserves; that the Council upscales the pace and delivery of transformation; that the Council reviews the affordability of its capital plan. The Council already monitors the level of general reserves as part of budget monitoring and financial planning, work continues on transformation as set out more fully in the Medium to Long Term Financial Strategy (as per 25 October Special Full Council agenda) and a review of the capital plan for affordability was planned for the late summer and autumn and has commenced.

Vision, Leadership and Governance

- 4.5 The report concludes that the Council will need to ensure that members work effectively together to act on key decisions in an effective and efficient manner, in a challenging financial environment. The following recommendations are made: that the Council provides further clarification and guidance as to the role of the Audit and Scrutiny Committee; that the Council implements an annual self-evaluation to identify areas of strength and weakness. Work is in progress to identify any knowledge gaps regarding Audit and Scrutiny and a training session has been arranged for December 2023. Work on Collaborative Leadership is planned and will be incorporated into the Best Value Action Plan and the regular self-evaluation reported pre-covid is under consideration to be reinstated.

Use of Resources

- 4.6 The report notes that the Council faces the challenge of an increasing older population with a decline in working age population and staff recruitment challenges. It notes good practice in relation to community stakeholder engagement regarding the Corporate Plan. The following recommendations are made: that the Council use Participatory Budgeting (PB) exercises to reallocate financial resource to priority areas. The Council has an agreed communication and engagement strategy for its financial planning process. This does not involve PB but PB activity is ongoing and nationally what is viewed as PB activity appears to be broadening

Climate Change and Cyber Security

- 4.8 The report notes that no specific risks were identified for these areas.

Best Value

- 4.9 The report considers follow up to the Best Value Assurance Report. Best Value is reported in the Thematic Review and the Best Value Thematic report is the subject of another report to this meeting of Council. Best value progress as informed by the annual audit will be reported to Corporate Committee on 7 November.
- 4.10 Four recommendations relating to the Council's accounts preparation and financial controls are made in the Action Plan. These relate to authorisation of general ledger journals, reconciliation of the accounts to the Council's Fixed Asset Register, assets with nil book value and disclosure of Group reserves. All areas will be reviewed in preparation for the 2023/24 accounts.

5. SUMMARY OF IMPLICATIONS

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

This is referred to in **Appendix 1** to the report.

(b) **Policy and Legal**

The audit is conducted in terms of statutory powers afforded to Grant Thornton, the appointed External Auditor for the Council.

(c) **Financial Implications**

There are no issues arising directly from this report. The report notes that the current level of service provision is not financially sustainable.

(d) Risk Implications

The work undertaken by External Audit provides assurance to Members on the Council's performance management, financial statements and the actions taken by the Council to address significant matters arising out of the audit process.

(e) Staffing Implications

Preparation of the Council's annual financial statements requires significant resource input as part of the scheduled work of the accountancy team within Financial Services and from other services across the Council.

(f) Property

There are no property issues arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no equalities issues arising directly from this report.

(h) Climate Change and Biodiversity Impacts

There are no climate change and biodiversity issues arising directly from this report.

(h) Consultations

The content of the **APPENDIX 1** to this report has been discussed with CMT and relevant officers of the Council.

6. CONCLUSION

6.1 The annual audit by External Audit gives members assurance that the Council's Financial Statements give a true and fair view of its financial position at 31 March 2023 and that appropriate internal control systems are in place. The Report to those in charge of governance details the External Auditor's findings and conclusions arising from the audit and the planned management actions to address matters which have been highlighted.

Author of Report: Lorraine Paisey, Chief Financial Officer – Ext 3213

Background Papers: Attached

Ref: LP/LJC/SPMAN-1293228629-950

Annual Audit Report for Moray Council

Financial year ended 31
March 2023

Prepared for those Charged with Governance and the
Controller of Audit

17 October 2023



Contents



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Section	Page
Executive Summary – Financial Statement Audit	3
Introduction	7
Audit of the annual report and accounts	8
Wider scope and best value conclusions	35
Appendices	
1. Audit adjustments	54
2. Action plan and recommendations – Financial statements audit	64
3. Action plan and recommendations – Wider scope and best value	66
4. Follow up of prior year recommendations	71
5. Audit fees, ethics and independence	79
6. Communication of audit matters	84

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Moray Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary (1)

This table summarises the key findings and other matters arising from the external audit of Moray Council and its Group and the preparation of the financial statements for the year ended 31 March 2023 for those charged with governance (full Council) and the Controller of Audit.

Financial Statements

Summary

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The Group and Council financial statements give a true and fair view of the state of affairs of the Council and its group as at 31 March 2023 and of the income and expenditure of the Council and its for the year then ended;
- the Group and Council financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code;
- the Group and Council's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local government in Scotland Act 2003. We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).

Based on our work to date, and the satisfactory completion of our final procedures we plan to issue an unmodified opinion.

We have concluded that the Remuneration Report has been prepared in accordance with requirements. We have concluded the work on the Governance Statement has been prepared in accordance with the relevant guidance.

We have concluded that the other information to be published alongside the financial statements is consistent with our knowledge of the Council.

Draft financial statements

The draft financial statements were presented for audit by the deadline of 30 June 2023, with the Council authorising their financial statements on 28 June 2023. We have been supported by Moray Council's officers during the audit process with effective working relationships and commitment to the audit process.

The working papers presented for audit were a good quality, and any supplementary working papers, sample requests and queries were responded to effectively.

Target completion dates

The target completion dates for the 2022/23 audit moved back to pre-Covid timetables, with 30 September 2023 as the target dates set. The target timeline has not been achieved, with this Auditor's Annual Report planned to be presented to full Council on 25 October 2023.

During 2022/23 there were some new areas of work required that added to the complexity of the accounting process for the Council;

Executive Summary (2)

Financial Statements (continued)

- the draft financial statements presented for audit included a prior period adjustment (PPA) to increase the Council's balance sheet by £17.07 million. This was due to a change identified by the Council in the previously audited 2021/22 financial statements in buildings valuations. The PPA impacted unusable reserves only;
- the Council's financial statements were subject to a detailed technical review and many adjustments to the primary statements and disclosure notes were identified;
- the Council transferred their fixed asset register from a spreadsheet to a formal fixed asset register system, and some adjustments were identified to the financial statements due to reconciliation issues noted when audited. The summary is shown below; and
- the draft financial statements presented for audit had an £161.095 million IAS19 pension asset and associated reserve. As this was an asset position rather than a liability position, the Council were requested to perform an IFRIC14 assessment to justify the inclusion of the asset within the balance sheet. The result of this is shown in the summary of adjustment below, but this has been a significant issue for all bodies with IAS19 pension assets during 2022/23 to work through.

Amendments to the primary financial statements

There have been material primary statement adjustments and disclosure amendments. The significant adjustments are summarised in more detail, with all amendments noted in Appendix 1. The impact upon the primary statements has been material, to decrease the balance sheet net assets by £178.652 million, noting that all adjustments are to unusable reserves. The resulting change in the comprehensive income and expenditure account was a £178.652 million reduction in the net surplus position.

The significant adjustments from the draft financial statements in the primary statements are summarised below and have all been adjusted by management:

- the Pension Asset in the balance sheet reduced from £161.095 million to £7.484 million, a decrease of £153.611 million. This was due to the IFRIC14 where the Council capped the asset in the final set of financial statements;
- the Pension Liability increased from nil to £10.257 million. This was due to a pension scheme being incorrectly netted from the pension asset when it should be shown separately as a liability;
- the valuation of Property, Plant and Equipment reduced by £14.804 million from £1.248 billion to £1.233 billion. The largest element was a decrease of £19.816 million in the Council house valuation due to an updated indexation rate applied. The remaining (£5.012) million were adjustments due to reconciliation issues identified in the draft financial statements when compared to the fixed asset register. A recommendation on PPE reconciliations is noted at Appendix 2.
- the classification of the split of financial information within Note 15 for PPE was incorrect as it did not balance to the balance sheet, and the presentation within the note for revaluations required adjustment. This included the omission of the reversal of depreciation for revalued assets of £8.592 million for council houses and £28.257 million for buildings within the disclosure note.

Journals authorisation processes

Our work on journals identified that the Council does not have journal authorisation processes within the general ledger, and processes are more informal. There is a reliance upon reactive controls through the budget monitoring process, whereas proactive controls would enhance the ability to reduce the risk of fraud or error from the opportunity to override management controls. Our work on journals therefore had a higher risk category resulting in a large number of journals tested. A recommendation on journal authorisation processes is noted at Appendix 2.

Executive Summary (3)

Financial Statements (continued)

Audit fee

Due to the issues outlined on pages 3 to 4, this led to additional time required by the Council to work through the revised set of financial statements, and additional time for the audit team in identifying all the issues, and to audit the amended version of the financial statements.

We are charging additional audit fee for the new issues during 2022/23 as well as for the additional work required due to the number of errors encountered. This has been set at £19,800. This is further set out in Appendix 5.

Unadjusted misstatements and recommendations

We also identified potential misstatements during the audit from our testing. Management have decided not to adjust the financial as they are not material. Further detail is in Appendix 1.

We have raised four recommendations for management from our audit work on the financial statements. These are set out in Appendix 2.

Our follow up of the recommendations made by the predecessor auditor last year are detailed in Appendix 4.

As noted, we would like to record our appreciation for the assistance provided by the finance team and other staff including the internal valuer and revenues staff during the audit.

Executive Summary (3)

Wider scope

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider the Council's arrangements in respect of financial management, financial sustainability, vision leadership and governance and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2023 we documented our assessment of the wider scope risks and planned audit work. At the planning stage we identified two risks in respect of financial sustainability and vision leadership and governance with the cross-party working arrangements and progression of Council priorities.

We outline our work undertaken in response to the arrangements in place and the risks identified and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

Further details of the work undertaken are outlined on pages 35 to 52.

We have raised seven recommendations for management as a result of our audit work on wider scope. These are set out in Appendix 3.

There remains a significant risk in respect of financial sustainability given the significant financial challenges the Council faces over the longer term. We have concluded there remains a significant risk in respect of the cross-party arrangements to progress Council priorities, appreciating the specific challenges the Council has faced since the May 2022 elections.

In accordance with the 2022/23 planning guidance issued by Audit Scotland, there is also a requirement to complete a thematic review. The theme for 2022/23 is an overview on the effectiveness of Council's leadership in developing new local strategic priorities following the elections in May 2022.

The key findings from the thematic review are summarised in this report at pages 50 to 51, but a separate thematic report is finalised and will be presented to the 25 October 2023 full Council.

The topics within the thematic review are as follows:

- The clarity of the Council's vision and its priorities
- How effectively the views of citizens and communities have been reflected in the priorities and decisions taken by the Council
- How effectively the Council's priorities reflect the need to reduce inequalities and climate change
- The quality of the Council's delivery plans and whether the Council's financial, workforce, asset and digital plans are aligned with the Council's priorities
- Overall, how effective the Council's leadership has been in setting clear priorities and a sustainable approach to delivering them.

An action plan within the thematic review notes recommendations and the Council's response to the actions suggested.

We thank the officers of the Council for their detailed portfolio of evidence for the wider scope work and thematic review, and for providing pertinent updates to the date of issue.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year at Moray Council. The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2022/23 have been:

- An audit of the Council and Group's annual report and accounts for the financial year ended 31 March 2023 [findings reported within this report];
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2021 ('the Code') [within this report];
- Monitoring the Council's participation in the National Fraud Initiative (NFI); and
- Any other work requested by Audit Scotland.
- We have concluded our work on the certification of the NDR return (Non-Domestic Rates)

Note that the following work is also required that is currently in progress:

- an audit of the connected charitable trust funds held by the Council. This work is nearing completion, and anticipated that it will be concluded in October 2023; and
- certification of Housing Benefits subsidiary claim. The audit deadline is by 31 January 2024, but this will be started during November.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to the Council throughout our audit work. We do this through using our wider public sector knowledge, we invited the Council to our annual local government accounting workshop.

Through our expertise we provide constructive, forward-looking recommendations where we identify areas for improvement and encourage good practice around financial management and financial sustainability, risk management and performance monitoring. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Overall materiality

Group: £6.48 million, which represents 1.5% of the group's gross expenditure;

Council: £6.462 million, which represents 1.5% of the Council's gross expenditure.

Key audit matters

Key audit matters were identified as:

- valuation of land and buildings including council dwellings; and
- valuation of the defined benefit pension scheme.

Significant risks

Other than the key audit matters noted above the other significant risks were identified as:

- management override of controls; and
- migration of data to the new fixed asset system.

Internal control environment

In accordance with ISA requirements we have developed an understanding of the Council's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing.

We identified one weakness in the authorisation process for journals, and as a result we had to increase our level of testing in this area. A recommendation is noted at Appendix 2.

Recap of our audit approach and key changes in our audit strategy

We have not identified any changes in our approach since our Audit Plan was presented to you on 10 May 2023. The risks identified remain the same.

Status of Audit Work

As an audit team we have focused on concluding our work on the key audit matters, the significant audit risks and the significant classes of transactions we have identified in our scoping. These are the areas of the accounts that are, in our view, at greater risk of material misstatements, with a potential to impact our auditor's opinion.

We have completed our audit work in all these areas with the exception of:

- system reconciliation for our benefits to the ledger work
- final sign off by the technical team of the hot review and by the ethics team of the audit fee disclosure

Our work is subject to the following closing procedures which necessarily take place within the concluding stages of the audit:

- up to date review of Committee minutes and internal audit reports
- final review by the engagement manager, engagement lead and review partner
- receipt of the final signed management representation letter
- review of the final set of financial statements
- review of the journals and trial balance to agree the ledger to the final statements as amendments to the ledger will be required
- receipt of final signed financial statements
- receipt of management's updated going concern and post balance sheet events assessment at the date of sign off.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

Our audit opinion

Auditor's report on the financial statements

Subject to the satisfactory completion of outstanding items, we anticipate issuing an unmodified audit opinion.

We draw your attention to adjusted misstatements to primary statements. The impact upon the financial statements is to decrease the net surplus in the CIES and assets in the balance sheet by £178.652 million and the adjustments are noted at Appendix A.

There are two unadjusted misstatements at Appendix A. There is no impact upon the proposed opinion for the unadjusted misstatements identified. These are set out at Appendix A.

As reported in the independent auditor's report, our opinion will cover:

- The Group and Council financial statements give a true and fair view of the state of affairs of the Council and its group as at 31 March 2023 and of the income and expenditure of the Council and its for the year then ended;
- the Group and Council's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the CIPFA Code of Practice on Local Authority Accounting 2022/23 ('the 2022/23 Code');
- the Group and Council's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) regulations 2014, and the Local Government in Scotland Act 2003; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Our work relating to the review of Management Commentary and Annual Governance Statement is complete and we have no significant or material matters to report to you in respect of the Management Commentary and the Annual Governance Statement.

Receipt of the draft financial statements

The draft financial statements were presented for audit by the deadline of 30 June 2023, with the Council authorising their financial statements on 28 June 2023. We have been supported by Moray Council's officers during the audit process with effective working relationships and commitment to the audit process. The working papers presented for audit were a good quality, and any supplementary working papers, sample requests and queries were responded to effectively.

Target audit deadlines

The target completion dates for the 2022/23 audit moved back to pre-Covid timetables, with 30 September 2023 as the target dates set. The target timeline has not been achieved, with this Auditor's Annual Report planned to be presented to full Council on 25 October 2023. The number of new issues during 2022/23 as well as the impact of the technical review of the accounts combined with year 1 of the audit have all contributed to the later date of completion compared to the target deadline. The Audit Scotland guidance notes that target dates should not be to the detriment of audit quality or to wellbeing.

Our application of materiality

As communicated in our Audit Plan dated 10 May 2023, we determined over materiality at the planning stage as £5.836 million for the group based on 1.5% of gross expenditure and £5.825 million for the Council. At year-end, we have reconsidered planning materiality based on the final group financial statements.

We will report to you all misstatements identified in excess of £0.25 million, in addition to any matters considered to be qualitatively material.

A lower level of materiality of £25,000 is set for the senior officers' disclosures within the Remuneration Report.

Materiality was determined as follows:

Materiality and performance materiality for financial statements as a whole

	Group	Council
Headline Materiality threshold	Overall materiality has been set at £6.48 million which represents 1.5% of the group's gross expenditure. Overall materiality is £2.38 million higher than the materiality level set by the predecessor auditor last year.	Overall materiality has been set at £6.462 million which represents 1.5% of the Council's gross expenditure. Overall materiality is £2.362 million higher than the materiality level set by the predecessor auditor last year.
Performance Materiality threshold	Performance materiality for the year has been set at £3.888 million which represents 60% of financial statement materiality. Performance materiality is £1.388 million higher than the materiality level set by the predecessor auditor last year.	Performance materiality for the year has been set at £3.877 million which represents 60% of financial statement materiality. Performance materiality is £1.377 higher than the materiality level set by the predecessor auditor last year.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.
Significant revision(s) of materiality threshold that were made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Council's business and in particular matters related to:

Understanding the group, the Council, and its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Council, the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and Council only level;

Identifying significant components

- We evaluated the significance of each component of the group and determined the planned audit response based on a measure of materiality.

Work to be performed on financial information of Council and other components (including how it addressed the key audit matters)

- A full scope audit was performed Moray Council. Specified procedures were performed over material balances with an analytical approach for other balances. No additional key audit matters were identified in group transactions.

Performance of our audit

- The full scope audit was conducted on Moray Council. Our work has covered all material balances and transactions in expenditure, income, assets, liabilities and reserves as well as other primary statements and disclosure notes.
- The analytical procedures for the consolidation of the joint ventures and associated accounting entries and reserves agreed the basis of the consolidation and the values to the other entity financial statements.
- Specific procedures were conducted on material balances of Property. Plant and equipment balances within the common goods and trust funds consolidation, including any material reserves.

Changes in approach from previous period

- There are no additional components in the group compared to 2021/22. This is our first year of audit, and there are no changes from our approach noted in our Audit Plan from 10 May 2023.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Moray Council and its Group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2022/23 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the Audit and Scrutiny Committee, concerning the Council's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit and Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Council and its group financial statements to material misstatement, including how fraud might occur, by evaluating officers incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Council's financial performance for the year and potential management bias in determining accounting estimates in relation to the valuation of land and buildings, the estimations in respect of the Council's defined pension liability and the transfer of data to the new fixed asset register. Our audit procedures are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - Moray Council and its group operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Council's control environment, including the policies and procedures implemented by the Council to ensure compliance with the requirements of the financial reporting framework.

Group audit approach

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component.

Component	Significant	Scope – planning	Scope – final	Auditor	Status	Comments
Moray Council	Yes			Grant Thornton UK LLP	●	Our findings for the Council are summarised on pages 15 to 33.
Other Trust Funds and Common Goods Funds	No			Grant Thornton UK LLP	●	The audit team performed audit procedures on any material balances.
Connected Charitable Trust Funds, Grampian Valuation Joint Board, Moray Leisure Board and Moray Integration Joint Board	No			Grant Thornton UK LLP (except for Moray Leisure Board)	●	The audit team performed analytical procedures.

Moray Council

Full scope audit procedures will be performed to component materiality, either by the group audit team or by component auditors.

See above

Audit of specified financial statement line items will be performed by the Group audit team to group materiality.

See above

Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.

- Planned procedures are substantially complete with no significant issues outstanding.
- Planned procedures are ongoing/subject to review with no known significant issues.
- Planned procedures are incomplete and/or significant issues have been identified that require resolution.

Overview of audit risks

The table below summarises the key audit matters and significant risks discussed in more detail on the subsequent pages. The status of the work is noted after any amendments identified during the audit process to the financial statements have been actioned by the Council.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work
Valuation of land and buildings including council dwellings	Significant	↔	x	✓	High	Substantive	●
Defined benefit pension scheme valuation	Significant	↔	x	✓	High	Substantive	●
Management override of controls	Significant	↔	✓	x	Low	Substantive	●
Migration of data to the new fixed asset register	Significant	↔	x	x	Low	Substantive	●

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not considered likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks and Key Audit Matters (1)

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Council's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

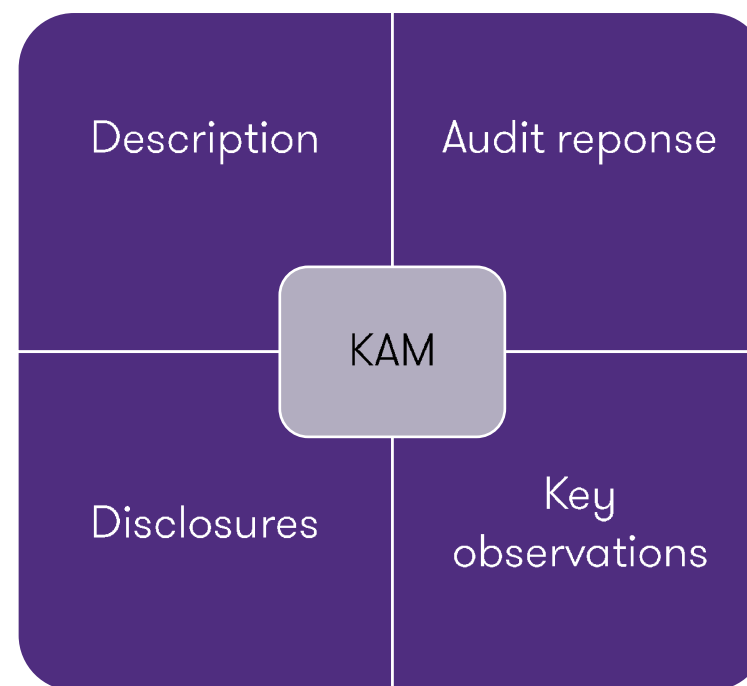
These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other risks

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.



Significant risks and Key Audit Matters (2)

Key Audit Matter identified in our Audit Plan – Group

Risk 1: Valuation of land and buildings including council dwellings

In accordance with the CIPFA/LASAAC Code of Practice, subsequent to initial recognition, Moray Council is required to hold property and property, plant and equipment (PPE) on a valuation basis. The valuation basis used depends on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value. Council dwellings are determined using the basis of existing use value for social housing.

Moray Council employs an internal valuer to undertake a rolling programme of valuations across their asset base, valuing land, buildings and council dwellings at least once every five years. In the intervening periods Moray Council carries out a desktop review to assess the material accuracy of the assets not revalued. This includes an indexation assessment performed by the valuer. As at 31 March 2023, Moray Council held PPE of £1.256 billion including land, buildings of £520.135 million and council dwellings of £412.074 million.

Given the significant value of the land, and non specialised buildings and the council dwellings held by Moray Council, and the level of complexity and judgement involved in their estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical costs, as a proxy of fair value.

We therefore focussed our audit attention on assets that had large and unusual changes in valuations compared to last year and / or unusual approaches to their valuations; as a significant risk requiring special audit consideration and one of the most significant assessed risks of material misstatement due to error and a key audit matter.

How our scope addressed the matter –

In responding to the key audit matter, we performed the following audit procedures:

- evaluated management's processes and controls for the calculation of the valuation estimates, the instructions issued to their valuer and the scope of their work;
- evaluated the valuer's report to identify assets that had large and unusual changes and/or approaches to the valuation and tested these valuations substantively for reasonableness;
- challenged the key data and assumptions used by management's experts in the valuation process for these assets;
- evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets were substantially tested to ensure the valuations were reasonable;
- tested a selection of other asset revaluations made during the year to ensure they had been input accurately into the Council's asset register, and the revaluations had been correctly reflected in the financial statements;
- evaluated the assumptions made by management for any assets not revalued during the year and how management had satisfied themselves that these valuers were not materially different to current value and
- reviewed your impairment assessment as to whether there are indicators of impairment for key components of assets under construction (AUC).

Significant risks and Key Audit Matters (3)

Risk 1: Valuation of land and buildings including council dwellings (continued)

Commentary

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023

- Note 15 - Property, Plant and Equipment

Our results

- As a result of our audit testing, the valuation of Property, Plant and Equipment reduced by £14.804 million from £1.248 billion to £1.233 billion.
- The largest element was a decrease of £19.816 million in the Council house valuation due to an updated indexation rate applied.
- The remaining (£5.012) million were adjustments due to reconciliation issues identified in the draft financial statements when compared to the fixed asset register.
- In addition to the issues identified and adjusted above, the classification within Note 15 was amended as £5.669 million of assets under construction were operational and to note the reversal of depreciation from the revaluation reserve as this had been netted off in the draft financial statements.
- Note 15 required adjustment due to the entries recorded for valuations as they did not reconcile to the fixed asset register. This included the omission of the reversal of depreciation for revalued assets for £8.592 million for council houses and £28.257 million.
- Reconciliation and narrative disclosures were added for infrastructure assets as required by CIPFA Bulletin 14.
- The Council has one minor part of a school building impacted by the reinforced autoclaved concrete (RAAC) issue, the valuation of this school is not materially impacted as a result.
- We reviewed management's assessment that any assets not revalued during 2022/23 are not materially different from their carrying value and did not raise any issues.
- Our sample testing of valuations including a review of assumptions including floor areas did not raise any issues.
- A recommendation has been raised at Appendix 2 with regards the reconciliation processes in place from the fixed asset register to the draft financial statements.

Significant risks and Key Audit Matters (4)

Key Audit Matter identified in our Audit Plan - Council

Risk 2: Defined benefit pension scheme valuation

The Council participates in the North East Scotland Pension Fund, a local government pension scheme. There is an established protocol in place with Pension Fund auditors to provide external auditors with relevant assurance. The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, Moray Council is required to recognise its share of the scheme assets and liabilities in its balance sheet. As at 31 March 2023 in the draft financial statements, the Council had a pension fund asset of £161.095 million. This has subsequently been reduced to a pension asset of £7.484 million, with a pension liability of £10.257 million. The reason for this is due to an IFRIC14 assessment, and this is set out further on page 21.

The Council's actuary Mercer Limited provide an annual IAS 19 actuarial valuation of Moray Council's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme's gross assets and gross liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme net asset could be materially misstated within the financial statements. This risk is focussed on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and the suitability of these for the Council.

We identified the defined benefit pension scheme valuation as one of the most significant assessed risks of material misstatement due to error and a key audit matter.

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- **evaluated management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work;**
- evaluated the assumptions made by Mercer Limited in the calculation of the estimate, using work performed by **an auditor's expert** commissioned on behalf of Audit Scotland;
- **evaluated the data used by management's experts in the calculation of the estimates;**
- performed substantive analytical procedures over the **gross assets, gross liabilities and in year pension fund movements**, investigating any deviations from audit expectations;
- assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements; and
- challenged management to perform an IFRIC14 assessment and to assess the implications for the financial statements including accounting policies and related disclosures.

Significant risks and Key Audit Matters (5)

Risk 2: Defined benefit pension scheme valuation (continued)

Commentary

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023

- Note 42 – Defined Benefit Pension Schemes

Our results

- Usually local government scheme (LGPS) pension liabilities calculated on an IAS 19 basis exceed any pension assets and members of the LGPS recognise a net pension liability on their balance sheet. However, a net defined benefit asset may arise where the defined benefit plan has been overfunded or where actuarial gains have arisen. This was the case in the draft financial statements where an asset of £161.095 million was recorded.
- IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The pension asset can be recognised at the lower of the net pension asset or the present value of any economic benefits available.
- The Council requested an IFRIC14 assessment from the actuary during the audit and the pension asset in the balance sheet reduced from £161.095 million to £7.484 million, a decrease of £153.611 million. This was due to the IFRIC14 assessment where the present value of the benefits available were lower than the pension asset. Additional disclosure was added to the financial statements to explain the critical judgement also in Note 5.
- The Pension Liability increased from nil to £10.257 million. This was due to a pension scheme being incorrectly netted from the pension asset when it should be shown separately as a liability. This is due to IAS 19 paragraph 131 only permitting offsetting where there is a legal right to use a surplus in one plan to settle obligations in another plan, and this is not the case with the unfunded benefits.

Significant risks and Key Audit Matters (6)

Other significant risks identified in our Audit Plan

Commentary

Risk 3: Management override of controls

As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.

In response to the risk highlighted in the audit plan we carried out the following work:

- documented our understanding of and evaluated the design effectiveness of management's key controls over journals;
- analysed your full journal listing for the year and used this to determine our criteria for selecting high risk journals;
- tested the high-risk journals we have identified;
- gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness;
- gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates.; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our results

Our work on journals identified that the Council does not have journal authorisation processes within the general ledger, and processes are more informal. There is a reliance upon reactive controls through the budget monitoring process, whereas proactive controls would enhance the ability to reduce the risk of fraud or error from the opportunity to override management controls. Our work on journals has required extra testing to mitigate this risk.

A recommendation on journal authorisation processes is noted at Appendix 2

Significant risks and Key Audit Matters (7)

Other significant risks identified in our Audit Plan

Commentary

Risk 4: Migration of data to the new fixed asset system

During COVID because of the move to remote working, access was unable to be obtained to the old fixed asset register module and as such, manual spreadsheets were held to keep a record of fixed assets.

Moray Council launched a new fixed asset register module relevant to the production of the financial statements for 2022/23.

When implementing a new significant asset management system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer from the previous fixed asset register.

We therefore identified the completeness and accuracy of the transfer of information to the new fixed asset register as a significant risk of material misstatement.

In response to the risk highlighted in the audit plan we carried out the following work:

- performed a walk-through of the migration process from the previous fixed asset register to the new fixed asset register to evaluate the design and implementation effectiveness of controls pertaining to the transfer of data from the previous fixed asset system;
- completed an information technology (IT) environment review to document and evaluate the IT controls designed and implemented within the new fixed asset register system;
- performed substantive validity checks to obtain assurance that balances, both at the individual and aggregate level have been transferred completely and accurately; and
- sample tested the data transferred from the old system to the new, and from the new system back to the old, to gain assurance over the completeness and accuracy of data transferred.

Our results

There were no issues we identified from our testing of the transfer of data to the new fixed asset register.

The Council identified in their draft financial statements that the audited 2021/22 financial statements had some variances in the 2021/22 figures when compared to the new fixed asset register. This has formed part of the prior period adjustment (PPA) documented further on page 32.

Significant risks and Key Audit Matters (8)

Other significant risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions

As set out in ISA (UK) 240 (Revised May 2021) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

(rebutted)

Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities.

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Moray Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited. As part of our work on material transactions and balances we have undertaken sample based substantive testing of income streams as well as an assessment of the income recognition accounting policies and relevant disclosures.

Our results

Our work has not identified any issues to raise in relation to revenue recognition.

Risk of fraud in expenditure

As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

(rebutted)

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Moray Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited.

As part of our work on expenditure we have undertaken sample based substantive testing of transactions before and after the year-end to confirm transactions are recorded in the correct period. We have also reviewed expenditure recognition accounting policies and relevant disclosures.

Our results

Our work has not identified any issues to raise in relation to expenditure recognition.

Other areas impacting the audit

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	Conclusion
<p>Nil net book value assets</p> <p>The Council's asset register includes £22.973 million of assets with a nil net book value that are fully depreciated. The majority of these (£16.621 million) are within plant and machinery.</p>	<p>There are two risks in relation to this issue:</p> <ul style="list-style-type: none"> • if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; and • if these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its plant and equipment assets. <p>The potential impact of these risks is that the gross cost and accumulated depreciation disclosed Property, plant and equipment is overstated.</p>	<ul style="list-style-type: none"> • There is no impact upon the balance sheet as the balances are held at nil. Any impact of any assets not held would be in the classification in the Property, Plant and Equipment note only. • We have requested representation on this matter within the letter of representation. • We have raised an associated recommendation within Appendix 2 for the Council to perform a review of nil net book value assets.

Financial Statements – key judgements and estimates (1)

As required in the Council's Accounting Policies note, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

The estimate for PPE valuation including council dwellings has already been reported on pages 18 and 19, and the estimate for the pension asset on pages 20 to 21.

This section covers other material estimates within the financial statements.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – key judgements and estimates (4)

Significant judgement or estimate

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Property, Plant and Equipment: depreciation including useful economic lives (UEls). £28.146 million</p>	<p>As reported in Note 15 the Council's approach to depreciation. Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable useful life (i.e., land and certain community assets) and assets that are not yet available for use (i.e., assets under construction). Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets except for vehicles, where the calculation is pro-rata based on the month of acquisition. In the year of disposal, no depreciation is charged.</p> <p>Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.</p>	<p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate. <p>Conclusion We were satisfied with the methodology for the calculation of the depreciation charge.</p> <p>Note the findings on page 24 regarding the number of nil net book value assets.</p>	Green
<p>Provisions for debt impairment £15.944 million</p>	<p>The Council is responsible for calculating the allowance for impaired debt based upon the latest information about collectability of debt.</p> <p>There is not a requirement in the CIPFA Code to disclose the full amount of impaired debt within the disclosures in the debtors note. The requirement is to disclose the local taxation which forms part of the total.</p> <p>The local taxation element of the allowance for impaired debt is £15.944 million as disclosed in Note 22.</p>	<p>We examined the estimate, considering the:</p> <ul style="list-style-type: none"> appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate. <p>Conclusion We were satisfied with the methodology for the calculation of the allowance.</p>	Green

Financial Statements – key judgements and estimates (5)

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Public Private Partnerships (PPP) and similar contracts	<p>Moray Council has a PPP for the construction, maintenance and operation of two schools in Keith and Elgin. There is also a design, build, finance and maintain (DBFM) scheme for a new school in Elgin.</p> <p>These are accounted for under IRIC 12 Service Concession Arrangements, as interpreted by the FReM, as “on-balance sheet” by Moray Council.</p> <p>The accounting models are updated annually to reflect actual charges and RPI. Future years' service costs are estimated based on the latest actual charges and current RPI rates. Interest and finance lease liability charges are unaffected by changes in RPI.</p>	<p>We reviewed your assessment of the estimate considering:</p> <ul style="list-style-type: none"> • review of key assumptions input into the accounting models; • use of specialist software to gain assurance that the HUB model has been appropriately updated for the period ended 31 March 2023; • agreeing that accounting entries from the accounting model have been accurately recorded in Moray Council’s accounts. <p>Conclusion</p> <p>We are satisfied in the calculation and disclosure of the public private partnerships and similar contracts. The financial statements at Note 40 disclose all the required information.</p>	Green
Annual Leave Accruals £8.462 million	<p>Moray Council accrues for annual leave expenditure to ensure that all expenditure due to be accrued in the financial year, not yet been taken and effectively paid, is reflected within the financial statements.</p> <p>The Council base the estimate upon a sampled approach of outstanding leave in each department and extrapolate the findings across the whole population.</p>	<p>We reviewed your assessment of the estimate considering:</p> <ul style="list-style-type: none"> • appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate. <p>Conclusion</p> <p>We were satisfied with the methodology for the calculation of the annual leave accrual.</p>	Green

Other key elements of the financial statements (1)

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is the Council's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding the Council's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures that are outside of the usual expected investigations.
Accounting practices	We have evaluated the appropriateness of Moray Council's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix 1.
Matters in relation to related parties	The Council added related party transactions for the intra group balances as they had been omitted. We are not aware of any other related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at the Council.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Minor amendments have been made to the Annual Report and we are satisfied that there are no material inconsistencies to report.

Other key elements of the financial statements (2)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016). No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required by the Accounts Commission to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Written representations	A letter of representation has been requested from the Council as required by auditing standards. Additional representation was sought regarding the net nil book value assets and the prior period adjustment.
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach.</p> <p>In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities under the Code (1)

Issue	Commentary
National Fraud Initiative	<p>The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including the Council, receive matches for investigation.</p> <p>Officers review matches with anything requiring further attention referred to Internal Audit. Internal Audit also provide an overview for the completion of the NFI exercise including the closing off final reports.</p> <p>It is expected that any findings will be reported to Committee in the new year, and thus far some duplicate payments have been identified of minor value.</p>
WGA return	<p>For local government audits we are required to complete Whole of Government Accounts (WGA) work, and provide an assurance statement on Moray Council's WGA return. as mandated by National Audit Office. The audit guidance for 2022/23 is not yet issued. Based upon previous years it is not expected that Moray Council would exceed Audit Scotland's prescribed testing threshold. We will complete the relevant specified procedures and prepare and submit a partial assurance statement once we have completed all our work on your financial statements, and when the final guidance is received.</p>
Other returns to Audit Scotland	<p>In accordance with the Audit Scotland Planning Guidance, as appointed auditors we have prepared and submitted Fraud Returns and Current Issues Returns to Audit Scotland, sector annual reports, shared intelligence on health and social care, sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.</p>

Other responsibilities under the Code (2)

Issue	Commentary
Grants	<p>In accordance with Audit Scotland planning guidance, as appointed auditors we undertake grant certification work on behalf of the Council. For 2022/23 we are required to provide the following certifications:</p> <ul style="list-style-type: none"> • National Non-Domestic Rates Income Return (NDR) and • Housing Benefit certification <p>We anticipate that our work on the grant claims will be concluded by the 31 January 2024 deadline for Housing benefits, with work starting in November 2023. Our work on NDR is complete and our assurance certificate has been submitted to government, with no issues to report.</p> <p>We are also carrying out work on the bus transport grant as an additional piece of audit related work with a separate audit fee of £5,000.</p>
Section 106 Charities	<p>Our audit appointment as the Council's auditor includes the audit of any trust funds falling within Section 106 of the Local Government ((Scotland) Act 1973 that are registered charities. For Moray Council we have therefore been appointed as auditors of the connected charitable trust funds. The audit fee for this work is outside of the main fee and we estimate the fee to be £6,500.</p> <p>Work is ongoing, and we have not identified at this stage any issues that warrant reporting to you.</p> <p>Expenditure has occurred in all unrestricted funds in 2022/23.</p> <p>As part of our work, we are awaiting the external confirmations of the investment balances. The Council has provided the evidence of the investment balances from each investment manager, we are also confirming these independently also.</p> <p>We do not require any additional representation in the Letter of Representation for the Charity.</p>

Other findings – other matters

Other matter	Commentary	Conclusion
Prior year adjustment (PPA) – Note 2	<p>The Council has included a £17.07 million PPA for 2021/22 and associated disclosures within Note 2. This increased the balance sheet and unusable reserves by £17.07 million, all reflected in the 2021/22 year only.</p> <p>The reason for the PPA is that £21.936 of valuations within buildings were identified as understated in the previous audited accounts. In addition, when transitioning to the new fixed asset register an overstatement of £4.326 million was identified in the reconciliation. We challenged the Council if all of the PPA was related to 2021/22 only as the PPA had only been adjusted through the 2021/22 financial year.</p> <p>The Council identified that £2.02 million should have been recorded within the opening balance at 31 March 2021 instead of 31 March 2022. This impact is to classification only and does not impact the total.</p> <p>The Council have elected to not amend for this misstatement.</p>	<ul style="list-style-type: none"> • Note 2 for the Prior Period Adjustment has been agreed in total detailing the £17.07 million increase in assets in 2021/22. • There is an unadjusted misstatement at Appendix A for the £2.02 million that should be reflected in the 31 March 2022 opening balance. • Some minor disclosure amendments have been made to Note 2 to enhance the signposting to the group accounts disclosures also impacted by the PPA. • International Standards on Auditing 580 requires auditors to obtain specific representation made to restate prior period financial statements and comparative information. We have therefore requested specific representation with the Letter of Representation.

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Advance Business Solutions e5 system – general ledger	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	All significant risk areas
iTrent – payroll	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	N/A
CIPFA's Asset Manager – fixed assets	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Property, Plant and Equipment

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

Wider scope and best value conclusions

Wider scope audit (1)

This section of our report sets out our conclusions from our audit work on the wider scope audit dimensions. We take a risk-based audit approach to wider scope. Within our audit plan we identified one wider scope risk in relation to financial sustainability.

As part of our ongoing audit planning audit work during the year we have not identified any additional wider scope audit risks.

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial Management	No significant risks identified.	<p data-bbox="421 486 1008 518">Council Financial Management Arrangement's</p> <p data-bbox="421 550 1702 710">Financial performance is reported to Council as an integral part of the Medium-Term Financial Strategy and future budget setting process. It compares assumptions that were used to develop the budget to actual activity (income and expenditure) during the year. Where assumptions are determined unrealistic or changes significant from budget, this is captured, and this learning built into the following year's budget setting process.</p> <p data-bbox="421 742 1702 837">Members are provided with the opportunity to review, challenge and scrutinise the financial performance. The finance team within the Council have access to real time information through the finance ledger systems to provide accurate financial monitoring reports.</p> <p data-bbox="421 869 1702 965">There is a scheme of delegation, including financial instructions. The scheme of delegation was approved by full Council on 24 May 2023 and financial policies were reviewed at full Council on 23rd August 2023, following comments received these are due to be approved at the September 2023 full Council.</p> <p data-bbox="421 997 840 1029">Financial Performance- Revenue</p> <p data-bbox="421 1061 1702 1189">The Council approved budgeted net expenditure of £240.7 million. The final forecast budgeted expenditure by the end of the year was £258.2 million, which recognised in-year additional grant funding as well as in-year savings achieved. This included the use of ear-marked reserves of £18.968 million which included proposed utilisation of £14.8 million from Covid reserves.</p> <p data-bbox="421 1220 1702 1540">The final outturn for 2022/23 was an underspend against budget of £17 million; £5.04 million more underspend than was forecast at quarter three of 2022/23. The main areas of underspend related to Education (£1.4 million), Education Resources & Communities (£1.8 million), Childrens Services (£1.8 million), Economic Growth and Development (£1.1 million) and loans charges (£8.3 million). The loans pool holiday resulted in a significant saving of £7.6 million that had not been budgeted for and led to most of the underspend against budget. The council budgeted to use £19 million of reserves however the actual utilisation of reserves was £0.752 million. This significant variance against budget was due to; lower expenditure than forecast in departments, some of which have been requested to be funded from Covid reserves in 2023/24; lower loans charges than expected; and additional funding for the pay award via the capital grant.</p>	<p data-bbox="1713 470 2206 598">We are satisfied that key Council policies relating to financial management are reviewed and updated on a regular basis.</p> <p data-bbox="1713 614 2206 805">Although significant variances were not identified against services, we do note some issues over the revenue forecasting process, given the significant outturn variance against budget at year end.</p> <p data-bbox="1713 821 2206 1300">The prior year annual audit report also reported significant variances between the forecast outturn and that achieved at year end resulting in large underspends against budget. A recommendation was raised in the prior year annual audit report that <i>"the Council should review its forecasting process to ensure the most accurate projection possible of the year end position"</i>. We conclude that this recommendation remains relevant to the Council and forecasting undertaken by the Council should be subject to further review.</p> <p data-bbox="1713 1316 2206 1476">There is a risk that where forecasting is inaccurate this could impact the decisions taken by members on the allocation of financial resources to deliver Council priorities.</p>

Wider scope audit (2)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion																																				
Financial management (continued)		<p data-bbox="365 379 981 411">Financial Performance- Revenue (continued)</p> <p data-bbox="365 451 1211 483">The housing revenue accounts incurred a £47,000 net overspend.</p> <p data-bbox="365 523 801 555">Financial Performance- Capital</p> <p data-bbox="365 595 1839 730">The Council approved budgeted capital expenditure of £54.1 million, which was then amended to £43.4 million during the year to reflect changing timescales for projects. The actual capital expenditure incurred by the Council for the year was £28.3 million, resulting in a £15 million underspend against budget. Reasons for the underspend include delays in a major construction project and delays due to supply chain difficulties.</p> <p data-bbox="365 738 1839 1015">The below table illustrates the underspends incurred by the Council in the previous five years. There is a theme of recurring underspends at the Council, however this has significantly increase in the past two years. It is important the Council look to ensure that the budget provides a realistic reflection of the anticipated spend for the year and monitor and report for projects that look to be slipping. The Council should ensure there is appropriate challenge and scrutiny of delivery, to ensure projects are delivered on time and to budget to avoid projects slipping into future years which impacts on future capital planning and financing. We do however understand that shortage of labour and rising inflation costs have impacted delivery of projects, however the Council should ensure that it is appropriately monitoring delivery of capital spend.</p>	<p data-bbox="1850 379 2166 699">Overall, we are satisfied that the Council have appropriate financial management arrangements in place. The council has achieved a balanced budget for 2022/23.</p> <p data-bbox="1850 722 2166 970">We do however note some issues over the revenue and capital forecasting process given the significant outturn variance against budget at year end.</p>																																				
		<table border="1"> <thead> <tr> <th></th> <th>2022/23</th> <th>2021/22</th> <th>2020/21</th> <th>2019/20</th> <th>2018/19</th> </tr> </thead> <tbody> <tr> <td></td> <td>£m</td> <td>£m</td> <td>£m</td> <td>£m</td> <td>£m</td> </tr> <tr> <td>Budget</td> <td>43.4</td> <td>44.4</td> <td>41.9</td> <td>68.8</td> <td>30.7</td> </tr> <tr> <td>Spend</td> <td>28.3</td> <td>31</td> <td>39.2</td> <td>56.7</td> <td>27.9</td> </tr> <tr> <td>(Under)/Over Spend</td> <td>-15.1</td> <td>-13.4</td> <td>-2.7</td> <td>-12.1</td> <td>-2.8</td> </tr> <tr> <td>Underspend as a percentage of total budget</td> <td>35%</td> <td>30%</td> <td>6%</td> <td>18%</td> <td>9%</td> </tr> </tbody> </table>		2022/23	2021/22	2020/21	2019/20	2018/19		£m	£m	£m	£m	£m	Budget	43.4	44.4	41.9	68.8	30.7	Spend	28.3	31	39.2	56.7	27.9	(Under)/Over Spend	-15.1	-13.4	-2.7	-12.1	-2.8	Underspend as a percentage of total budget	35%	30%	6%	18%	9%	
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Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.</p>	<p>Significant risk identified:</p> <p>There is a risk that where savings and transformation plans are not identified and delivered in the short to medium term this could provide financial sustainability challenges for the Council.</p>	<p>Background</p> <p>There are significant funding gaps identified from 2023/24 and beyond. The Council faces significant challenges in dealing with future funding gaps where funding is not matched by the Scottish Government. To achieve financial sustainability and reduce reliance on useable reserves to bridge funding gaps, the Council will need to identify and deliver significant savings and transformation to reduce funding gaps and continue to deliver key services and Council priorities. There is a risk that where savings and transformation plans are not delivered in the short to medium term this could provide financial sustainability challenges for the Council .</p> <p>Moray Council, like all councils across Scotland, is facing unprecedented financial challenges. The Council have estimated a cumulative funding gap of £26.5 million over the next three years after use of reserves of circa £20 million. The level of funding gap has increased due to challenges out with the Council's control; ongoing economic challenges, recovery from the pandemic, and Russia's war in Ukraine has had a global impact driving a cost-of-living crisis. These external factors coupled with increasing demands for local services provide a perfect storm for local authority bodies. Local Government bodies must find a way to respond to reducing financial settlements in real terms from Government, whilst meeting the needs and expectations of local communities.</p>	<p>The MTFS currently extends to 2025/26, however the Council are currently undergoing work in relation to the MTFS to extend the period of review to assess longer term future funding gaps.</p> <p>The MTFS has been superseded by a Short to Medium Term Financial Strategy, covering 2023/24 to 2025/06, which was approved by Council on 27 September 2023, and will be complemented by an extended Medium to Long term Financial Strategy which is being currently being drafted with the aim of submission to full Council on 25 October 2023.</p>

Wider scope audit (4)

Wider scope dimension Plan risk Wider scope audit response and findings

Conclusion

Financial sustainability

Medium Term Financial Strategy

Moray Council approved the 2023/24 revenue and capital budgets in March 2023 as part of agreeing the wider Medium Term Financial Strategy (MTFS). A balanced budget has been set for 2023/24 however this requires £5.85 million of savings to be delivered. The funding gap then rises to over £25 million by 2025/26. The financial pressures for 2024/25 and beyond are significant with a £19.6 million funding gap forecast in 2024/25.

	2023/24	2024/25	2025/26	Total
Expenditure	268,901	265,986	250,070	
Revenue Funding	243,228	245,192	249,029	
Use of Reserves	19,818	1,136	-	
Funding Gap	5,855	19,658	1,041	26,554
Identified Savings	4,881	1,475	292	6,648
Unidentified Savings	974	18,183	749	19,906

Reducing the underlying overspend for 2024/25 will be challenging and use of reserves in 2022/23 has been sheltered by a loans pool holiday (non-recurring saving) which delays the need to find some of the savings by up to one year. This however does not address the fundamental challenge Moray Council has in delivering future balanced budgets.

By way of further update to the date of this report, current estimates are for a reduced funding gap of £15 million as reported to full Council on 27/09/2023.

Wider scope audit (5)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		<p>Medium Term Financial Strategy (continued) Risks such as potential reduction in future local government funding settlements, pay negotiations, rising inflation, cost of living crises and supply chain pressures are embedded within the MTFS however given the economic uncertainty of these factors, this could result in a growth of the cumulative funding gap.</p> <p>Savings A total funding gap of £5.8 million has been identified for 2023/24 from the original budgeting process. To bring about a balanced position in 2023/24, the Council will need to deliver £5.8 million of savings on top of managing current budget and cost pressures. The savings to be delivered for 2023/24 have been identified by management and expect to be generated through areas such as service concession flexibilities (which are largely one off non-recurring savings and relate to the reprofiling of debt for service concession arrangements) and some additional income streams. A proportion of the savings identified are non-recurring. As part of the 2022/23 budget setting process, the budget included a requirement to deliver savings of £1.576 million. Additional savings were identified after the budget was set with £3.318 million savings being delivered for the year £2.032 million of these savings have been identified as recurring by the Council. It is positive to note that the Council have delivered more savings than budgeted, however the scale of savings delivered is much smaller than that which is required over the next three financial years.</p> <p>Reserves Reserves are a key performance indicator of monitoring the financial health of a body. At 31 March 2023 the council held £1,089 million of reserves. This is split between £5 million general fund reserves, £41 million general earmarked, £14 million statutory earmarked reserves and £1,029 million unusable reserves. The council budgeted that it would use an estimated £18.968 million of earmarked reserves to balance the budget however, the final outturn for 2022/23 was an underspend against budget and therefore the Council only utilised £0.725 million of reserves. A large proportion of the use of reserves was expected to come from Covid reserves, however this was not required due to lower expenditure than forecast, lower loans charges than expected and additional funding for the pay award via the capital grant.</p> <p>The Council has budgeted to utilise £20 million of general earmarked reserves in 2023/24 to achieve a balanced budget. This will reduce general earmarked reserves from £41 million to £21 million by 31 March 2024, which is almost half of the earmarked reserves it has available for specific priorities. The use of reserves to balance the revenue budget should not be relied upon, is finite, and is not a way to create financial sustainability for the Council. As mentioned above the Council will need to prioritise and focus on transformation to ensure that reserves are used for the intended purpose to and not to meet budget gaps.</p>	<p>The 2023/24 financial plan identifies that £20 million of savings have been unidentified. The size and scale of the savings that would need to be delivered by the Council to eliminate this funding gap would be unprecedented for the Council. There is a significant risk that the Council does not identify or deliver the level of savings required to reduce the funding gap. This is coupled with the potential for budget pressures to expand which would increase the current funding gap. The Council therefore need to prioritise transformation and identify efficiencies to tackle the large funding gap identified, and identify additional income or service reductions which can be delivered within the next 2 years to balance the budget by 2025/26, accordingly to the approach set out in the SMTFS.</p> <p>The continued reliance on reserves is not sustainable and although helps achieve a balanced budget in 2023/24, the Council will not have sufficient available earmarked reserves to draw upon to meet the 2024/25 funding gap.</p> <p>The Council will need to continue to monitor the percentage level of adequate general reserves as funding gaps continue to grow and the Council looks to transformation in future years to ensure reserves do not dip to an unsustainable level.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (6)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		<p>Reserves (continued) The Council currently hold £46 million of general reserves, this equates to circa 10.6% of gross revenue expenditure. We believe this is a sufficient level of reserves currently, however it is noted that a significant percentage of this is earmarked for specific purposes of revenue expenditure and therefore should not be utilised to bridge funding gaps.</p> <p>Transformation Plans The increase in the cumulative funding gap position in the next five years is significant and outlines serious concerns over the future financial sustainability of the local authority, where additional funding is not provided or where the Council do not operate within its funding allocation. This creates a risk, as Moray Council will have to balance ensuring that it maintains financial sustainability with ensuring it continues its service delivery to meet Council priorities.</p> <p>To reduce the current funding gap a major transformation programme will need to be developed. The Council has recognized the fact that it will require substantial transformation to reduce future funding gaps and reshape the organisation to ensure efficient service delivery. The Council's transformation programme is the Improvement and Modernisation Programme (IMP), which is overseen by the Corporate Committee. Work is on-going to further develop this programme, with a potential number of transformation projects designed to deliver savings in the medium to long term. These are however at the concept stage. The Council has an earmarked reserve of just under £4 million for funding transformation projects. Transform Boards have been revised to focus on programme management functions and enhancements are being made to stakeholder engagement, including elected members with member briefings having taken place on the overall IMP programme. Several projects are already in progress as part of the IMP, however this will not reduce the estimated funding gap. Therefore, further work on change and transformation projects to reduce the projected funding gap will be required as well as to safeguard future financial sustainability.</p> <p>Substantial transformation is required to bring about financial sustainability. The Council has been working on transformation for several years. However, the size and scale of transformation required to deliver the savings and efficiencies required to close the projected funding gap is unprecedented. It is important that Council members have oversight of the transformation programme to ensure the savings and efficiencies required to reduce future funding gaps can be delivered.</p>	<p>The Council has not yet identified all the savings and efficiencies required to eliminate the large funding gap predicted for 2024/25. A depth of pace will need to be undertaken on implementing the SMTFS to ensure the Council can bridge the significant funding gap in a short space of time. It is important that the Council and committees monitor the progress and delivery of the transformation programme and outcomes at a close level to ensure that not only efficiencies can be delivered but that financial sustainability can be achieved.</p> <p>To ensure financial sustainability for the medium to longer term, the Council will need to ensure that it is able to deliver increased income and efficiency initiatives to reduce costs and deliver financial benefits. The Council will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (7)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		<p>Capital and Long-Term Borrowings</p> <p>The Council have an asset strategy which spans a ten-year period to 2032/33. The capital plan was approved at the March 2023 full Council meeting alongside the revenue budget. The capital plan shows a total expenditure between 2023/24 and 2032/33 of £501 million of which £400.5 million (80%) is planned to be financed through loans. This is a significant amount of planned borrowing and there will be revenue implications for the Council. It is not clear from the capital plan what the estimated revenue costs will be to the Council across this ten-year period. There are risks associated within the capital plan, and it not evident how these risks have been considered, such as potential interest rate rises in future years and the revenue implication of this.</p> <p>The capital plan forecasts circa £501 million of capital expenditure in the next ten years which will have a significant impact on the revenue budget in relation to borrowing costs. Determining whether the current plan is affordable is a key issue, because currently it will create further financial sustainability risks to the Council in the medium to longer term. The Council will need to review the capital programme and prioritise capital projects ensuring best value, as well as assisting with the delivery of Council priorities.</p>	<p>The Council will need to review the affordability of the proposed capital plan and its revenue implications. A review of the capital plan and estates strategy should be carried out and identify through scenario planning and sensitivity analysis whether the proposed capital plan is affordable in the short to medium term. It is also important that the Council considers what is affordable to ensure continued financial sustainability as well as identifying what capital priority areas are, to ensure delivery of Council plan priorities.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (8)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Vision, Leadership and Governance</p> <p>Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Significant risk identified:</p> <p>There is a risk that progression of council priorities is hindered due to lack of effective cross party working arrangements.</p>	<p>Leadership and committee effectiveness</p> <p>Following the local government elections, the new Council met for the first time on 18 May 2022. The results of the local government elections in May 2022 led to a change in Council leadership from a minority SNP administration to a minority Conservative administration. However, there have been several changes to the leadership of the Council since the elections including two members who left the administration group and the Convenor resigning from their post resulting in a decision to approve a new structure consisting of a Leader, Depute Leader and Civic Leader. A by-election was also held in early November 2022 following the resignation of one of the new intake of councillors from an opposition party in May. Over half of the councillors elected in the latest elections are new councillors, and a number being new to local government. The current membership profile of the Council remains finely balanced as can be seen in the graph below.</p>	<p>The nature of the political make up of the council continues to be finely balanced which creates challenges in progressing key decisions and Council priorities. The Council will need to ensure that members work effectively together to act on key decisions in an effective and efficient manner, especially in what will be a challenging financial climate.</p>

MORAY COUNCIL MEMBERSHIP



Wider scope audit (9)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Leadership and committee effectiveness (continued)</p> <p>Moray Council hold a committee-based structure which has delegated functions to several committees which subsequently become responsible for the administration of services. There are currently eleven different committees including the Council which range from Audit and Scrutiny Committee to service committees and Corporate Committee. There are several other committees in place which hold specific duties such as joint partnerships and boards.</p> <p>The Audit and Scrutiny Committee undertakes the role of Those Charged with Governance (TCWG) and looks to consider reports and obtain assurance through internal and external audit reports concerning Council functions. The Committee also have a scrutiny remit, whereby the committee looks to scrutinise the policies of the Council and their effectiveness in meeting the action plans of the Council as set out in the Corporate Plan Delivery Framework and evaluating the actions of Committees in implementing the action plans set out in the Corporate Development Plan. The Committee also obtain assurance over performance monitoring and receive reports on the performance of and trends within the Council's services in terms of service standards and performance information.</p> <p>The 2022 Best Value Assurance Report (BVAR) and most recent annual audit report for 2021/22 both highlighted that "<i>members had yet to conclude on the Audit and Scrutiny Committee's remit and agree a shared view on the role and nature of scrutiny</i>". In response to this finding, a workshop was led in late 2022 for elected members by the Improvement Service to clarify the scrutiny remit of the Audit and Scrutiny Committee and approve a Scrutiny Guide. The Council have also appointed two external members (co-opted independent members) to provide appropriate technical expertise. It is positive to note the steps that the Council have taken to address this issue and provide further clarification on the remit of the Audit and Scrutiny committee for members in the way of producing a formal scrutiny guide.</p> <p>Our attendance at recent Audit and Scrutiny committees since being appointed as new external auditors has identified instances where there have been challenges between members in relation to actions to be taken regarding the remit of Audit and Scrutiny Committee. There continues to be some confusion between members on what should be escalated to Council and what should be contained and actioned within the remit of the Audit and Scrutiny Committee. We have found that there has been lengthy debates on which Committee issues should be escalated to, rather than focusing on how to resolve the issue at hand. This presents a risk to resolving identified issues in a timely manner.</p>	<p>We recommend that further training is provided to members to provide further clarification and guidance on the remit of Audit and Scrutiny Committee to ensure implementation of the scrutiny guide for members is being actioned.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (10)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Leadership and committee effectiveness (continued)</p> <p>The most recent BVAR Report also noted <i>"The council works with three tiers of governance. The CMT meet with the administration group; group leaders meet at least once a month; and business goes through formal committees. In December 2020, the Chief Executive met with group leaders to discuss political management and ways of working, but this can still be difficult especially where there are areas of political difference. Cross-party working arrangements can be affected by longstanding political differences between some groups and some poor relationships. The administration group has been able to gain support for key decisions, but this can be time-consuming, challenging and relies on the support of other elected members"</i>.</p> <p>Review of meeting minutes and observation of Council meetings has identified that there continues to be issues in cross party working arrangements to progress key decisions. Our review has found that key decisions are being made however due to issues in cross party working, the ability to gain support for key decisions continues to be time-consuming and challenging. This is largely due to the political make up of the council where there the political balance is finely balanced and therefore provides challenges in progression in key decision-making areas and creating pace for change. A recent example of this extends to the production of the new Council plan which has been delayed due to the changes in members in the following months after the local government elections in May 2022. This is combined with the finely balanced political views, the nature of producing the plan as well as the fact a number of councillors are new to the Council.</p> <p>The risk identified has been highlighted within Audit Scotland Best Value Assurance Reports for several years, and it is important that the Council urgently act upon this issue to mitigate against future risks of non-delivery of Council priorities. The Council is aware of the significant financial challenges that it faces in the short to medium term and significant decisions will need to be made on areas such as finances and service delivery.</p> <p>Monitoring of service plan progress and service performance in key areas is monitored and reported to ensure a process of continuous improvement. However, self-evaluation is something that could be improved upon at the Council. There are examples of best practice in other councils that undertake an annual self evaluation questionnaire considered by committees such as Audit Committees using various frameworks and tools such as the Public Service Improvement Framework (PSIF). This allows councils with the opportunity to evaluate on strengths and weaknesses and draw any themes arising from results of self evaluations. This will allow the implementation of any necessary action plans to support continuous improvement in priority areas and ensure it is demonstrating compliance against the CIPFA Code of Principles for Delivering Good Governance (revised 2016). The process of implementing a self evaluation in committees such as the Audit and Scrutiny Committee and in full Council may help members identify strengths and weaknesses within the Committee that can be further improved and implemented through an action plan.</p>	<p>There is a continued risk that progression of council priorities is hindered due to issues in cross party working arrangements.</p> <p>Issues in cross party working will make it extremely difficult for members to agree on difficult decisions that need to be made which could impact on pace of delivery of priorities, effective service delivery and financial sustainability. The council will need to ensure that members work effectively together in order to act on key decisions in an effective and efficient manner.</p> <p>An action plan recommendation has been raised in Appendix 3.</p> <p>We recommend that Moray Council look to implement an annual self evaluation and consider the results of this evaluation on an annual basis to identify strengths as well as areas for improvement in order to support continuous improvement.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (11)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Internal Audit (IA)</p> <p>As at March 2023, Internal Audit completed 18 out of 19 of planned audit reports in support of the annual internal audit opinion in 2022/23, with the remainder carried forward into 2023/24. The Audit and Scrutiny Committee received quarterly audit and inspection reports from internal audit which outline the work undertaken in each quarter alongside any follow up audits and the results of the audits. This provides Audit and Scrutiny Committee members the opportunity to gain assurance that internal controls are operating as expected. The internal audit opinion notes that <i>“reasonable assurance can be placed on the adequacy and effectiveness of the Council’s internal control system for the year ending 31 March 2023”</i>.</p> <p>From our review of internal audit reports and Audit and Scrutiny Committee reports we have not identified any evidence of significant gaps in the assurance obtained by the Audit and Scrutiny Committee in relation to the work programme undertaken. Numerous high priority recommendations have been made by the internal auditor in the areas covering General Data Protection Regulation (GDPR) and Self-Directed Support. The Council has noted increased numbers of data breaches across several service areas. The Council in response to this and the IA findings have developed a refresher training course for staff to complete on an annual basis. Action plans have also been developed and agreed with management for re-activation during 2023/24, that were paused during the pandemic. The Council will need to ensure it is able to appropriately respond to IA findings in this area and implement agreed recommendation to ensure there are no of breaches of GDPR.</p>	<p>The Council has in place a wide range of policies and procedures designed to ensure compliance with laws and regulations, including for example codes of conduct for employees and councillors, policy to combat fraud and HR policies and procedures. Our review of these policies have found the policies to be relevant, up to date and promoted within the Council.</p> <p>The Council have an effective internal audit function in place to assist with assurance over governance framework, risk and internal controls. The Council also have appropriate policies and procedures in place to support the governance of the Council.</p>

Wider scope audit (12)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Use of Resources</p> <p>Bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness with financial and other resources and reporting performance against outcomes.</p>	<p>No significant risks identified.</p>	<p>Council Performance</p> <p>The corporate plan has four strategic priorities including; our people, our place, our future and sustainability. Underpinning these strategic priorities are several corporate priorities with key performance Indicators (KPIs) and measures to measure and monitor performance. A performance report is published annually which outlines annual performance against the corporate plan.</p> <p>At the time of drafting this report the current data available from the Council illustrated that overall performance against children and family priorities were improving year on year however, performance against adults' priorities had declined from 2020/21 to 2021/22. Our review of the most recent 2022/23 annual performance report for Moray IJB highlights that out of 11 indicators, three were showing as green and on target with the remaining nine indicators showing as amber (performing worse than target but within agreed tolerance). The area where performance has significantly decreased include the 'Rate of emergency occupied bed days for over 65s per 1000 population'. Other indicators have either been stable year on year or improved but still fall out with the agreed tolerance. Our review of the latest available local government benchmarking report (2021/22) shows that Moray Council are in the lower quartile of Councils for council spend on providing residential care for older people (per person, per week). The trend in this area for most councils has generally increased, however the Council are currently showing a decline in this area.</p> <p>Review of performance against indicators against 'Our Place' priority generally show that performance is improving however there is still underperformance noted against the percentage of participatory budgeting (PB) expenditure achieved. The Scottish Government have set a target of 1% of a local authority's budget to be allocated by PB. Moray Council have set a target to achieve 100% of the SG target, however in 2022/23 the Council only achieved 13.42%. The percentage achieved is an increase from the two previous years however continues to be significantly under target.</p>	<p>Moray faces the challenge of an increasing older population with a decline in working age population, staff recruitment challenges and lack of available accommodation against a backdrop of significant financial challenge. Adult social care is widely publicised as being under pressure in all local government authorities, so this issue is not specific to Moray Council. The Council will need to ensure that it is able to continue to deliver safe and effective adult services considering the challenging financial background faced alongside a growing aging demographic. This will require wider transformation of the Council which is outlined within the Financial Sustainability section of this report.</p> <p>We have outlined in the Best Value thematic that the Council should do more to ensure there is engagement with local citizens and communities around financial planning and future budgeting priorities given the financial challenges faced by the Council which will impact on the local community.</p>

Wider scope audit (13)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		<p>Council Performance (continued)</p> <p>Performance against ‘Our Future’ priority shows a mix of increasing and decreasing performance against indicators. Areas of increasing performance include; the economic impact of tourism in Moray which has more than doubled since 2020/21. The proportion of people earning less than the living wage has also reduced (improved) and the median gross weekly earnings and modern apprenticeship achievement rate has also improved. The population of 16–29-year-olds in Moray has however stayed the same which results in an ageing demographic which impacts on wider adult social care issues as mentioned above.</p> <p>Moray Council perform significantly below the national average in relation to ‘Proportion of council dwellings meeting Scottish Housing Quality Standards’. In 2021/22 this indicator saw a drastic decline from 84.3% to 6.3%. The latest 2022/23 service report shows this has slightly increased to 15.5% however given the national average for the prior year was 68.5%, the Council are continuing to underperform in this area. The reason for this was in-year / late clarifications in requirements around fire and electrical safety standards which meant large numbers were no longer compliant and which compounded existing non-compliance against energy efficient social housing (EESH). This was reported to Committee.</p>	<p>We have obtained assurance that appropriate performance monitoring and reporting arrangements are in place at the Council. We have however identified areas including housing and adult social care where performance sits below target and against the average Scottish council, and therefore focus by the Council on these areas.</p> <p>We have noted good practice in relation to the community stakeholder engagement with regards to the refresh of the corporate plan (as highlighted within our Best Value Thematic Report). Extensive work was undertaken by the Council in ensuring stakeholders were engaged in helping form the new corporate plan which has helped drive Council priorities for the future. However, more could be done by the Council alongside ongoing budget engagements and consultation where possible to ensure more stakeholders are involved in participatory budgeting exercises that will be key in allocating pressured financial resources to priority areas. This will in turn help to demonstrate economy, efficiency and effectiveness of use of resources.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (14)

Plan risk

Conclusion

Other wider scope areas

We did not identify any specific risks in relation to climate change at Moray Council.

Climate Change

We have considered six specified questions related to climate change, as mandated by Audit Scotland. We are also required to submit a questionnaire to Audit Scotland responding to the questions by the reporting deadline. We have not identified any significant risks in respect of climate change. As part of the Council's commitment to climate change mitigation, Moray Council introduced of this Climate Change Strategy in 2020 which, together with the Local Development Plan, is designed to provide a co-ordinated and appropriate response to help all with Moray to deal with the challenges that climate change is expected to bring. On the 27 June 2019, Moray Council declared a Climate Change Emergency. It was agreed that a Climate Change Strategy and action plan would be prepared and adopted with the aim of Moray Council becoming carbon neutral by 2030. Further that the Council would work with the wider community to promote and facilitate local action on Climate Change.

A working group with cross-party member and key service representation was initiated and has co-ordinated the development of the Climate Change Strategy and associated action plan. The strategy was developed with consideration to the environmental, economic and social aspects of climate change and sustainability. The accompanying Action Plan details the significant changes and challenges required to achieve a net zero carbon council by 2030. It demonstrates the scope and extent of the direction the council needs to take to realise its stated targets and deliver upon the aspirations contained within the Strategy.

We are satisfied that the Council have a climate change action plan in place which sets out how the Council intend to achieve its targets. There are appropriate arrangements in place for internal monitoring and progress is reported externally on the Council's website. We are also satisfied that the Council includes climate change in its narrative reporting which accompanies the financial statements.

The Council has considered the impact of climate change on its financial statements. The areas in which climate change will have the most material impact on the financial statements is in relation to capital and as outlined in the financial sustainability section of this report, the Council will need to assess the affordability of its capital plan and prioritise capital projects which includes consideration of the delivery of the climate change strategy.

We did not identify any specific risks in relation to cyber security at Moray Council.

Cyber Security

We have considered risks related to cyber security at Moray Council as part during our audit of Moray Council's financial statements in line with the guidance issued by Audit Scotland's Digital Audit team. We have not identified any significant issues in relation to cyber security or the arrangements in place at the Council in relation to cyber security .

Note that our judgement is based on our IT general work performed on the arrangements in place, but this this does not involve detailed testing of system penetration controls.

Best Value (1)

Best Value audit response and findings

Under the new Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit work performed by appointed auditors and their teams. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value duties. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.

We have not identified any significant risks in relation to Moray Council's Best Value arrangements however as part of our review of arrangements embedded within our wider scope work for Vision, Leadership and Governance, we have reviewed the theme of Leadership and Governance and the arrangements the Council has in place to in this area. Our work in this area can be found within 'Vision, Leadership and Governance' section of this report. From our review of leadership and governance we have identified that there are the issues that have not been fully resolved at the Council which have been highlighted in previous best value assurance reports. This includes the fact that clarification on the remit of Audit and Scrutiny Committee continues to be a challenge for members. The Council have introduced formal scrutiny guides and training to further resolve this issue. However there continues to be issues in this area. We have raised an action plan recommendation to help members and the Council look to resolve this matter.

The nature of the political make up of the council continues to be finely balanced which creates challenges in progressing key decisions and Council priorities. The Council will need to ensure that members work effectively together to act on key decisions in an effective and efficient manner, especially in what is and will continue to be a challenging financial climate.

Best Value – previous Best Value Assurance Reports (BVAR)

During the last audit appointment, a Best Value Assurance Report was produced and considered by the Accounts Commission at least once during the audit appointment. The BVAR for Moray Council was published in August 2020, with a progress report issued in March 2022. The progress report noted that while good progress had been made in a number of areas, there were challenges remaining in delivering the Council's strategic priorities.

The Council produced an updated Action Plan in response to the progress report. This was presented to full Council in June 2022 following the local government elections in May 2022. The key themes raised in the progress report and action plan relate to:

- Increase the pace of transformational change
- Improve performance management reporting
- Financial Planning
- Continue to progress the Governance Review
- Improve Educational Attainment
- Committed and Decisive Leadership
- Workforce and capacity

Best Value (2)

Best Value – previous Best Value Assurance Reports (BVAR) (continued)

Our best value and wider scope work has considered the findings from the BVAR and progress report and incorporated any themes into the wider scope work including the thematic review performed in 2022/23 by way of follow up.

The Council produced an update to the Action Plan reported to the Corporate Committee in April 2023, and the date of implementation for five of the seven recommendations were amended, with some changed to September 2023.

The covering report to the April 2023 Corporate Committee acknowledged the pace of change for some areas is impacted by the settling period following the elections, and from competing priorities. The report noted from the seven recommendations that four were rated ‘amber’ referring to caution in completion. The remaining three were ‘green’ in terms of on target for completion. The Council expects to complete the actions with the extended timescales, but it is too early to comment on the full progress due to the revised timelines for completion.

The pace of implementation of the Best Value Audit Report Action Plan recommendations in April 2023 has stalled compared to the expected timelines for recommendations presented in June 2022. The ability to respond to action identified from external reviews is an important part of the scrutiny function and governance of the Council.

Best Value – Controller of Audit reports

For this audit appointment from 2022/23 onwards, the Controller of Audit also reports to the Accounts Commission on each council’s performance in meeting its Best Value duties at least once over the five-year appointment. The reports will be prepared for the Controller with support from Audit Scotland’s Performance Audit and Best Value business group and will be a summary of information. Moray Council is scheduled to be included in the first year of the programme of visits in 2024.

Best Value Thematic

Auditors are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2022/23 requires auditors to carry out an overview of the effectiveness of Council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022.

A summary of our conclusion reported within the Best Value Thematic can be found below:

1) How clear is the new Council vision and its priorities?

We are satisfied that the new draft Council plan includes a clear vision with clear priorities for the Council. The draft plan was included in Council papers published on 16 August and approved on 23 August 2023. We are satisfied that the new plan priorities are broad enough that they capture the main issues impacting the local economy. Given the delays in producing a new corporate plan, the Council will need to ensure there is a depth of pace attached to the finalisation of the corporate plan to ensure delivery of implementation, monitoring of outcomes and progress on delivering new council priorities can commence. We have gained assurance that in preparation for the new corporate plan, priorities are being informed and developed in conjunction with a range of stakeholders and community partners through the Local Outcome Improvement Plan (LOIP).

Best Value (3)

Best Value Thematic (continued)

2) How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?

We have found the work undertaken by the Council in relation to community engagement in forming the new corporate plan to be highlighted as an area of strength for the Council, and an example of good practice. The Council have effectively listened to the views of citizens and communities and reflected these in the priorities within the new Council plan. It is currently too early to assess the effectiveness of decisions taken by the Council in line with the new corporate plan.

3) How effectively do the Council priorities reflect the need to reduce inequalities and climate change?

We are satisfied that the priorities of the Council within the Council plan clearly articulates the importance of its plans to reduce inequalities as well as ensuring stakeholders have been involved in identifying local needs and inequalities to inform priorities. The Council also has appropriate arrangements in place to reflect the sustainability of the environment and in particular climate change as a key priority in its vision and council plan.

4) How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities?

Overall, we are satisfied that the council has appropriate delivery plans and that there is alignment of financial, workforce and asset plans with council priorities however digital plans are yet to be finalised.

The Council will need to review the affordability of the capital plan and prioritise capital projects in line with its priorities. The Council also faces significant financial challenges with a significant funding gap estimated for 2024/25. As a result of a challenging financial future, it is important that there is increased focus on ensuring there is engagement with local citizens and communities especially around financial planning and future budgeting priorities.

5) Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

There has been some issues in cross party working between members in to finalise the council plan and set council priorities. There has been a delay in finalising the Council plan due to a number of changes with the leadership and members since the local government election in 2022. Factors including the emerging national financial position of local government and the Verity House agreement have also contributed towards delays in finalising the new Corporate Plan. The Council remains finely balanced which provides some challenges in progressing key decisions including finalising the new council plan. Further work has been planned around the theme "Collaborative leadership" to improve the way councilors and officers work together and to ensure that Council meeting time is used effectively.

Best Value (4)

Service Improvement and Reporting

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

The Accounts Commission issued the Statutory Performance Information Direction in December 2021 which requires a council to report: “its performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes its own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments”.

The Council has yet to publish its Annual Performance Report 2022/23, with plans to publish this in November 2023. One of the requirements set out in the direction is that the reporting is undertaken in a timely manner. Although this has not been defined in the guidance, the Council is yet to report the outcomes. It was anticipated that reporting would be to the September full Council, but this was delayed, and it is anticipated that the report will be presented to the Corporate Committee on 7 November and then with full Council.

The 2022/23 Annual Governance Statement outlines the Council’s assessment of how it is performing against its duty of Best Value and the progress and status of recommendations raised in previous best value assurance reports.

We have followed up the previous auditor’s recommendations in Appendix 4.

Conclusion on service improvement and reporting

We are unable at this stage to evaluate the effectiveness and appropriateness of the arrangements in place at the Council, including assessing the appropriateness of the information provided to members in responding to the new Direction as this has yet to be published.

We have raised a recommendation regarding the timeliness of the performance reporting in Appendix 3.

Appendices

1. Audit Adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement (CIES), the balance sheet, and the reported net expenditure of the Council for the year ending 31 March 2023.

Note that with any of the adjustments there is no impact upon usable reserves.

Detail	CIES £'000	Balance sheet £' 000
DR Pension reserve		163.868
CR Pension asset		(163.868)
	163.868	
DR Remeasurement of net defined liability		
CR MIRS	(163.868)	

The gross impact of the capped IAS19 asset calculation due to the IFRIC14 assessment. The impact is through the CIES but mitigated through the MIRS.

DR Pension asset		10.257
CR Pension liability		(10.257)

The unfunded liabilities IAS19 liability had been incorrectly netted off from the pension asset when it should have been a liability. This is classification only.

The impact of both of adjustments above is the reduction in the pension asset of £153.611 million and in increase in the pension liability of £10.257 million. This is classification only.

1. Audit Adjustments (2)

Impact of adjusted misstatements (continued)

Detail	CIES £'000	Balance sheet £' 000
DR Revaluation Reserve		13,768
CR Capital Adjustment Account		1,016
CR Property, Plant and Equipment		(14,804)
DR Investment Property		20
DR Cost of Services	1,016	
DR Revaluation of PPE	13,768	
CR MIRS	(14,784)	

The impact of movements in PPE due to revaluation issues noted during the audit. The main part of this is the overstatement in council house indexation of £19.816 million with other PPE adjustments of (£5.012 million) netting to a reduction of £14.804 million in PPE.

The impact is through the CIES but mitigated through the MIRS.

DR Short Term Creditors		2,007
CR Short Term Revenue Grants Received in Advance		(2,007)
DR Long Term Liabilities		4,066
CR Long Term Revenue Grants Received in Advance		(4,066)

Adjustment to record the grants received in advance balance separately and not within other balances. This is classification only.

1. Audit Adjustments (3)

Impact of adjusted misstatements (continued)

Detail	CIES £'000	Balance sheet £' 000
DR Group Creditors		2,196
CR Group Cash		(2,196)
<p>The cash for the group was incorrectly stated as the cash for the Council are the same value and the adjustment should have been through creditors instead. This is classification only.</p>		
DR Grants Received in Advance		656
CR Short Term Creditors		(656)
<p>The grants received in advance included an item that should have been in creditors. This is classification only.</p>		
Overall impact to usable reserves	Nil – all reversed in the MIRS	Nil – all impact is in unusable reserves

1. Audit Adjustments (4)

Impact of unadjusted misstatements

The table below provides details of all non-trivial errors which we identified during the course of our 2022/23 audit which management decided not to amend within the final set of financial statements. The unadjusted misstatements will be included in the Letter of Representation.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £' 000
Prior Period Adjustment	(2,018)	2,018
The PPA for £17.07 million for PPE valuations was all accounted for through the 31/3/22 balance, but an element related to the 1/4/21 opening position. Although the total would not change, there should be £2.018 million recorded in the 1/4/21 position within the restated accounts and a third balance sheet added to show this amendment.	2,018	(2,018)
Overall impact	0	0

Management have not amended for this adjustment as it is not material and is in classification only, and does not impact upon the total value of the PPA of £17.07 million.

1. Audit Adjustments (5)

Impact of unadjusted misstatements in the prior year

There were no unadjusted misstatements in the 2021/22 financial statements.

1. Audit Adjustments (6)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team, including typos and formatting requests.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the Council's reported financial position.

Disclosure	Comments	Adjusted?
General	There were minor changes noted to grammar and to correct spelling and other consistency issues. The Council has corrected these in the final version of the financial statements, they are expected and do not warrant detailed explanation.	Yes
Comprehensive income and expenditure account (CIES)	The CIES included the original and restated figures for the 2021/22 comparators, whereas only the restated figures were required, so they were removed.	Yes
	For information, the group figures in the CIES are only shown net by the Council, as the gross changes to the group services income and expenditure are not material. This is acceptable but gross disclosure would provide more information.	N/A
Balance Sheet	The balance sheet included the original and restated figures for the 2021/22 comparators, whereas only the restated figures were required, so they were removed.	Yes
	The General Fund was split to show the element for the Council and the element for the Group consolidation for the Trust Funds identified separately for both 2022/23 and the comparator.	Yes
Cashflow statement	The cashflow statement included the original and restated figures for the 2021/22 comparators, whereas only the restated figures were required, so they were removed.	Yes
	For the group cashflow the starting point should have been the deficit on the provision of services and not the provision of services and the associates' equity balance. This was adjusted in the 2022/23 and comparator balances.	Yes
	The group cashflow statement did not balance to the group cash balance sheet figure by £2.196 million. This was due to an incorrect value in the balance sheet for the group cash, as the £2.196 million should have been in creditors instead.	Yes
	The cashflow statement disclosure was expanded to analyse non-cash movements and investing and financing entries in more detail.	Yes

1. Audit Adjustments (7)

Disclosure	Comments	Adjusted?
Movement in Reserves Statement	Disclosure within the MIRS was amended to ensure the link from the general fund is fully reconcilable with the group reserves.	Yes
	Disclosure within the balance sheet for the share of associates reserves and the minority interest were not attributable to unusable or unusable reserves. These are not material balances, and this has not been amended by the Council for this classification issue. A recommendation is raised at Appendix 2.	No
Note 2 – Prior Period Adjustment	Changes were made to add further narrative to improve the signposting that the prior period adjustment in Note 2 is for the Council and that other disclosures for Trust Funds and Common Goods are in those respective notes also.	Yes
Note 6 – Estimation Uncertainty	Some disclosure changes were made within this note, but further enhancements could be made to include PPE valuations and provide sensitivity analysis for each disclosure.	Yes
Note 7 – Events after the Reporting Period	This note was updated as expected to bring it up to date to the signing of the financial statements	Yes
Note 8 – Expenditure and Funding Analysis (EFA)	<p>The first column in the Expenditure and Funding Analysis should reconcile to the outturn figures within the management commentary. This is not the case in Note 8 as bad debt provision is in the service lines in the outturn.</p> <p>Management have added narrative disclosure to note the reason for the difference in the figures compared to the management commentary but have not adjusted the figures. This would involve adding more columns within the EFA. We are satisfied that the differences are not material, and that narrative disclosure has been added both in Note 8 and in the management commentary.</p>	Partially

1. Audit Adjustments (8)

Disclosure	Comments	Adjusted?
Note 10 – Adjustments between accounting and funding basis	The other entry within the capital reserve for £1.014 million had been omitted from the disclosure note. The MIRS was correct, this is merely the number being missed from the disclosure.	Yes
Note 15 – Property, Plant and Equipment	The PPE note did not balance to the balance sheet figure even when infrastructure assets were added in, therefore adjustments were required to ensure the balance sheet figure agreed to the PPE note, most notably in the revaluation disclosures.	Yes
	Within the PPE note £5.669 million was identified within assets under construction that were operational, and they were moved into the correct operational categories.	Yes
	Within the PPE note there were no reversals of depreciation recorded for any revaluations and the figures netted elsewhere from the note, so these were amended to show the figures as £8.592 million for the council houses and £28.257 million for buildings.	Yes
	The valuations table within Note 15 did not reconcile to the cost figures for the valuations in the PPE table, the final set of statements has adjusted this, so it is now reconcilable.	Yes
	The adjustments noted on page 16 highlight that the PPE balance reduced by £14.802 million due to all identified amendments, therefore the disclosure note was amended to incorporate these changes.	Yes
A recommendation is made at Appendix 2 regarding Note 15 to aid improvements in future years in the compilation of this disclosure note.		
Note 15 – Property, Plant and Equipment	Disclosure was added as required by CIPFA Bulletin 14 for infrastructure assets to include a reconciliation note as infrastructure assets are not disclosed in the PPE note and a reconciliation is required to then note how the PPE note reconciles back to the balance sheet.	Yes

1. Audit Adjustments (9)

Disclosure	Comments	Adjusted?
Note 19 – Financial instruments	The debtors' financial instruments balance was increased by £2.05 million for both 2021/22 and 2022/23 due to the inclusion of local taxation debtors that had been omitted.	Yes
	The cash balance had been excluded from the financial instruments disclosure, so this was added to include £11.034 million for 2022/23 and £15.409 million for the comparator year 2021/22.	Yes
	Further disclosure was added to split out the LOBO balance separately in the financial liabilities table.	Yes
	The annual leave accrual was incorrectly included within the short-term creditors balance, so this was removed for 2022/23 as well as the comparator year 2021/22. This is because the accrual is not a financial instrument.	Yes
	The 2022/23 value for PPP and finance lease liabilities decreased by £4.066 million due to capital grants in advance being correctly included.	Yes
	Minor changes in narrative were added to enhance the existing information for the reader within the financial instruments note.	Yes
Note 34 – External audit fees	Additional disclosure was added due to the update in the final external auditor's fee and to disclose the work on the bus certification grant and the trust funds audit separately.	Yes
Note 35 – Councillors' Remuneration	A new disclosure note was added as Councillors' Remuneration is required to be shown within the financial statements. The note had already been included within the Remuneration report, so the new note within the financial statements, signposts to the Remuneration report.	Yes

1. Audit Adjustments (10)

Disclosure	Comments	Adjusted?
Note 37 – Related Party Transactions	The related party transaction note was amended to add disclosure about the trust funds and common good intra group transactions as they were missing from the draft accounts.	Yes
	The 2021/22 comparator was changed for the funding received from Moray IJB from £66.311 million to £65.049 million, a decrease of £1.262 million.	Yes
	The 2021/22 comparator was changed for the contribution to Moray IJB from £47.475 million to £50.731 million, an increase of £3.256 million.	Yes
	The changes in the comparators were due to the incorrect figures in the disclosure in the previous year, this did not impact the primary statements.	
Note 43 – Defined Benefit Pension Schemes	Disclosure was added to include the accounting policy for the IFRIC14 pensions asset The adjustments noted on page 20 highlight that the Pension Asset reduced by £153.611 million due to the IFRIC14 asset capping and the amendment of the unfunded pensions as a pension liability, therefore the disclosure note was amended to incorporate these changes.	Yes
Trust Funds – Balance Sheet	The description of reserves for Trust Funds refers to terminology that is applicable to Council only reserves. Although the impact of the consolidation adjustments relating to these reserves is not material, the Council should refer to the correct terminology with the financial statements. A recommendation is added at Appendix 2.	No

2. Action plan and recommendations – Financial statements audit (1)

We have identified four recommendations for Moray Council and the group during our audit of the financial statements for the year ended 31 March 2023. We have agreed our recommendations with management and will report on progress on these recommendations during our 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p>Journals</p> <p>Our work on journals identified that the Council does not have journal authorisation processes within the general ledger, and processes are more informal. There is a reliance upon reactive controls through the budget monitoring process, whereas proactive controls would enhance the ability to reduce the risk of fraud or error from the opportunity to override management controls.</p>	<p>Review the processes in place for the authorisation of journals and consider introducing a formalised method of journal authorisation.</p> <p>Management response and Officer and deadline</p> <p>We will review and document processes for authorising journals with the General Ledger with a view to establishing the risks to the Council of current procedures and introducing mitigations where risk are considered unacceptably high.</p> <p>Responsible officer: Principal Accountant</p> <p>Target date: 31 March 2024</p>
High	<p>Property, Plant and Equipment</p> <p>The draft financial statements presented for audit including the disclosure note did not reconcile to the balances within the fixed asset register. There were various issues identified that required amendment as a result in the draft financial statements.</p>	<p>Review the reconciliation processes in place for the compilation of the Property, Plant and Equipment balances and associated disclosure in the financial statements to ensure they reconcile to the fixed asset register.</p> <p>Management response and Officer and deadline</p> <p>We will review and document our PPE reconciliation processes to ensure the financial statement reconcile to the FAR.</p> <p>Responsible officer: Senior Accountant</p> <p>Target date: 31 March 2024</p>

- High – Significant effect on financial statements
 - Medium – Limited Effect on financial statements
 - Low – Best practice
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2. Action plan and recommendations – Financial statements audit (2)

Assessment	Issue and risk	Recommendations
Medium	<p>Nil net book value assets</p> <p>The Council’s asset register includes £22.973 million of assets with a nil net book value that are fully depreciated. The majority of these (£16.621 million) are within plant and machinery.</p> <p>There are two risks in relation to this issue:</p> <ul style="list-style-type: none"> • if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; and • if these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its plant and equipment assets. 	<p>Perform a detailed review of their useful economic lives policy and updated where appropriate.</p> <p>Embed a formal process for reviewing assets which have outlived their useful economic lives on an annual basis, to ensure the assets are still in existence.</p> <p>Management response and Officer and deadline</p> <p>Assets with nil NBV will be reviewed during 2023/24 with a view to removing asset which have been disposed of and accounting policies will be assessed in the light of the review of assets.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Target date: 31 March 2024</p>
Medium	<p>Reserves categorisation</p> <p>The Council’s financial statements for the group include some references to terminology specifically attributable to Council only reserves. All reserves on the balance sheet should also be attributable to either usable or unusable reserves</p> <p>The descriptors noted were not relating material group consolidated reserves, but the Council should be using the correct terminology within the financial statements.</p>	<p>Review the terminology within the financial statements regarding the descriptors for the group reserves and ensure all reserves on the balance sheet are categorised to unusable or usable reserves.</p> <p>Management response and Officer and deadline</p> <p>We will review the terminology as part of the next financial statements compilation process.</p> <p>Responsible officer: Principal Accountant</p> <p>Target date: 30 June 2024</p>

3. Action plan and recommendations – Wider scope and Best Value (1)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation

Agreed management response/Officer/Date

1. Financial Sustainability - Reserves

Risk: There is a risk that continued reliance on reserves to bridge funding gaps will create financial sustainability issues for the Council.

Recommendation: The Council will need to continue to monitor the percentage level of adequate general reserves as funding gaps continue to grow and the Council looks to transformation in future years to ensure reserves do not dip to an unsustainable level.

The Short to Medium Term Financial Strategy reported on 27/9/23 clarifies the role of reserves in that time frame, sets out options by which the budget gap for 2024/25 and 2025/26 may be balanced including through service reductions and income generation, and emphasis the fact that reliance on reserves to balance budgets is not sustainable.

Responsible officers: Chief Executive and Chief Financial Officer

Target date: 31 March 2026

2. Financial Sustainability - Transformation

Risk: The council has not yet identified the savings and efficiencies required in order to eliminate the large funding gap predicted for 2024/25.

Recommendation: A depth of pace will need to be undertaken on the transformation programme to ensure the Council can bridge the significant funding gap in a short space of time. It is important that the Council and sub committees monitor the progress and delivery of the transformation programme and outcomes at a close level to ensure that not only efficiencies can be delivered but that financial sustainability can be achieved. To ensure financial sustainability for the medium to longer term, the Council will need to ensure that it is able to deliver increased productivity and efficiency initiatives to reduce costs and deliver financial benefits. The Council will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable.

As is recognised in the Short to Medium Term Financial Strategy, service reductions and income generation are likely to be key components in bridging the gap for 2024/25 and proposals in line with this approach have been prepared and will be reported at a series of council meetings from October 2023. In the Medium to Long Term, further opportunities for transformation are being developed and scoped and these will be reflected in the Medium to Long Term Financial Strategy due to be reported in October. Meantime, pace and progress in the existing Improvement and Modernisation Programme continues to be regularly monitored.

Responsible officers: Chief Executive and CMT

Target date: 31 March 2026

3. Action plan and recommendations – Wider scope and Best Value (2)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation

3. Financial Sustainability - Capital

Risk: The capital plan shows a total expenditure between 2023/24 and 2032/33 of £501 million of which £400.5 million (80%) is planned to be financed through loans. This is a significant amount of planned borrowing and therefore will be revenue implications for the Council. The current capital plan could represent a risk to the Council in the longer-term.

Recommendation: The Council will need to review the affordability of the proposed capital plan and its revenue implications. A review of the capital plan and estates strategy should be carried out and identify through scenario planning and sensitivity analysis whether the proposed capital plan is affordable in the short to medium-term. It is also important that the Council considers what is affordable to ensure continued financial sustainability as well as identifying what capital priority areas are to ensure delivery of Council plan priorities.

4. Vision, Leadership and Governance - Audit and Scrutiny Committee

Risk: There continues to be some confusion between members on what should be escalated to Council and what should be contained and actioned within the remit of the Audit and Scrutiny Committee. We have found that there has been lengthy debates on which committee issues should be escalated to rather than focusing on how to resolve the issue at hand. This presents a risk to resolving identified issues in a timely manner.

Recommendation: We recommend that further training is provided to members to provide further clarification and guidance on the remit of Audit and Scrutiny to ensure implementation of the scrutiny guide for members is being actioned.

Agreed management response/Officer/Date

A review of the Capital Plan has commenced, this will incorporate the level of borrowing at current interest rates which will result in the Council remaining within the percentage loans charges PI adopted by the Council to ensure borrowing is sustainable. Options to reduce the Council asset base, extend predict asset lives and reduce asset standards will also be developed.

Responsible officer: Chief Financial Officer

Target date: 31 January 2024

All members of the Audit and Scrutiny committee are shortly to complete a self-assessment questionnaire to help them understand their role on that committee and identify knowledge gaps. Further training is scheduled for Dec 23 to cover questioning techniques and the mechanics of effective scrutiny. This will be monitored through the council's Best Value action plan.

Responsible officers: Head of Governance, Strategy & Performance

Head of HR, ICT & OD

Target date: 31 March 2024

3. Action plan and recommendations – Wider scope and Best Value (3)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation

5. Vision, Leadership and Governance - Cross Party Working

Risk: Key decisions are being made by Council members however due to issues in effective cross party working, the ability to gain support for key decisions continues to be time-consuming and challenging. This is largely due to the political make up of the Council where there the political balance is finely balanced and therefore provides challenges in progression in key decision-making areas and creating pace for change. There is a risk that progression of Council priorities is hindered due to issues in cross party working arrangements.

Recommendation: Issues in cross party working will make it extremely difficult for members to agree on difficult decisions that need to be made which could impact on pace of delivery of priorities, effective service delivery and financial sustainability. The council will need to ensure that members work effectively together to act on key decisions in an effective and efficient manner. We recommend that Moray Council look to implement an annual self evaluation and consider the results of this evaluation on an annual basis to identify strengths as well as areas for improvement to support continuous improvement.

Agreed management response/Officer/Date

Further work has been planned around the theme of “Collaborative Leadership” by the Council including the use of external support as set out in the Best Value Thematic Review. This work is currently in progress and we aim to capture findings in a Revised Best Value Action Plan.

Responsible officer: Chief Executive
Target date: 31 December 2023

3. Action plan and recommendations – Wider scope and Best Value (5)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation

Agreed management response/Officer/Date

6. Use of Resources to Improve Outcomes - Participatory Budgeting

Risk: Given the financial challenges that lie ahead for the Council, decisions will need to be made regarding available financial resource and how it is allocated and prioritised, which has the potential to have a knock-on impact on service delivery.

Recommendation: It is important that the Council undertake more work around participatory budgeting and ensure key stakeholders including partners and individuals are involved within participatory budgeting exercises to ensure that financial resources are distributed to priority areas and is reflecting of priority areas for the local population.

Financial planning in both the short to medium term and medium to long term is being progressed through separate financial strategies across these timescales, the former reported in September and the latter in October. Key stakeholders will be involved in that process through the budget engagement activities which commenced in September and which will continue in terms of the Communications and Engagement Strategy 2023. Participatory budgeting will continue to be used within services to ensure that service developments, eg refurbishment of play areas and active travel, are tailored to the aspirations of communities. This is in conformance with the Framework for PB in Scotland which states “PB is a democratic process in which citizens decide directly how to spend part of a public budget” and which recognises the PB sits along with community engagement. Community Engagement will be the strand of activity used to inform prioritisation of resource

Responsible officers: Chief Executive and Chief Financial Officer and CMT

Target: 31 March 2024

3. Action plan and recommendations – Wider scope and Best Value (4)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation

Agreed management response/Officer/Date

7. Best Value – Service improvement and reporting

Risk: That performance reporting required in the Statutory Performance Information Direction is not considered in a timely manner.

Recommendation: It is important that the Council produces and presents the performance report required from the Statutory Performance Information Direction in a timely manner.

Performance information is reported to service Committees for review and scrutiny on a 6 monthly basis. Quarter 4 reporting tends to be June depending on when Committee dates fall. The overall Council performance information for public performance reporting is collated from that final cycle of information and reporting for approval as soon as possible. A range of other communications and engagement work and staff vacancies for 2 of 3 posts delayed this from September to November for 2023. It is hoped that filling of vacancies will enable this to revert to the planned timescale and consideration will also be given to whether this could be achieved earlier than September in future years.

Responsible officer: Head of HR, ICT & OD
Target: 30 September 2024

4. Progress against prior year recommendations (1)

Progress against prior year audit recommendations

The predecessor auditor identified the following issues in their 2021/22 audit of Moray Council's financial statements and their wider scope work. This resulted in seven recommendations being reported in their 2021/22 Annual Audit Report. The prior auditor also reported six recommendations that were not complete from their reports prior to 2021/22 and these are also included and not reported elsewhere. Therefore, there are thirteen recommendations within Appendix 4 in relation to the prior auditor recommendations.

See below the follow up on the implementation of these prior year recommendations and an assessment of the progress and whether any are not yet implemented.

For the thirteen recommendations made by the predecessor auditor, we have only classed one as still outstanding, as the same issue has arisen in 2022/23 (recommendation 1). For all the others they are either closed, superseded or currently in progress.

Recommendation	Agreed management response and action taken	Auditor conclusion
<p>1. Non-current assets</p> <p>Audit testing identified that £0.9 million of expenditure on a third-party asset had been incorrectly included as an addition to Council assets. We also identified that £2.6 million of assets were classified as assets under construction (AUC) when they had been completed by 31 March 2022.</p> <p>Risk – non-current assets are misclassified in the accounts.</p>	<p>Procedures have been amended and through the monitoring processes we are aware of expenditure that would be on third party assets.</p> <p>A complete review of assets under construction was undertaken during the audit last year so it is not anticipated to be any issues this year however, a full review will be undertaken in conjunction with Property.</p>	<p>Outstanding</p> <p>No issues were identified in additions, so this element of the recommendation is closed.</p> <p>The same error in assets under construction has occurred in 2022/23 for £5.669 million.</p> <p>This recommendation still stands. The final accounts process should ensure there is a thorough assessment of assets under construction.</p>

4. Progress against prior year recommendations (2)

Recommendation	Agreed management response and action taken	Auditor conclusion
<p data-bbox="76 507 434 536">2. Loans Fund advances</p> <p data-bbox="76 584 1160 847">The Council made loans fund advances of £21.5 million to services in 2021/22 but did not include these in its loans fund working papers, set out the repayment period for each loans fund advance nor calculate the amount of repayment due in each financial year. In addition, the Council has not included the disclosures required by Finance Circular 7/2016 in either the Management Commentary or the annual Treasury Management Strategy or Annual Report.</p> <p data-bbox="76 895 1160 962">Risk – the Council does not comply with the requirements set out in Finance Circular 7/2016.</p>	<p data-bbox="1205 507 1697 695">Working Papers for this year will be amended to show this and the appropriate disclosures will be included in the Management Commentary.</p>	<p data-bbox="1720 507 1823 536">Closed</p>

4. Progress against prior year recommendations (3)

Recommendation	Agreed management response	Auditor conclusion
<p>3. Charities</p> <p>The Moray Council Charitable Trust has £0.3 million of assets at 31 March 2022 but has not disbursed any funds since it was set up in August 2016.</p> <p>Risk – the charity does not provide public benefit requirements and so does not meet the charity test.</p>	<p>In October last year, a Cost of Living Working Group was set up to identify short term actions that would help people in poverty.</p> <p>The group reported to full Council on 7 December 2022 with recommendations which included using money from three trust funds with charitable purposes of benefitting the poor, and one of those is the Moray Council Charitable Trust.</p> <p>The minutes confirm that available funds for disbursement for 2022 (£10,700) from the 3 trust funds listed in the report be allocated to support Moray Food Plus, warm banks and the social work crisis fund and increase the funding to Moray Food Plus by £15,700 to £20,000.</p> <p>As The Moray Council Charitable Trust has geographical restrictions, correspondence was to be made with Community Groups in those areas to invite applications for the Warm Banks funding. The total they've allocated from this trust is the full amount approved by Committee (£3800). From the financial management system, nothing has been paid out yet but it is in progress.</p>	Closed

4. Progress against prior year recommendations (4)

Recommendation	Agreed management response	Auditor conclusion
<p>4. Financial management</p> <p>Budget monitoring reports did not satisfactorily forecast and report the development of the final position shown in the audited financial statements.</p> <p>Risk – members do not have up to date and accurate financial information on which to base their decision-making.</p>	<p>This point was around the planned use of reserves, and this has been reviewed on how this is being reported upon.</p>	<p>Superseded</p> <p>Similar recommendation made as part of our wider scope review; therefore, this is superseded.</p>
<p>5. Payroll user access</p> <p>There is no formal review of user access to the 'iTrent' payroll and HR system to ensure access rights remain appropriate.</p> <p>Risk – individuals continue to have inappropriate access to the payroll and HR system.</p>	<p>Checks are completed quarterly as part of quarterly bulletin implementation.</p> <p>The quarterly check is undertaken when bulletins are implemented. Managers have been reminded that if someone leaves Payroll are to be notified.</p> <p>If Payroll receive a request to set up a new user, they check who they are replacing and whether their access needs to be removed.</p>	<p>Closed</p>

4. Progress against prior year recommendations (5)

Recommendation	Agreed management response	Auditor conclusion
<p>6. Council tax discounts and non-domestic rates reliefs</p> <p>Regular reviews are not undertaken to ensure those in receipt of continuing discounts and reliefs awarded in prior years are still eligible to receive them.</p> <p>Risk – discounts and reliefs are awarded to ineligible taxpayers.</p>	<p>Council Tax:</p> <p>An exercise commenced in Q3 to review exemptions and discounts. This resulted in review forms being issued to CTAX-payers asking them to confirm if there has been any changes regarding the exemption that they has received. Based on the responses received, CTAX will be updated. A summary of this work will follow. At this point any reminders to follow-up non-returned forms has not yet been issued. This exercise will be conducted after annual billing is completed.</p> <p>The ‘no change’ responses received in regard to “Deceased – No Grant of Confirmation Awarded” have been validated with the Sheriff Court. This has resulted in a number of fraudulent declarations being identified, and CTAX has been updated to accurately reflect the date on which the grant of confirmation was obtained.</p> <p>Arrangements are being made in conjunction with Moray Council’s procurement team to contract Datatank to review all Single Person Discount awards. These will be completed post 1 April, with a view of conducting a full review of single person discounts in Q1 of 2023/24.</p> <p>Review of “Deceased – no grant of confirmation” is complete. Single Person Discount exercise is underway but commenced later than originally planned.</p> <p>Non-Domestic Rates:</p> <p>The intention remains to cancel all awards of Small Business Bonus Scheme relief and a number of other reliefs on 31 March 2023. This means that when 2023/24 commences and the new rateable values are in place, there will be a ‘clear’ NDR database.</p> <p>NDR reliefs have been cancelled with rate payers invited to re-apply. This will validate all reliefs awarded in 2023/24.</p>	<p>Closed</p>

4. Progress against prior year recommendations (6)

Recommendation	Agreed management response	Auditor conclusion
<p>7. Statutory Performance Indicators (SPIs)</p> <p>Going forward, the Council should ensure it completes its own internal assessments of performance against its duty of Best Value. These assessments should include action plans for improvement</p> <p>Risk – the Council does not comply with the requirements of the SPI Direction.</p>	<p>A report was presented to Moray Council in June 2022 on the Best Value Assurance Report including an action plan. A report submitted to Moray Council on 7 December 2022 approved revised remit of Audit and Scrutiny committee and scrutiny guide,. with an update to Corporate Committee on 25 April 2023.</p> <p>A refreshed Best Value self-corporate self-assessment report is under development, and it expected to be reported to committee in October/November 2023.</p> <p>A programme of continuous improvement self-assessments (based around the psif model) for each service within the Council is being reinstated and will commence in 2024.</p>	<p>Superseded</p> <p>Similar recommendation made as part of our wider scope review around the performance reporting; therefore, this is superseded.</p>
<p>8. Moray Leisure Limited</p> <p>The Council has not reviewed its treatment of Moray Leisure Limited and has incorporated MLL as an associate within the group financial statements, whereas the opinion was it should be a subsidiary. The amounts are not material.</p>	<p>We have reviewed the accounting treatment of MLL and are of the opinion that MLL should continue to be accounted for as a subsidiary.</p>	<p>Closed</p> <p>We are satisfied with the accounting treatment.</p>

4. Progress against prior year recommendations (7)

Recommendation	Agreed management response	Auditor conclusion
<p>9. Cyber security</p> <p>The council should reapply for PSN and Cyber Essentials Plus accreditations as soon as practical.</p>	<p>The current window of opportunity for remedial work arising from the current health check to comply with Cabinet Office PSN Accreditation has been extended and work is ongoing to complete the remedial work within this timeframe.</p>	Closed
<p>10. Internal controls</p> <p>The Council should ensure that a robust payroll validation process is introduced across all services, and any differences on the annual housing rents reconciliation are timeously investigated and cleared.</p>	<p>Regular establishment lists are issued to managers for checking with queries raised with HR for investigation. Non-responders are reminded to consider the information or confirm no changes are required.</p>	Closed
<p>11. Business continuity planning</p> <p>The Council should review its business continuity arrangements to ensure that they are up to date and fit for purpose. Lessons learned from the pandemic should also be incorporated.</p>	<p>A comprehensive review of Business Continuity plans is being undertaken with a planned completion date of April 2024. A Business Continuity officer within the Internal Audit team is assisting departments in bringing their arrangements up to date.</p>	Ongoing Not yet due.

4. Progress against prior year recommendations (8)

Recommendation	Agreed management response	Auditor conclusion
<p>12. Money laundering policy</p> <p>The Council should ensure that the money laundering guidance is updated.</p>	<p>Updated, reported to Council in August 2023 for consultation and reported for approval in September 2023.</p>	<p>Closed</p>
<p>13. Risk Management</p> <p>The Council should ensure that adequate resources are put in place to support its risk management processes.</p>	<p>The Council has appointed a business continuity and Risk Management officer who has updated the Corporate Risk register (reported to Corporate Committee on 29 September 2023 and who is working with services on their individual risk registers and business continuity plans. It is expected to that the business continuity work will be completed by March 2024, and will then be subject to regular review.</p>	<p>Closed</p>

5. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Moray Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place with regard to non-audit services.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

5. Audit fees, ethics and independence (2)

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Moray Council. The table summarises all non-audit services which were identified.

5. Audit fees, ethics and independence (3)

External Audit Fee

Service	Planned Fees £	Planned Final Fees £
External Auditor Remuneration	£220,720	*£240,520
Pooled Costs	£0	£0
Contribution to Audit Scotland costs	£8,370	£8,370
Contribution to Performance Audit and Best Value	£56,110	£56,110
Sectoral cap adjustment	£-2,340	£-2,340
2022/23 Audit Fee	£282,860	£302,660

* The fee noted is based upon the expectation that the work to be completed for the grant claims are in line with expectations, as the grants work is on-going.

The reason for the £19,800 fee variation is due to the new risk areas / and additional work required in the following areas during 2022/23:

- Journals – additional work due to the higher risk environment because of the lack of authorisation controls
- New significant risk area - work required on the new fixed asset register and the data conversion
- Prior period adjustment – work required on the prior period adjustment and associated disclosures
- IFRIC 14 pension assessment – work required on the IFRIC14 assessment and subsequent restatement of the pension asset
- Technical review – a detailed technical review of the accounts was undertaken and the numerous issues arising has added time into the audit process
- Property, Plant and Equipment adjustments – there were some amendments to PPE and within Note 15 where additional work was required.

5. Audit fees, ethics and independence (4)

Fees for other services

Service	Fees £
Bus transport certification claims	5,000
Connected charity s106 audit	6,500
Total	11,500

The non-audit services above are consistent with our Plan presented to the Audit and Scrutiny Committee on 10 May 2023. None of the above services were provided on a contingent fee basis.

For both the transport certification and the charity audit, there is a threat of self-interest, self-review and management.

The safeguard for self-interest is that the fees are fixed with no contingent element, and the fee taken on its own is not considered a significant threat to independence as the fee for the certification work is £5,000, and the charity £6,500 in comparison to the total fee for the audit of £302,660 and in relation to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.

The safeguard for self-review is that our work on the certification and the charity are conducted independently from the audit work. This factor mitigates the perceived self-review threat to an acceptable level.

The safeguard for management is that we do not provide and management services or act in a management capacity. This factor mitigates the perceived management threat to an acceptable level.

Financial statements

The fees do not reconcile directly to the financial statements. We have provided a reconciliation below to reconcile to the £0.314 million on page 80 for audit and page 81 and non-audit fees. The figures are in round thousands as per the disclosure in Note 34, external audit costs.

Fees per financial statements	£282
• Rebate within the financial statements	£13
• Additional audit fee	£19
- Total fees per above	£314

5. Audit fees, ethics and independence (5)

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021](https://www.grantthornton.co.uk/transparency-report-2021) ([grantthornton.co.uk](https://www.grantthornton.co.uk))

6. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit	•	•
Views about the qualitative aspects of the Council's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•



REPORT TO: SPECIAL MORAY COUNCIL ON 25 OCTOBER 2023

SUBJECT: MORAY COUNCIL'S AUDITED ANNUAL ACCOUNTS FOR THE PERIOD 1 APRIL 2022 TO 31 MARCH 2023

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To submit to the Council the Audited Annual Accounts for the Moray Council for the year ended 31 March 2023.
- 1.2 This report is submitted to the Council for consideration as a suite of reports on the Annual Audit and Accounts for 2022/23.

2. RECOMMENDATION

2.1 It is recommended that the Council:

- i) consider and note the Audited Annual Accounts for the financial year 2022/23; and**
- ii) approve that the Annual Accounts are signed, having regard to the Annual Report from the external auditor considered earlier at this meeting.**

3. BACKGROUND

- 3.1 The unaudited Annual Accounts were submitted to a meeting of Moray Council on 28 June 2023 (paragraph 9 of the minute refers). A copy of the Audited Annual Accounts for 2022/23 is available as another meeting document on this agenda. Subject to approval, the signed accounts will be posted to the Council's website following this meeting.
- 3.2 As a result of the audit process a number of changes have been made to the Core Statements and these are described below.
- 3.3 The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current or fair value is revalued at least every five years. The Council undertook a desktop indexation exercise for assets not subject to a formal valuation during 2022/23 and corrections were required as a result of the audit. This included the

Council's Housing Stock. Due to the timings for preparing the annual accounts the indexation percentage applied was based on information available at the end of February 2023. When this reviewed during the audit information to the end of March 2023 was available and this amended the percentage used from 6.88% to 2.57%. Corrections were also identified in regards of asset values included in the unaudited accounts and these were also amended in the accounts. The effect of these amendments was to decrease net assets and unusable reserves by £14.784 million. There was no impact on the Council's useable reserves.

- 3.4 The unaudited accounts contained a Pension Asset of £161.095 million. This unusual situation was caused by increased interest rates and also due to an increase in the expectations of the future level of return on investments held by the North East Scotland Pension Fund. However, under International Financial Reporting Standards (IFRS), the Council is limited as to how much of a surplus can be recognised as an asset. The Council engaged with its actuaries to apply the asset ceiling test to determine the level of asset to be recognised. The revised figures are incorporated in the audited accounts. This has resulted in a decrease in the Pension Asset of £153.611 million and an increase in the Pension Liability of £10.257 million. This impacted on the Comprehensive Income and Expenditure Statement (CIES) by increasing the re-measurement of the net defined liability. This also affected the Movement in Reserves Statement (MIRS) to increase the unusable reserves value; the Balance Sheet for the pension assets and long term pension liability and pension reserve, along with the associated notes and group accounts. There was no impact on the Council's useable reserves.
- 3.5 The overall impact of the amendments is to decrease net assets by £178.652 million and unusable reserves by £178.652 million. There was no impact on the Council's useable reserves.
- 3.6 The External Auditors have given the Council an unqualified opinion in the Independent Auditors' Report, which can be found on pages 117-119 of the Accounts.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

There are no implications for the Corporate Plan or LOIP.

(b) Policy and Legal

According to Paragraph (1) of the Local Authority Accounts (Scotland) Regulations 2014, a Local Authority is required to submit its Audited Accounts to the Council each year and state that a local authority must meet to consider the Audited Accounts and aim to approve them no later than 30 September immediately following the financial year to which they relate. The audit was not completed within time for the amended accounts to be prepared, checked by the auditors and reported to Council by 30 September 2023.

The review by the External Auditors of the Council's Accounts is in accordance with the Council's Code of Corporate Governance and ensures that the Council complies with established policies, procedures, laws and regulations.

(c) Financial implications

Amendments to the accounts were identified as part of the audit process. The impact of these was to decrease net assets by £178.652 million and unusable reserves by £178.652 million. There was no impact on the Council's useable reserves.

(d) Risk Implications

There are no risk issues arising directly from this report. The work undertaken by the External Auditor provides assurance to the Council that the Accounts for 2022/23 give a true and fair view of the financial position and expenditure and income of the Council and its group for the year.

(e) Staffing Implications

Many staff throughout the Council provide information for the inclusion in the Annual Accounts.

(f) Property

There are no property issues arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no equalities issues arising directly from this report.

(h) Climate Change and Biodiversity Impacts

There are no climate change and biodiversity issues arising directly from this report.

(i) Consultations

None.

5. CONCLUSION

5.1 The Council's External Auditor has issued an opinion with no qualifications for the 2022/23 Annual Accounts which means that the audited financial statements give a true and fair view of the financial position and expenditure and income of the Council and its group for the year.

Author of Report: Laurie Milne, Senior Accountant
Background Papers: Held in Financial Services
Ref: SPMAN-1293228629-948



REPORT TO: SPECIAL MORAY COUNCIL ON 25 OCTOBER 2023

SUBJECT: MORAY COUNCIL'S CONNECTED CHARITIES' AUDITED ANNUAL ACCOUNTS FOR THE PERIOD 1 APRIL 2022 TO 31 MARCH 2023

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To submit to the Council the audited Annual Accounts for Moray Council's Connected Charities for the year ended 31 March 2023.
- 1.2 This report is submitted to the Council for consideration as part of a suite of reports on the annual audit and accounts for 2022/23.

2. RECOMMENDATION

- 2.1 **It is recommended that the Council considers and approves the audited Annual Accounts for the Connected Charities for the financial year 2022/23.**

3. BACKGROUND

- 3.1 Moray Council (all 26 councillors) acts as sole trustee for the administration of 30 small charitable trusts, which are all registered with the Office of the Scottish Charities Regulator (OSCR).
- 3.2 Section 106 of the Local Government (Scotland) Act 1973 applies the accounting and auditing requirement of the Act to any trust fund where an authority or some members of the authority are the sole trustees. As section 106 requires an audit, the appointments of local authority auditors include the provision of an auditor's report for charitable funds covered by that section.
- 3.3 Regulation 7 of the Charities Accounts (Scotland) Regulations permits charities that have a common purpose or shared management to prepare a single set of "connected charities" accounts. Moray Council acts as sole trustee to 30 individual small charitable trusts. On the basis of this shared management arrangement, it has been agreed with the Council's auditors that the financial result of the 30 individual small charitable trusts can be consolidated into a single set of accounts for audit purpose.

- 3.4 A copy of the Connected Charities Audited Annual Accounts for 2022/23 is attached as **APPENDIX 1** to this report.
- 3.5 The audit process highlighted identified no changes to the Annual Accounts and therefore there has been no change in the balances held.
- 3.6 The External Auditors have given the Council an unqualified opinion in the Independent Auditors' Report, which can be found on pages 15-18 of the Accounts.
- 3.7 The report to trustees states that the Council should continue with its planned re-organisation of the trusts in order to maximise the use of the funds available.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

There are no implications for the Corporate Plan or the LOIP.

(b) Policy and Legal

According to Paragraph 6 (1) of the Local Authority Accounts (Scotland) Regulations 1985, a Local Authority is required to submit its Audited Accounts to the Council by 30 September each year. Work was not completed on the audit in time for this deadline to be met.

The review by the External Auditors of the council's Accounts is in accordance with the council's Code of Corporate Governance and ensures that the council complies with established policies, procedures, laws and regulations.

(c) Financial implications

The audit process highlighted identified no changes to the Annual Accounts and therefore there has been no change in the balances held.

(d) Risk Implications

There are no risk issues arising directly from this report. The work undertaken by the External Auditor provides assurance to the council that the Connected Charity Accounts for 2022/23 give a true and fair view of the financial position and expenditure and income of the council for the year.

(e) Staffing Implications

Staff throughout the Council provide information for the inclusion in the annual Statement of Accounts.

(f) Property

There are no property issues arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no equalities issues arising directly from this report.

(h) Climate Change and Biodiversity Impacts

There are no climate change and biodiversity issues arising from this report.

(i) Consultations

None.

5. CONCLUSION

5.1 The Council's External Auditor has issued an opinion with no qualifications for the 2022/23 Connected Charities' Annual Accounts which means that the audited financial statements give a true and fair view of the financial position and expenditure and income of the council's Connected Charities for the year.

Author of Report: Laurie Milne, Senior Accountant
Background Papers: Held in Financial Services
Ref: *SPMAN-1293228629-949*

AUDITED

The Moray Council - Connected Charity Trust Funds

Trustees' Report and Financial Statements

For the year ended 31 March 2023

Contents

	Pages
Trustees' Annual Report	1 - 4
Statement of Financial Activities	5
Balance Sheet	6
Notes to the Financial Statements:	
Note 1 Statement of Financial Activities	7-8
Note 2 Balance Sheet	9-10
Note 3 Investment Income	11
Note 4 Awarding of Grants	11
Note 5 Investments	12
Note 6 Other Income	12
Note 7 Debtors	12
Note 8 Creditors: amounts falling due within one year	13
Note 9 Financial Instruments	13
Note 10 Related Parties	13
Note 11 Trustee Remuneration, Benefits and Expenses	13
Note 12 Staff Costs and Emoluments	13
Note 13 External Audit Costs	14
Note 14 Accounting Policies	14-15
Independent Auditor's Opinion	16

Trustees' Annual Report

Objectives and Activities

Moray Council acts as sole trustee for 8 Connected Charity Trust Funds listed below which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR).

The policy relating to the reinvestment of income in, and disbursement from, Trust Funds was amended on 8 October 2013. The policy was amended to allow disbursement of capital from Trust Funds in accordance with the trust deed, provided there is unanimity amongst the trustees. For all other trusts the whole annual income of the trust will be available for disbursement in accordance with the trust deed, provided sufficient funds are maintained to meet commitments.

The following table gives the OSCR charity registration number, the charity name and an indication of the purpose of each Trust. The only activity carried out by each of the Trusts in relation to those purposes is the making of grants.

Charity Number	Charity Name	Purpose
SC019017	Moray and Nairn Educational Trust	To provide assistance to persons who have been resident in Moray and Nairn for the last five years and to organisations belonging to the former counties of Moray and Nairn for: <ul style="list-style-type: none"> • bursaries for attendance at a Scottish University or central institution • grants for adult education • provision and maintenance of sports facilities for the benefit of young people • travel grants for educational purposes
SC019033	Keith Poor Householders Fund (Keith Nursing Trust Fund)	The relief of poverty for residents of the burgh of Keith and provision of financial assistance for funerals. Such individuals may apply to the trust fund for a grant. Only residents of Keith are eligible.
SC019065	Castlehill Trust	To support in the upkeep, maintenance and management of Castlehill, Forres.
SC019066	Grant Park Trust	To support in the upkeep, maintenance and management of Grant Park, Forres.
SC019068	George Boyd Anderson Bequest	To support improvements to the community of Lossiemouth. Individuals and groups may apply to the trust fund for a grant. Only people resident in Lossiemouth are eligible.
SC019069	Mr & Mrs William J Watt Dufftown Food Fund	The relief of poverty amongst residents of Dufftown by providing groceries. Such individuals may apply to the trust fund for a grant. Only residents of Dufftown are eligible.
SC019071	Robert Young Trust	The relief of poverty for men in Forres aged over 65. Such individuals may apply to the trust fund for a grant. Only residents of Forres are eligible.
SC046791	The Moray Council Charitable Trust	Single Trust created for the reorganisation of existing funds that are restricted or have been fulfilled as far as possible. The trust purposes must follow those of the reorganised trusts. There are nine sub categories within the trust, by location and purpose.

The Council agreed to a trust reorganisation process at a meeting on 14 November 2012; to create a single charitable Trust which would enable the reorganisation and transfer of assets of existing small charities held by the Council whose purposes could no longer be met.

Trustees' Annual Report (continued)

The Moray Council Charitable Trust was created in August 2016 with the objective of reorganising existing trust funds that are frustrated, perhaps due to limited funds or out of date purposes, into one large trust, split into geographical areas then split again into charitable purposes. The Trusts being transferred into the single charitable trust will be utilised, as far as possible, in a manner consistent with the original Trust purposes.

This will create many ring fenced funds within the single Trust, but will enable the resources of these trusts to be applied to better effect for charitable purposes rather than remaining in a frustrated trust that cannot be used.

Achievements and Performance

During the year 31 grants totalling £14,752 were made to individuals from the Moray and Nairn Educational trust, which includes means tested grants for education within Moray and Nairn, and bursaries for attendance at further education institutions in Scotland.

The Council plans to support the Mr and Mrs William J Watt Dufftown Food Fund, and the Castlehill Trust by funding any deficit and any future deficits until the charities can be reorganised or wound up.

Financial Review

The Moray and Nairn Educational Trust is an endowment fund, with income from investments allocated to an unrestricted fund of the trust. All other funds are unrestricted. This differentiation of funds is an essential feature in the presentation of a charity's statement of financial activities (SoFA) and balance sheet.

The trust funds use the Moray Council's bank account for financial transactions and the balance is invested in the Council's Loans Fund for which it earns interest on the balance. It was agreed at the Moray Council meeting on 10 August 2022 that interest on balances held in the Council's bank for the next two years would be calculated using the two year fixed Public Works Loans Board rate as at 1 April 2022 of 2.35%. Income received during the year was £27,384 (2021/22 £24,169). This was made up of £9,772 interest received from the Council's Loans Fund and £17,612 of dividend income (2021/22 £8,787 and £15,382 respectively).

Grants totalling £14,752 were paid out during the year (2021/22 £10,976). Governance costs for the year were £7,493 (2021/22 £6,863).

The Trust Funds have no specific reserves policy other than noted above regarding disbursement of capital and annual income. For many of the trust funds, the terms of the trust deed are very restrictive and this has resulted in a gradual accumulation of reserves over time. In the event that an individual trust fund falls into deficit, the trustees will consider whether it is likely that the deficit is temporary and can be recovered. If deficit recovery is considered unlikely, the Trust is effectively wound up and an application will be made to OSCR to remove them from the Scottish Charity Register.

The revenue reserves held at 31 March 2023 were £1,016,370 (31 March 2022 £1,026,777).

Structure, Governance and Management

The trustees of the funds are the councillors listed on page 4. The trustees of the funds are the local Councillors who are appointed at local government elections and by-elections

The trust funds are governed using the same governance framework that is applicable to the Council. This framework includes the principles:

- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- engaging with local people and other stakeholders to ensure robust public accountability

Trustees' Annual Report (continued)

Statement of trustees' responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the Moray Council's website in so far as it relates to the charity. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The Connected Charity Trusts Auditor is:

Grant Thornton UK LLP
Level 8
110 Queen Street
Glasgow
G1 3BX

Reference and Administrative details

The financial statements of the charities listed on page 1 are included in this report.

Trustees

In terms of the "Trustees" of the Connected Charity Trust Funds, the guidance provided by OSCR is that those who have "general control and management" of the charity are the charity trustees. Decisions regarding the general control and management of the Connected Charity Trust Funds are made by the Corporate Committee of the Council, which has delegated authority from the Council in this regard; but ultimately control rests with the full Council of elected members. We have therefore interpreted the above guidance as meaning all elected members are charity trustees.

Trustees' Annual Report (continued)

All of the trustees for the financial statements are normally elected or re-elected at local government elections. By-elections are held to elect new members, on the occasions of elected members vacating their positions, who automatically become trustees. There was a local government election on 5 May 2022 and a by-election in the Buckie Ward on 4 November 2022.

Names of Trustees in financial year 2022/23 until local government election on 5 May 2022:

Councillor George Alexander
Councillor James Allan
Councillor David Bremner
Councillor Frank Brown
Councillor Theresa Coull
Councillor John Cowe
Councillor Gordon Cowie
Councillor Paula Coy
Councillor Lorna Creswell
Councillor John Divers
Councillor Tim Eagle
Councillor Ryan Edwards
Councillor Claire Feaver
Councillor Donald Gatt
Councillor Graham Leadbitter
Councillor Marc Macrae
Councillor Aaron McLean
Councillor Maria McLean
Councillor Ray McLean
Councillor Shona Morrison
Councillor Louise Nicol
Councillor Laura Powell
Councillor Derek Ross
Councillor Amy Taylor
Councillor Sonya Warren
Councillor Walter Wilson

Names of Trustees on date of Approval of Trustees Annual Report:

Councillor James Allan
Councillor Peter Bloomfield
Councillor Neil Cameron
Councillor Tracy Colyer
Councillor Theresa Coull
Councillor John Cowe
Councillor John Divers
Councillor Amber Dunbar
Councillor Jeremie Fernandes
Councillor Donald Gatt
Councillor David Gordon
Councillor Juli Harris
Councillor Sandy Keith
Councillor Scott Lawrence
Councillor Graham Leadbitter
Councillor Marc Macrae
Councillor Paul McBain
Councillor Neil McLennan
Councillor Shona Morrison
Councillor Bridget Mustard
Councillor Kathleen Robertson
Councillor Derek Ross
Councillor John Stuart (elected 4 November 2022)
Councillor Sonya Warren
Councillor Ben Williams
Councillor Draeyk Van Der Horn

Other Trustees during the year:

Councillor Christopher Price (resigned 17 August 2022)

Principal Address of the Trust Funds is:

The Moray Council
Council Offices
High Street
Elgin
IV30 1BX

Signed by one trustee on behalf of all the trustees:

Councillor Kathleen Robertson

Leader of Moray Council

Statement of Financial Activities for the year ended 31 March 2023

	Notes	2022/23 Unrestricted £	2022/23 Endowment £	2022/23 Total Funds £	2021/22 Total Funds £
Income and endowments from:					
Investments	3	27,384	-	27,384	24,169
Voluntary Income	6	268	-	268	144
Total		27,652	-	27,652	24,313
Expenditure on:					
Awarding of Grants	4	22,245	-	22,245	17,839
Other		-	-	-	-
Total		22,245	-	22,245	17,839
Net gains/(losses) on investments	5	-	(15,815)	(15,815)	42,150
Net Income/(Expenditure)		5,407	(15,815)	(10,408)	48,624
Transfers between funds		-	-	-	-
Net movement in funds		5,407	(15,815)	(10,408)	48,624
Reconciliation of Funds:					
Total funds brought forward at 1 April		319,247	707,530	1,026,777	978,153
Total funds carried forward at 31 March		324,654	691,715	1,016,369	1,026,777

All results derive from continuing operations.

There is no material difference between the funds carried forward for the financial year stated above and their historical cost equivalents, with the exception of the Fixed Asset Investments which are carried at fair value.

All gains and losses recognised in the year are included in the statement of financial activities.

Balance Sheet as at 31 March 2023

	Notes	2022/23 £	2021/22 £
Fixed Assets:			
Investments	5	583,714	599,529
Current assets:			
Loan Fund Balance		437,500	432,917
Debtors	7	1,655	1,266
		<u>439,155</u>	<u>434,183</u>
Liabilities:			
Creditors: amounts falling due within one year	8	(6,500)	(6,935)
Net current assets		432,655	427,248
Total net assets or liabilities		<u>1,016,369</u>	<u>1,026,777</u>
The funds of the charity:			
Endowment Funds		691,715	707,530
Unrestricted Funds		324,654	319,247
Total charity funds		<u>1,016,369</u>	<u>1,026,777</u>

The notes on pages 8 to 16 form part of these financial statements.

The unaudited Financial Statements were issued by the Trustees on 28 June 2023.

The audited Financial Statements were authorised for issue on 25 October 2023.

Councillor Kathleen Robertson

Leader of Moray Council

Notes to the Financial Statements

Note 1 Statement of Financial Activities for the year ended 31 March 2023

		Moray and Nairn Educational Trust	Moray and Nairn Educational Trust	Keith Poor Householders Fund (Keith Nursing Trust Fund)	Castlehill Trust	Grant Park Trust	George Boyd Anderson Bequest	Mr and Mrs William J Watt Dufftown Food Fund	Robert Young Trust	The Moray Council Charitable Trust	Total Unrestricted funds	Total Endowment funds
	Notes	SC019017 2022/23	SC019017 2022/23	SC019033 2022/23	SC019065 2022/23	SC019066 2022/23	SC019068 2022/23	SC019069 2022/23	SC019071 2022/23	SC046791 2022/23	2022/23	2022/23
		Unrestricted	Endowment	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	£	£
		£	£	£	£	£	£	£	£	£	£	£
Income and endowments from:												
Investment Income	3	20,414	-	62	3	74	786	-	334	5,711	27,384	-
Voluntary Income	6	-	-	-	133	-	-	135	-	-	268	-
Total		20,414	-	62	136	74	786	135	334	5,711	27,652	-
Expenditure on:												
Awarding of Grants	4	20,028	-	136	136	136	144	135	138	1,392	22,245	-
Total		20,028	-	136	136	136	144	135	138	1,392	22,245	-
Net gains/(losses) on investments	5	-	(15,815)	-	-	-	-	-	-	-	-	(15,815)
Net Income/(Expenditure)		386	(15,815)	(74)	0	(62)	642	0	196	4,319	5,407	(15,815)
Transfers between funds		-	-	-	-	-	-	-	-	-	-	-
Net movement in funds		386	(15,815)	(74)	0	(62)	642	0	196	4,319	5,407	(15,815)
Reconciliation of funds:												
Total funds brought forward at 1 April 2022		12,228	707,530	2,635	-	3,165	34,629	0	14,666	251,924	319,247	707,530
Total funds carried forward at 31 March 2023		12,614	691,715	2,561	-	3,103	35,271	-	14,862	256,243	324,654	691,715

Notes to the Financial Statements (continued)

Note 1 Statement of Financial Activities for the year ended 31 March 2022

	Moray and Nairn Educational Trust	Moray and Nairn Educational Trust	Keith Poor Householders Fund (Keith Nursing Trust Fund)	Castlehill Trust	Grant Park Trust	George Boyd Anderson Bequest	Mr and Mrs William J Watt Dufftown Food Fund	Robert Young Trust	The Moray Council Charitable Trust	Total Unrestricted funds	Total Endowment funds	
	SC019017 2021/22	SC019017 2021/22	SC019033 2021/22	SC019065 2021/22	SC019066 2021/22	SC019068 2021/22	SC019069 2021/22	SC019071 2021/22	SC046791 2021/22	2021/22	2021/22	
Notes	Unrestricted £	Endowment £	Unrestricted £	Unrestricted £	Unrestricted £	Unrestricted £	Unrestricted £	Unrestricted £	Unrestricted £	£	£	
Income and endowments from:												
Investment Income	3	17,849	-	57	3	68	729	-	301	5,162	24,169	-
Voluntary Income	6	-	-	-	25	-	-	119	-	-	144	-
Total		17,849	-	57	28	68	729	119	301	5,162	24,313	-
Expenditure on:												
Awarding of Grants	4	14,238	-	122	121	122	1,355	-	124	1,757	17,839	-
Total		14,238	-	122	121	122	1,355	-	124	1,757	17,839	-
Net gains/(losses) on investments	5	-	42,150	-	-	-	-	-	-	-	-	42,150
Net Income/(Expenditure)		3,611	42,150	(65)	(93)	(54)	(626)	119	177	3,405	6,474	42,150
Transfers between funds		-	-	-	-	-	-	-	-	-	-	-
Net movement in funds		3,611	42,150	(65)	(93)	(54)	(626)	119	177	3,405	6,474	42,150
Reconciliation of funds:												
Total funds brought forward at 1 April 2021		8,617	665,380	2,700	93	3,219	35,255	(119)	14,489	248,519	312,773	665,380
Total funds carried forward at 31 March 2022		12,228	707,530	2,635	-	3,165	34,629	-	14,666	251,924	319,247	707,530

Notes to the Financial Statements (continued)

Note 2 Balance Sheet as at 31 March 2023

		Moray and Nairn Educational Trust	Keith Poor Household ers Fund (Keith Nursing Trust Fund)	Castlehill Trust	Grant Park Trust	George Boyd Anderson Bequest	Mr and Mrs William J Watt Dufftown Food Fund	Robert Young Trust	The Moray Council Charitable Trust	TOTAL
	Notes	SC019017 2022/23 £	SC019033 2022/23 £	SC019065 2022/23 £	SC019066 2022/23 £	SC019068 2022/23 £	SC019069 2022/23 £	SC019071 2022/23 £	SC046791 2022/23 £	2022/23 £
Fixed Assets										
Investments	5	583,714	-	-	-	-	-	-	-	583,714
Current Assets										
Loans Fund Balance		123,429	2,696	135	3,238	35,407	136	14,996	257,463	437,500
Debtors	7	1,655	-	-	-	-	-	-	-	1,655
		125,084	2,696	135	3,238	35,407	136	14,996	257,463	439,155
Liabilities:										
Creditors: amounts falling due w ithin one year	8	(4,469)	(136)	(135)	(135)	(135)	(136)	(135)	(1,219)	(6,500)
		(4,469)	(136)	(135)	(135)	(135)	(136)	(135)	(1,219)	(6,500)
Net Current Assets		120,615	2,560	-	3,103	35,272	-	14,861	256,244	432,655
Total net assets or liabilities		704,329	2,560	-	3,103	35,272	-	14,861	256,244	1,016,369
The funds of the charity:										
Endow ment Funds		691,715	-	-	-	-	-	-	-	691,715
Unrestricted Funds		12,614	2,560	-	3,103	35,272	-	14,861	256,244	324,654
Total charity funds		704,329	2,560	-	3,103	35,272	-	14,861	256,244	1,016,369

Notes to the Financial Statements (continued)

Note 2 Balance Sheet as at 31 March 2022

		Moray and Nairn Educational Trust	Keith Poor Household ers Fund (Keith Nursing Trust Fund)	Castlehill Trust	Grant Park Trust	George Boyd Anderson Bequest	Mr and Mrs William J Watt Dufftown Food Fund	Robert Young Trust	The Moray Council Charitable Trust	TOTAL
	Notes	SC019017 2021/22 £	SC019033 2021/22 £	SC019065 2021/22 £	SC019066 2021/22 £	SC019068 2021/22 £	SC019069 2021/22 £	SC019071 2021/22 £	SC046791 2021/22 £	2021/22 £
Fixed Assets										
Investments	5	599,529	-	-	-	-	-	-	-	599,529
Current Assets										
Loans Fund Balance		124,126	2,756	121	3,286	34,830	-	14,786	253,012	432,917
Debtors	7	1,266	-	-	-	-	-	-	-	1,266
		<u>125,392</u>	<u>2,756</u>	<u>121</u>	<u>3,286</u>	<u>34,830</u>	<u>-</u>	<u>14,786</u>	<u>253,012</u>	<u>434,183</u>
Liabilities:										
Creditors: amounts falling due w ithin one year	8	(5,162)	(121)	(121)	(121)	(201)	-	(121)	(1,088)	(6,935)
		<u>(5,162)</u>	<u>(121)</u>	<u>(121)</u>	<u>(121)</u>	<u>(201)</u>	<u>-</u>	<u>(121)</u>	<u>(1,088)</u>	<u>(6,935)</u>
Net Current Assets		120,230	2,635	-	3,165	34,629	-	14,665	251,924	427,248
Total net assets or liabilities		<u>719,759</u>	<u>2,635</u>	<u>-</u>	<u>3,165</u>	<u>34,629</u>	<u>-</u>	<u>14,665</u>	<u>251,924</u>	<u>1,026,777</u>
The funds of the charity:										
Endow ment Funds		707,530	-	-	-	-	-	-	-	707,530
Unrestricted Funds		12,229	2,635	-	3,165	34,629	-	14,665	251,924	319,247
Total charity funds		<u>719,759</u>	<u>2,635</u>	<u>-</u>	<u>3,165</u>	<u>34,629</u>	<u>-</u>	<u>14,665</u>	<u>251,924</u>	<u>1,026,777</u>

Notes to the Financial Statements (continued)

	Moray and Nairn Educational Trust		Moray and Nairn Educational Trust		Keith Poor Householders Fund (Keith Nursing Trust Fund)		Castlehill Trust		Grant Park Trust		George Boyd Anderson Bequest	
	SC019017		SC019017		SC019033		SC019065		SC019066		SC019068	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	Unrestricted		Endowment		Unrestricted		Unrestricted		Unrestricted		Unrestricted	
	£	£	£	£	£	£	£	£	£	£	£	£
Note 3 Investment Income												
Interest earned on loans pool balances	2,802	2,467	-	-	62	57	3	3	74	68	786	729
Dividend income	17,612	15,382	-	-	-	-	-	-	-	-	-	-
	20,414	17,849	-	-	62	57	3	10	74	68	786	729
Note 4 Awarding of Grants												
Grants Paid	14,752	9,976	-	-	-	-	-	-	-	-	-	1,000
Governance Costs:												
Accountancy and Legal costs	807	595	-	-	1	1	-	-	1	1	8	154
Audit of Financial Statements	4,469	3,667	-	-	135	121	136	121	135	121	136	201
	20,028	14,238	-	-	136	122	136	332	136	122	144	1,355
<hr/>												
	Mr and Mrs William J Watt Dufftown Food Fund		Robert Young Trust		The Moray Council Charitable Trust		Total Unrestricted funds	Total Endowment funds	TOTAL			
	SC019069		SC019071		SC046791							
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22		
	Unrestricted		Unrestricted		Unrestricted							
	£	£	£	£	£	£	£	£	£			
Note 3 Investment Income												
Interest earned on loans pool balances	-	-	334	301	5,711	5,162	9,772	-	9,772	8,787		
Dividend income	-	-	-	-	-	-	17,612	-	17,612	15,382		
	-	-	334	301	5,711	5,162	27,384	-	27,384	24,169		
Note 4 Awarding of Grants												
Grants Paid	-	-	-	-	-	-	14,752	-	14,752	10,976		
Governance Costs:												
Accountancy and Legal costs	-	-	3	3	173	669	993	-	993	1,423		
Audit of Financial Statements	135	-	135	121	1,219	1,088	6,500	-	6,500	5,440		
	135	-	138	124	1,392	1,757	22,245	-	22,245	17,839		

Notes to the Financial Statements (continued)

Note 5 Investments

There is only one trust with investments; Moray and Nairn Educational Trust (SC019017). The investments are all unit trusts managed in line with the investment policy of the trust. Investments are included at fair value as at the balance sheet date. The return on investment is made up of the income derived from the investment (e.g. interest and dividends) and any gain or loss in the market value of the investment. If a charity sells an investment, a gain or loss on the carrying amount of the asset is realised upon its disposal. Where a charity retains an investment, an unrealised gain or loss on the carrying amount of the investment may arise at the balance sheet date.

Trust law applies different rules to endowment funds. In an endowment, trustees cannot add the income from investments to the endowment capital; the income from the investment is allocated to the unrestricted fund. However, any gain or loss on investment is attributed to the endowment capital.

The gain/(loss) on Revaluation figure includes the movement in the market value of all investments held by the trust.

SoFA - Movement in the Available for Sale Reserve	2022/23	2021/22
	£	£
Add: Net (loss)/gain on revaluation	(15,815)	42,150
	<hr/>	<hr/>
Net gains/(losses) on investments	(15,815)	42,150
	<hr/>	<hr/>
Balance Sheet	2022/23	2021/22
	£	£
Opening Balance	599,529	557,379
Add: Net (loss)/gain on revaluation	(15,815)	42,150
	<hr/>	<hr/>
Balance sheet value of Investments	583,714	599,529
	<hr/>	<hr/>

Note 6 Voluntary Income

Voluntary income includes incoming resources which provide core funding or are of a general nature. Having due regard to the Council's plans to support any trust funds likely to fall into deficit, including funding any future deficits until the charity can be reorganised or wound up, there was a contribution of £268 in the year to support two Trusts:

	2022/23	2021/22
	£	£
Castlehill Trust	133	25
Mr and Mrs William J Watt Dufftown Food Fund	135	119
	<hr/>	<hr/>
Total Contribution from Moray Council	268	144
	<hr/>	<hr/>

Note 7 Debtors

	2022/23	2021/22
	£	£
Investment income - Moray and Nairn Educational Trust	1,655	1,266
	<hr/>	<hr/>
Total	1,655	1,266
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

Note 8 Creditors: amounts falling due within one year

	2022/23	2021/22
	£	£
Audit fee	6,500	5,440
Grant award due - Moray & Nairn	-	1,495
	<u>6,500</u>	<u>6,935</u>

Note 9 Financial Instruments

The trust funds only have financial assets and financial liabilities of a kind that qualify as basic financial instruments per FRS 102. Basic financial instruments are recognised at transaction value. The financial instruments disclosed in the Balance Sheet are made up of the following categories:

	2022/23	2021/22
	£	£
Debtors		
Financial Assets carried at contract amounts	1,655	1,266
Loans Fund Balances	<u>437,500</u>	<u>432,917</u>
Total Debtors	<u>439,155</u>	<u>434,183</u>
Creditors		
Financial Liabilities carried at contract amounts	<u>6,500</u>	<u>5,440</u>
Total Creditors	<u>6,500</u>	<u>5,440</u>

Note 10 Related Parties

The Trustees and Moray Council are the only related parties of the Connected Charities. There were no transactions during the year between any of the Trustees and the Connected Charity Trust Funds.

The trust funds use Moray Council's bank account for all transactions and the balance is invested in the Council's loans fund, for which it earns interest. There are no other outstanding balances due to or from Moray Council at 31 March 2023. The trustees are required by the Charities SORP to disclose material transactions with related parties; bodies or individuals that have the potential to control or influence the Trusts Funds, or to be controlled or influenced by the Trust Funds. The amounts paid by the Connected Charities to Moray Council for support services, including legal and finance costs, in 2022/23 was £993 (2021/22 £1,423).

Note 11 Trustee Remuneration, Benefits and Expenses

None of the trustees of the Trust Funds and no associated person connected with any of them have received any remuneration or any other benefit for their services. Further, no directly incurred expenses were reimbursed to the trustees during the year.

Note 12 Staff Costs and Emoluments

The Trust Funds have no employees and have not incurred any staff costs or emoluments.

Notes to the Financial Statements (continued)

Note 13 External Audit Costs

The Connected Charities incurred £6,500 of statutory audit fees for the audit of the Connected Charities Trustees Report and Financial Statements for the year ended 31 March 2023. This cost has been accrued in 2022/23 and allocated to each trust (£5,440 2021/22).

Note 14 Accounting Policies

Basis of Preparation

The financial statements for the charitable trusts have been prepared in accordance with the Charities: Statement of Recommended Practice 2015, commonly referred to as the SORP, in accordance with the Financial Reporting Standard 102 (FRS 102), which is effective for accounting periods beginning after 1 January 2015. The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at fair value, in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements are prepared on a going concern basis, and in accordance with applicable United Kingdom accounting standards. The principal accounting policies have been applied consistently throughout the year. The Mr and Mrs William J Watt Dufftown Food Fund has been exhausted and is in deficit at 31 March 2023 by £135. The Castlehill Trust is in deficit by £133. Having due regard to the Council's plans to support the charity, including funding that deficit and any future deficits until the charity can be reorganised or wound up, the Trustees are confident that this will be sufficient to enable the Charity to continue to meet its obligations as they fall due for the period of at least 12 months from the date of signing these financial statements and as such have prepared the financial statements on the going concern basis.

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the Trust funds for which it acts as sole Trustee are connected charities. As such the financial statements for the individual charities have been prepared on a collective basis for the Council.

An amendment to the Charities SORP (FRS 102) issued by the Financial Reporting Council and published in February 2016 states the requirement for larger charities to prepare a statement of cash flow. The charitable trusts are not classed as a large charity and so a cash flow statement has not been prepared this year.

Fund Accounting

Unrestricted funds are spent or applied at the discretion of the trustees to further any of the charity's purposes.

Endowment funds represent those assets which must be held permanently by the charity. Income generated from endowment funds held for investment must be spent on furthering its charitable purposes.

Incoming Resources

Investment income and other income is accounted for in the period in which the charity is entitled to the receipt and the amount can be measured with reasonable certainty.

Resources expended

Expenditure is included in the financial statements on an accruals basis and recognised when the activity takes place and not simply when the cash payment is made.

Governance costs include the costs of the preparation and examination of statutory financial statements; legal advice to trustees on governance or constitutional matters and costs of administering grants.

Investments

Investments are included at fair value at the balance sheet date in accordance with the principles of the SORP.

Investment gains and losses include any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to fair value at the end of the period.

Notes to the Financial Statements (continued)

Note 14 Accounting Policies (continued)

Other Matters

The Connected Charities is an arrangement that enables the trust funds for which Moray Council are sole trustees, and which are individually registered with OSCR, to be brought together and included in the Connected Charities Trustees' Report and Financial Statements. As registered charities, they are entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charities primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The connected charities are a Public benefit entity as defined by FRS 102 in that their primary objective is to make grants to the individuals or community groups rather than with a view to providing a financial return to trustees. The Charitable Activities of the trusts are making grants in accordance with the trust deeds and in agreement of the Trustees.

There are no judgements, apart from those involving estimations, that the trustees have made in the process of applying the entity's accounting policies that have a significant effect on the amounts recognised in the accounts.

There are no key assumptions concerning the future, or other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Independent auditor's report to the trustees of The Moray Council – Connected Charity Trust Funds and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the statement of accounts of The Moray Council – Connected Charity Trust Funds for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2023 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charities in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charities' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of trustees', the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charities' operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charities;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charities;
- inquiring of the Trustees concerning the charities' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Other information

The trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Angela Pieri, (for and on behalf of Grant Thornton UK LLP),
110 Queen Street
Glasgow
G13BX

Date:

Grant Thornton UK LLP is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.



REPORT TO: SPECIAL MORAY COUNCIL ON 25 OCTOBER 2023

SUBJECT: BEST VALUE PROGRESS REPORT ON MORAY COUNCIL

BY: CHIEF EXECUTIVE

1. REASON FOR REPORT

- 1.1 To ask the Council to consider the Best Value Thematic Review Report on Moray Council by Grant Thornton (“the auditors”) and the associated Improvement Action Plan.
- 1.2 This report is submitted to Council in terms of Section 103E of the Local Government (Scotland) Act 1973, as amended by the Local Government (Scotland) Act 2003.

2. RECOMMENDATIONS

2.1 The Council is invited to:

- i) **welcome the areas of strength recognised in the Best Value Thematic Review report on “Leadership and Development of New Strategic Priorities” in Appendix 1 including the work undertaken in relation to community engagement in forming the new Corporate Plan;**
- ii) **consider and note the findings, seeking clarification on points as required; and**
- iii) **agree the Improvement Action Plan in Appendix 1 of the report.**

3. BACKGROUND AND INTRODUCTION

- 3.1 Changes have been made to the Best Value audit process in line with the revised Code of Audit Practice 2020. These changes are summarised below:

Integrating Best Value

- 3.2 The Best Value audit is now integrated into the annual audit process. Auditors will report yearly in their Annual Audit Reports on progress made in implementing recommendations from previous Best Value reports, alongside issues arising from current audit work.

Thematic reporting

- 3.3 A new annual thematic focus to Best Value reporting has been introduced. Auditors will report annually on specific themes identified by the Commission. That is the subject matter of this report. This will also be summarised in the Annual Audit Report.
- 3.4 The Commission will then produce an annual overview report, summarising key findings and judgements from this thematic reporting. The theme for this year is leadership in the development of the council's strategic priorities. And the year two theme is workforce innovation.

Reporting on individual Councils

- 3.5 As before, each Council will have a report focussed on Best Value once in the audit cycle, starting from October 2023 and concluding by the end of the audit appointments in August 2027. Moray Council is one of the council's being reviewed in the first year of the cycle. The Controller of Audit then reports on this cycle to the Accounts Commission which will then decide how it wishes to respond.

The Thematic Review

- 3.6 The Thematic Review considers 5 specific areas:
- How clear is the new Council vision and priorities.
 - How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council.
 - How effectively do the Council priorities reflect the need to reduce inequalities and climate change.
 - How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council priorities.
 - Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them.
- 3.7 There are four areas of improvement recommended by the auditors. A representative of the Council's External Auditor will present the report at the meeting.
- 3.8 The four areas of improvement are set out below:
- 3.8.1 To undertake more work around participatory budgeting – engagement with the community is a major aspect of the work ongoing to bridge the budget gap. Stage 1 of the Public Communication and Engagement Strategy has been undertaken and will be reported to the meeting of the Council on 25 October 2023 following which it is anticipated that stage 2 will commence. Participatory budgeting will continue to be utilised as far as practicable.

- 3.8.2 To review the Capital Plan in line with council priorities and affordability thresholds – this work is ongoing as part of the Short to Medium Term Financial Strategy.
- 3.8.3 That an annual self-evaluation is undertaken of effective and efficient cross party working to support continuous improvement – Further work has been planned and will be captured in the revised Best value Action Plan due to be reported on 7 November 2023 to the Corporate Committee.
- 3.8.4 That further training is provided to members of Audit and Scrutiny Committee – This is in progress.
- 3.9 In conclusion, work is already underway to address the actions identified in the Thematic Review and progress will be reported together with wider Best Value activity according to the established reporting cycle for this work.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The Council is committed to delivering better public services year on year through Best Value and its key principle of continuous improvement.

(b) Policy and Legal

The Council has a legal duty to deliver Best Value and to address any findings containing recommendations arising from any Best Value Assurance Reports.

(c) Financial Implications

There are no direct financial implications arising from this report.

(d) Risk Implications

As the Council operates with small teams/specialists there is an ongoing risk associated with workforce issues and capacity. Accordingly it will be important that continuous improvement in delivery of Best Value including the thematic actions is resourced properly and/or other work reprioritised given the tight resourcing across current services.

Improved results from less resources will require even more rigorous prioritisation than previously seen. Failure to do this is likely to introduce other risks such as the capacity for IMP and other improvement activity which is at the core of financial sustainability.

There is a risk that delayed progress in some of the actions has a substantial impact on the Council's future financial position.

There remains a risk that lack of progress towards making the significant changes in the Council to produce the required improvements in performance and outcomes may result in further audit scrutiny and intervention.

The issues relative to leadership do not have simple tangible remedies and will need ongoing attention. There is a need to focus on these as both significant and challenging if the Council wants to improve.

(e) Staffing Implications

There are no implications arising directly from this report and actions have been/will be incorporated into existing resources and work plans.

(f) Property

None.

(g) Equalities/Social Economic Impact

This is covered in terms of the inspection regime itself and the Council's duty to deliver Best Value.

(h) Climate Change and Biodiversity Impact

This is covered in terms of the inspection regime itself and the Council's duty to deliver Best Value.

(i) Consultations

CMT and the Chief Financial Officer have been consulted in terms of development of the action plan.

5. CONCLUSION

5.1 The Council has already begun work on the majority of the areas identified for action in the Thematic Review and progress will be the subject of further reports.

Author of Report: Rhona Gunn, Depute Chief Exec (EEF)
Background Papers: Letter dated 2 February 2022 from Secretary to Accounts Commission enclosing the Controller of Audits Best Value Assurance Report on Moray Council.
Letter dated 18 February 2022 from Secretary to Accounts Commission enclosing a copy of the finding of the Accounts Commission on the Control of Audits Best Value Assurance Report on Moray Council.
Best Value Assurance Report Detailed Plan Strategic Summary (SPMAN-1108985784-334)
[Best Value Assurance Report Strategic Action Plan \(Appendix 1\)](#) – Moray Council on 28 October 2020
[BVAR Action Plan Report 001](#) (20.01.2021)
[BVAR Action Plan Report 002](#) (10.03.2021)
[Covid Related Pressures and Service Prioritisation Report and Appendix](#) (10.3.21)
[BVAR Action Plan Report 003](#) (12.05.2021)
[BVAR Action Plan Report 004](#) (30.06.2021)
[BVAR Action Plan Report 005](#) (15.09.2021)
Scottish Government published advice and guidance on Coronavirus (COVID-19) protection levels and decision making framework
[BVAR Action Plan Report 006](#) (19.01.2022)
[Report to Council 15 March 2022](#) (Item 03)

Ref:

[Best Value Progress Report 29 June 2022](#) (Item 17c)
[Best Value Progress Update 4 October 2023](#) (Item 6)
SPMAN-1108985784-906 / SPMAN-1108985784-911

Leadership of the development of new local strategic priorities

Best Value thematic work in councils 2022/23

Moray Council

21 September 2023



Contents

Section	Page
Scope of the audit	03
Executive Summary	06
Council vision and priorities	11
Citizen and community engagement	15
Reducing inequalities and tackling climate change	19
Alignment of delivery plans	23
Leadership	28
Appendix 1 – Improvement Action Plan	32

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The contents of this report relate only to the matters which are required to be reported in line with the Programme for BV thematic work in councils 2022/23 as required by Audit Scotland. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the organisation or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Scope of the audit (1)

When discussing the Local government in Scotland Overview 2022, William Moyes, Chair of the Accounts Commission said: “Councils are operating in a complex and increasingly volatile, unprecedented and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources.”

This report concludes on the effectiveness of the Council’s leadership of the development of the Council’s strategic priorities, following the recent local government elections.

The [Accounts Commission’s Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

Code of Audit Practice 2020 Best Value reporting requirements

The Accounts Commission’s approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body’s performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.
- The Accounts Commission reports nationally on thematic aspects of local government bodies’ approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

Scope of the audit (2)

This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership of the development of the Council's strategic priorities.

In carrying out the work auditors have considered the following questions:

- How clear is the new Council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?
- How effectively do the Council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?



Scope of the audit (3)

An improvement action plan is included at Appendix 1 of this report. This sets out audit recommendations in key areas, and the Council's planned response including responsible officers and dates for implementation.

The coverage of the work is in line with the expectations for Council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020](#).

Executive Summary (1)

We have carried out an overview of the effectiveness of Council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022. Our review considered five areas (as listed below) and we have concluded on the effectiveness of leadership in each of these areas.

	Question	Findings	Conclusion
1	How clear is the new Council vision and its priorities?	<p>The Council have drafted a new Council plan however this has not yet been finalised due to delays encountered with the new Council membership as well as considering emerging national issues including the Verity House agreement and the challenging financial position. There have been a number of changes to the leadership of the Council since the elections including two members who left the administration group and the Convenor resigning from their post resulting in a decision to approve a new structure consisting of a Leader, Depute Leader and Civic Leader. A by-election was also held in early November following the resignation of one of the new intake of councilors from an opposition party in May. Over half of the councillors elected in the latest elections are new councillors and a number being new to local government. These significant changes and challenges to the Council leadership have contributed somewhat to delays in preparing and finalising the new Council plan. The plan is currently going through a revised stakeholder engagement phase with timings pushed back to 2024 to finalise and approve the corporate plan.</p> <p>The Council is currently drafting a corporate delivery framework which aligns with the corporate plan alongside refreshing departmental service plans which enables the Council to set out and monitor performance against priority areas.</p>	<p>We have reviewed the draft Council plan and are satisfied that the new draft Council plan includes a clear vision with clear priorities for the Council however as the plan has not yet been approved, it has not yet been made available for publication. Priorities have been agreed in draft by the Council and are currently subject to community engagement. We are satisfied that the new plan priorities are broad enough that they capture the main issues impacting the local economy. Given the delays in producing a new corporate plan, the Council will need to ensure there is a depth of pace attached to the finalisation of the corporate plan to ensure delivery of implementation, monitoring of outcomes and progress on delivering new Council priorities can commence.</p> <p>We have gained assurance that in preparation for the new corporate plan, priorities are being informed and developed in conjunction with a range of stakeholders and community partners through the Local Outcome Improvement Plan (LOIP).</p>

Executive Summary (2)

	Question	Findings	Conclusion
2	<p>How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?</p>	<p>The Council has had due regard to the importance of ensuring the views of citizens and communities are reflected in the priorities and decisions taken by the Council. This is evident through priorities and outcomes set out in the Council’s draft corporate plan centered around “Build thriving, resilient, empowered communities”. It is positive to note the steps the Council are taking to ensure communities are a key focus of the Council’s decision-making process and that views are heard and acted upon.</p> <p>A number of events were held to obtain feedback and views on the initial visions and priorities of the draft corporate plan. The first draft of the plan included a section on stakeholder engagement undertaken to update the corporate plan which demonstrates to stakeholders how their input has reflected the priorities and vision of the Council plan.</p> <p>Feedback on the plan highlighted priorities from local communities including budgets, housing, roads, climate, social services, refuse services, transport, digital connectivity and economic development. All of which have been factored into the broader priorities of the Council within the draft corporate plan. Further updates to priorities have been made as a result of national emerging issues, revised priorities have been agreed in draft by the Council and currently going through a revised period of public consultation alongside consultation of the 2024/25 budget.</p>	<p>We have found the work undertaken by the Council in relation to community engagement in forming the new corporate plan to be highlighted as an area of strength for the Council and an example of good practice. The Council have effectively listened to the views of citizens and communities and reflected these in the draft priorities within the new Council plan. It is currently too early to assess the effectiveness of decisions taken by the Council in line with the new corporate plan.</p>

Executive Summary (3)

	Question	Findings	Conclusion
3	How effectively do the Council priorities reflect the need to reduce inequalities and climate change?	<p>One of the values of the new Corporate Plan is to ‘Tackle poverty and inequality’. Poverty and inequality has been expressed as a central priority in the new Corporate Plan Vision and Priorities, with specific reference to child poverty and supporting vulnerable members of the community. One of the ways in which the Council seek to address this priority is through the Local Outcome Improvement Plan (LOIP) which is adopted by the Moray Community Planning Partnership of which Moray Council partner alongside a range of other partner organisations. We have obtained assurance that the Council has an agreed action plan aimed at tackling inequality, poverty and addressing fairness issues identified in local communities however it is too early to assess the effectiveness of the action plan in tackling these priorities.</p> <p>The Council also use equality impact assessments as a way of ensuring that the risks and implications of decisions are considered.</p> <p>The draft corporate plan includes the following priority “Build a stronger, greener, vibrant economy”. This priority addresses the area of sustainability both in environmental and financial regards. Moray Council introduced a Climate Change Strategy in 2020 which, together with the Local Development Plan, is designed to provide a coordinated and appropriate response to help all within Moray to deal with the challenges that climate change is expected to bring.</p>	<p>We are satisfied that the draft priorities of the Council within the draft Council plan clearly articulates the importance of its plans to reduce inequalities as well as ensuring stakeholders have been involved in identifying local needs and inequalities to inform priorities.</p> <p>The Council also has appropriate arrangements in place to reflect the sustainability of the environment and in particular climate change as a key priority in its vision and Council plan.</p>

Executive Summary (4)

	Question	Findings	Conclusion
4	<p>How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council’s priorities?</p>	<p>We have obtained evidence that the Council has taken decisions to show how it will deliver on its priorities, allocate and align resources to priorities and secure sustainability of its services into the longer term. The priorities of the Council plan are broad in nature and therefore, provides the Council with flexibility in future years to respond to changes in the local community. The Council have also evidenced large investment in projects such as economic development including the Moray Growth Deal to meet strategic priorities relating to ‘Build a stronger, greener, vibrant economy’.</p> <p>One of the biggest challenges that the Council will face in the medium to longer term relates to capital investment in services to help in the delivery of Council priorities. We highlight the fact that the Council has an ambitious capital plan which results in significant amounts of planned borrowing. The capital plan shows a total expenditure between 2023/24 and 2032/33 of £501 million of which £400.5 million (80%) is planned to be financed through loans. This is a significant amount of planned borrowing and therefore will be significant revenue implications for the Council in an already challenging financial climate.</p>	<p>Overall, we are satisfied that the Council has appropriate delivery plans and that there is alignment of financial, workforce and asset plans with draft Council priorities however digital plans are yet to be finalized.</p> <p>The Council will need to review the affordability of the capital plan and prioritise capital projects in line with its priorities. The Council also faces significant financial challenges with a significant funding gap estimated for 2024/25. As a result of a challenging financial future, it is important that there is increased focus on ensuring there is engagement with local citizens and communities especially around financial planning and future budgeting priorities.</p>

Executive Summary (5)

	Question	Findings	Conclusion
5	Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?	<p>We have identified some continuing risks relating to cross party working in order to progress key decisions including finalising the new Council plan. Strong and cohesive leadership is important in ensuring delivery of Council priorities and it is important that effective leadership and governance arrangements are in place to help tackle a number of difficult decisions that will be required to be made as a result of a challenging financial climate, increasing demand for services and reduction in resources. This will result in a need for transformational change and will require strong leadership and guidance by officers and elected members.</p> <p>The Council has made some positive steps in addressing the issues relating to the remit of the Audit and Scrutiny Committee however this issue has not yet been fully resolved and further work is required to ensure committee members are clear on the remit of the Audit and Scrutiny Committee.</p>	<p>There has been some issues in cross party working between members in order to finalise the Council plan and set Council priorities. There has been a delay in finalising the Council plan which is partly due to a number of changes with the leadership and members since the local government election in 2022, as well as other emerging national issues. The Council remains finely balanced which provides some challenges in progressing key decisions including finalising the new Council plan. Further work has been planned around the theme of 'Collaborative leadership' by the Council, including the use of external support, to improve the way councillors and officers work together and to ensure that Council meeting time is used effectively. This work is currently in progress and the Council aim to capture findings in a revised Best Value action plan.</p>

The Council's improvement actions from this review are included at Appendix 1 of this report. It also sets out the Council's response to audit recommendations made.

1. Council Vision and Priorities (1)

How clear is the new Council vision and its priorities?

The [Local Government in Scotland Overview 2022](#) published by the Accounts Commission, outlined a number of themes impacting local government bodies as well as the impact of the covid-19 pandemic, long-standing and growing demographic pressures and the growing cost of living crises. The overall Scottish population is projected to fall over the next 25 years, with an ageing population. Data within the report shows that overall life expectancy has fallen as well as health life expectancy, of which deprivation has a large impact on both.

Increasing financial hardship is expected as the cost of living rises rapidly, with the greatest affects felt by those already experiencing poverty. Poverty rates have been rising in recent years, with the highest rates among children. This trend is seen across all 32 councils but in recent years poverty rates have increased at a faster rate in councils with lower levels of deprivation.

In this challenging environment, with scarce resources, councils need to set a clear vision, focused on the needs of its communities. Following the council elections in May 2022, councils should have reviewed their priorities and to meet best value expectations have reviewed priorities in conjunction with partners. It is important that citizens and communities are included to ensure services meet their needs.

Has the Council published a clear vision, with clear priorities for the Council? Is it communicated to its citizens, staff and other partners?

The new Corporate Plan 2024-2029 has not yet been published by the Council. This was due to be approved at Council Committee in September 2023 however, further updates to priorities were made as a result of national emerging issues including the Verity House agreement and the challenging financial landscape. Revised priorities have been agreed in draft by the Council and are currently going through a revised period of public consultation alongside consultation of the 2024/25 budget. We have obtained a draft copy of the new corporate plan which includes a clear vision “A Moray where people prosper, free from poverty and inequality”.

The vision is underlined by four values; “Fair, Ambitious, Improving and Responsive”. The corporate plan includes three key priorities being:

- Tackle poverty and inequality;
- Build a stronger, greener, vibrant economy; and
- Build thriving, resilient, empowered communities.

The Council also hold a 10-year Plan (Local Outcome Improvement Plan (LOIP)). The Plan is derived from the Community Planning process which helps public agencies work together in a Community Planning Partnership (CPP). It aims to tackle the greatest differences in outcomes between and within Moray communities and to focus on where they can add greatest value by working in partnership.

1. Council Vision and Priorities (2)

The vision of the partnership is "*Raising Aspirations through Expanded Choices, Improved Livelihoods and Wellbeing*".

The partnership have identified four main priority areas to deliver their vision:

1. Developing a diverse, inclusive and sustainable economy;
2. Building a better future for our children and young people in Moray;
3. Empowering and connecting communities; and
4. Improving wellbeing of our population.

The Council plan has not yet been published as it is yet to be approved by full Council.

Our review of the draft Council plan includes a clear vision with clear priorities for the Council.

Were the Council's priorities developed with partners and aligned with their priorities?

A report to the Council on 19 January 2022 made reference to a number of indicators that suggested a review of the Corporate Plan may come forward in 2022/23. These included the May 2022 local government elections, emerging issues from the Covid pandemic, the Scottish Government Programme and the opportunity to refresh the Local Outcomes Improvement Plan (LOIP) at its five-year mid-point. The local government elections in May 2022 resulted in a high number of new councillors and political change for the Council and as a result the Council identified the need to revisit the corporate plan and whether it was still fit for purpose.

In May-June 2022 the Council undertook data analysis and internal work to research emerging issues relevant to the local population and Council area. External factors and issues were also taken into consideration and captured through a PESTLE (political, environmental, social, technical and economic) assessment. The Council engaged with service managers across all Council services to identify progress on plan priorities and new and emerging pressures that should be considered for inclusion in future priorities.

In June-November 2022 the Council undertook community and stakeholder engagement to feed into the LOIP and Corporate Plan. This engagement with the local community included focus groups and a meeting held with a number of discussion groups at the event to inform feedback on emerging issues and local priorities. A leadership forum event was also undertaken which shared information with senior managers within the council and gathered feedback, there was also a presentation at the employee conference in November 2022 on the data profile for Moray and the influences on the corporate plan. In May-September 2022 the Council looked for political input by reviewing the political review and direction of the Council corporate plan as well as community response and feedback. It was also highlighted to the Council by officers that the design and delivery of services would need to be considered in the corporate plan against a backdrop of a challenging financial outlook in the medium to longer term.

1. Council Vision and Priorities (3)

It was highlighted at the February 2023 Council meeting that the review of the LOIP was on hold due to resourcing as well as further consideration required by community planning partners. It was found that the evidence from the Moray research undertaken that there was not a significant change in the underlying issues which were addressed in the LOIP and that refresh of the LOIP would be considered at a later date.

At the date of drafting this report, work continues to refresh the corporate plan and support delivery and political direction.

Our review of the new draft corporate plan includes a section on community engagement. This highlights the work undertaken by the Council in preparing the corporate plan and the community engagement undertaken. This includes feedback from the community session undertaken looking at feedback on the plan, local priorities, vision and key topics for different community areas and groups. **We have found the inclusion of this in the report and the work undertaken by the Council in relation to community engagement to be highlighted as an area of strength for the Council and an example of good practice. We are satisfied the Council's draft priorities have been developed with partners and aligned with their priorities.**

Has the Council clearly set out what performance they want to achieve in their priority areas?

A corporate delivery framework is being developed alongside the Council plan to set out the actions and outcomes planned for the implementation of the corporate plan. This framework is used to enable implementation and monitoring of the Corporate Plan. Performance of the corporate delivery framework is reported to full Council on an annual basis within the annual public performance report as well as regular reports on progress to the Council.

Departmental service plans are also in place and are in the process of being updated to set out the planned strategic and service level priorities and outcomes it intends to deliver aligning with financial planning, corporate and community planning partnership strategic priorities. Progress against service plans is monitored regularly within progress updates to service committees as well as an annual review each year.

The corporate delivery framework is currently being developed alongside the draft Council plan alongside a refresh of departmental service plans. It is currently too early to assess whether the delivery framework provides clear measures for delivery against priorities as indicators in the draft plan have not yet been finalised.

1. Council Vision and Priorities (4)

Conclusion

Overall, we are satisfied that the draft Council plan includes a clear vision with clear priorities for the Council however as the plan has not yet been approved, it has not yet been made available for publication. We are however, satisfied that the draft plan priorities are broad enough that they capture the main issues impacting the local economy. Given the delays in producing a new corporate plan, the Council will need to ensure there is a depth of pace attached to finalisation and implementation of the corporate plan to ensure, monitoring of outcomes and progress on delivering new Council priorities can commence.

We have gained assurance that in preparation for the new corporate plan, priorities are being informed and developed in conjunction with a range of stakeholders and community partners through the LOIP. The Council is currently drafting a corporate delivery framework to align with the corporate plan alongside refreshing departmental service plans which enables the Council to set out and monitor performance against priority areas. It is currently too early to assess the effectiveness of the corporate delivery framework against delivery of the Council plan.

2. Citizen and community engagement (1)

How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?

Recovery from the pandemic will require councils to work alongside their local communities. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in decisions that affect their everyday lives. Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

Is community empowerment reflected in the high-level goals of the Council and embedded in strategic plans?

Moray Council created a new Communities Service in April 2021 bringing together Adult and Family learning, Youth Work and community development through the Community Support Unit. A Community Learning & Development (CLD) Strategic Plan was approved by the Community Planning Partnership (CPP) Board in September 2021 and covers the period September 2021 to August 2024. The CLD Plan is produced by the strategic partnership which brings together providers of community learning and community development in Moray.

The plan includes four strands:

1. Learning for Life
2. Active Citizens and Communities
3. Participation and Community Voice
4. Workforce Development

The four strands are then underpinned by three cross-cutting themes; Addressing the impacts of rurality and poverty, improving mental health and well-being and addressing social isolation and helping people to reconnect. The work of the CPP and the CLD strategic plan is aligned to the Moray Council corporate plan where one of the priorities is 'Creating opportunities for a vibrant economy.'

The CLD Strategic Partnership meet regularly to monitor progress in delivery of the CLD strategic plan. A self evaluation exercise was undertaken to reflect on the first year of the new CLD Plan and assess how well the partnership are working together. The self evaluation identified an overall rating of Good and identified examples of improved partnership working, enhanced collaborative working linked to external funding investments and new strands of work being developed strategically.

2. Citizen and community engagement (2)

Improvement areas were noted including; acknowledging more could be done to promote the work being done in the delivery of the CLD Plan, reflecting on what had been learned in the first year of the plan and identifying areas to work collectively to address and recognition of the need to look back and look forward to revisit and reformat priorities based on any changes in Moray.

We are satisfied that community empowerment is reflected in the high-level goals of the Council and is embedded in strategic plans.

To what extent is the organisation involving local people in decision making processes? Any examples of communities designing and co-producing services?

To ensure local people are involved in the decision-making process Moray Council ensure there is an active consultation process to engage with the local community on key issues and decisions. The Moray Council website has a section on 'Consultation and Have your Say' which allows members of the public to provide their views and ideas on key strategies and decisions. The Council also undertakes involvement of local communities in participatory budgeting exercises, a recent example being the refurbishment of a community playpark. The Council met with local residents to identify the priorities of the design of the park and the community helped write a scope of service to suppliers in order to co-design the park which was subsequently installed.

We are satisfied from our review performed that the Council provides opportunities for involving local people in decision making processes and there are examples of communities designing and co-producing services.

Have members and senior managers worked effectively with communities to identify priorities that respond to the needs of communities?

Extensive work was undertaken by the Council in ensuring stakeholders were engaged in helping form the new corporate plan which has helped drive Council priorities for the future however, **more could be done by the Council to ensure more stakeholders are involved in participatory budgeting exercises which will be key in allocating pressured financial resources to priority areas and in turn helping to demonstrate economy, efficiency and effectiveness of use of resources.** Further consultations and engagement should be undertaken to ensure local communities are more involved in participatory budgeting exercises. (Action plan recommendation raised - see Appendix 1).

A number of events were held to obtain feedback and views on the corporate plan. The draft plan has included a section on stakeholder engagement undertaken to update the corporate plan which demonstrates to stakeholders how their input has reflected the priorities and vision of the Council plan.

Feedback on the plan highlighted priorities from local communities including budgets, housing, roads, climate, social services, refuse services, transport, digital connectivity and economic development. All of which have been factored into the broader priorities of the Council within the draft corporate plan.

Further updates to priorities have been made as a result of national emerging issues. Revised priorities have been agreed in draft by the Council and currently going through a revised period of public consultation alongside consultation of the 2024/25 budget.

We are satisfied that members and senior managers have worked effectively with communities to identify priorities that respond to the needs of communities.

2. Citizen and community engagement (3)

Do priorities reflect a leadership role for communities and CPP particularly in shaping recovery from Covid-19 and making decisions about local services?

Moray Council's new corporate plan includes the priority 'Build a stronger, greener, vibrant economy' and 'Build thriving, resilient, empowered communities' which includes focus on Internal workings and Partnership relationships. To help meet this strategic priority Moray Council form part of the Moray Community Planning Partnership. The CPP have recently adopted a new Community Engagement Strategy with a launch event being held in March 2023 with enabled participants to take part in a co-design process to collaboratively explore themes to help drive the community strategy.

In November 2021 a session was held for third sector and community groups with support from the Council to explore and understand what good community engagement looked like. An invitation was extended to participants to become involved in writing the refreshed plan however no one came forward. The third sector felt their views had been well captured to be included in the refreshed strategy. The Council acted on this response and implemented more focus on stakeholder engagement for the corporate plan in late 2022.

A number of events were held to obtain feedback and views on the new corporate plan, and we have noted areas of good practice which have been included within the draft corporate plan in relation to the high level of stakeholder engagement involved in the production of the new corporate plan.

Is the Council learning from the innovative ways communities were involved in developing and delivering support during the pandemic and putting more flexible governance and decision-making structures in place now to provide more opportunities for more local participation in decision making?

Discussions with management have highlighted the positive way in which partnership working was engaged during the early stages of the covid-19 pandemic and the learning that has been adopted through that process. The pandemic brought to light how important it is to engage with partners and local communities in order to deliver services required in a more efficient and effective manner. The learning brought about from the pandemic has been used in informing Council priorities and the ways in which priorities can be delivered through wider stakeholder engagement. The pandemic also brought about varying arrangements of governance and decision-making structures where meetings were moved online when there were physical restrictions in place and since the easing of lockdown restrictions many organisations have moved to hybrid working approaches to flexibly meet the needs of decision makers. Council meetings at the Council have resumed to in person meetings however the local public have access to attend these meeting both virtually and physically to provide more opportunities for local participation in decision making.

We are satisfied the Council is learning from innovative ways in which communities were involved in developing and delivering support during the covid-19 pandemic. As a result of the pandemic flexible governance and decision-making structure such as hybrid Council meetings has provided more opportunities for local participation in decision making.

2. Citizen and community engagement (4)

Conclusion

The Council has had due regard to the importance of ensuring the views of citizens and communities are reflected in the priorities and decisions taken by the Council. This is evident through draft priorities centered around Partner Relationships. It is positive to note the steps the Council are taking to ensure communities are a key focus of the Council's decision-making process and that views are heard and acted upon. We have found the work undertaken by the Council in relation to community engagement to be highlighted as an area of strength for the Council and an example of good practice.

3. Reducing inequalities and tackling climate change (1)

How effectively do the Council priorities reflect the need to reduce inequalities and climate change?

Reducing Inequalities

Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change.

[The Local government in Scotland Overview 2022](#) report notes that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal supports those most affected and addresses inequalities.

How clearly does the Council and its community planning partners reflect its plans to reduce inequalities in its vision and strategic priorities? Have equality groups been involved in identifying local needs and inequalities to inform priorities?

One of the values of the new Corporate Plan is to 'Tackle poverty and inequality'. Poverty and inequality has been expressed as a central priority in the new Corporate Plan Vision and Priorities, with specific reference to child poverty and supporting vulnerable members of the community.

One of the ways in which the Council seek to address this priority is through the Local Outcome Improvement Plan (LOIP) which is adopted by the Moray Community Planning Partnership of which Moray Council partner alongside a range of other partner organisations.

The LOIP was refreshed in September 2020 and as part of the evidence gathering, engagement was undertaken with those who had experienced poverty as well as taking account of the Joint Needs Assessment for Children's services plan as well as work undertaken by the community engagement group to ensure local needs and inequalities were used to inform priorities.

The LOIP outlines four priorities which were developed in conjunction with partner organisations and clearly articulates its priorities to reduce inequalities including:

1. Developing a diverse, inclusive and sustainable economy;
2. Building a better future for our children and young people in Moray;
3. Empowering connecting communities; and
4. Improving wellbeing of our population.

3. Reducing inequalities and tackling climate change (2)

Progress against the LOIP is reviewed on a quarterly basis by the Community Planning Board which members from the Council sit on the board. The most recent performance monitoring report published in March 2023 shows that there is overall good progress against the priorities however the report noted further improvement was required in areas including; increased participation, skill and pay levels with reduced gender inequality through apprenticeships at all levels as modern and graduate apprenticeship numbers remain below pre covid baseline.

An apprenticeship campaign is being planned to increase awareness. Improvement was also identified as being required against the priority relating to 'the impact of poverty on children, young people and families is mitigated'. The progress report notes that there is a "lack of lead officer support available to the multi-agency Child Poverty Group and general capacity continues to limit the pace of progress. The cost of living crisis further compounds the urgency to co-ordinate activities across the partnership".

We are satisfied that the Council and its community planning partners clearly reflect its plans to reduce inequalities in its vision and strategic priorities. We are also satisfied that equality groups have been involved in identifying local needs and inequalities to inform priorities.

Does the Council have an agreed action plan aimed at tackling inequality, poverty and addressing fairness issues identified in local communities?

The need to reduce inequalities is reflected in a range of plans and strategies including:

- Locality Plans
- Community Learning and Development Plan 2021-24
- Mid-term review of Community Learning and Development Plan 2021-24
- Moray CLD Strategic Partnership Self-Evaluation 2022
- Children's Services Plan 2023-26 (includes Child Poverty Plan)

Performance and delivery frameworks underpin each of these plans and strategies which is monitored by relevant committee boards e.g. Education, Children's and Leisure Services Committee and Community Planning Board.

We are satisfied the Council have an agreed action plan aimed at tackling inequality, poverty and addressing fairness issues identified in local communities.

Do the Council's Covid-19 recovery and renewal plans support those most affected and address inequalities?

During the covid-19 pandemic the Council held recovery and renewal plans in place in order to support those most affected by the pandemic. Recovery and renewal plans are no longer updated as plans and priorities have since been refreshed to include actions to support those who have been most affected by the pandemic and address inequalities. This is evident within corporate plan documents such as; community learning and development plan, Moray Economic Strategy and Childrens' Services Plan. Recovery plans are also incorporated into departmental service plans.

3. Reducing inequalities and tackling climate change (3)

Does the Council use equality impact assessments and Fairer Scotland assessments to inform its strategic decisions? Is this information considered and acted on at the planning stage?

The Council has a duty to demonstrate that they consider or have due regard to their equality obligations. Moray Council use equality impact assessments (EIA) in order to facilitate this. Key decisions undertaken by committees (such as budget decisions and major policies and strategies) are required to produce an equality impact assessment alongside the considered report. EIA's are summarised in the committee reports and published as part of the papers for the committee meetings where relevant to inform the decision-making process. From August 2021 these are being tracked for monitoring purposes and are published on the Council's website. **We are satisfied that the Council use equality impact assessment to inform strategic decisions and is considered and acted on at the planning stage alongside relevant committee reports.**

Is the Council identifying a need to implement human rights-based approaches in its design and delivery of services?

Each Committee covering report which is used to inform decision making makes reference to risks and implications of recommendations of the report with reference to Equalities and The Equality Duty. The EIA screening questions makes reference to whether the activity/proposal/policy would have an impact on groups with protected characteristics as well as focusing on human rights. The Council hold an equality and diversity policy as well as publish equality outcomes where progress is reported on every second year. The policy includes reference to the Humans Rights Act 1998 as well as a range of other equalities legislation. **We are satisfied that the Council has due regard to human rights-based approaches in its design and delivery of services.**

Tackling climate change

Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than COVID'. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

How clearly does the Council reflect sustainability of the environment, and in particular climate change, in its vision and priorities?

The draft corporate plan includes the following priority "Build a stronger, greener, vibrant economy". This priority addresses the area of sustainability both in environmental and financial regards.

Moray Council introduced a Climate Change Strategy in 2020 which, together with the Local Development Plan, is designed to provide a co-ordinated and appropriate response to help all with Moray to deal with the challenges that climate change is expected to bring. On the 27 June 2019, Moray Council declared a Climate Change Emergency. Subsequently a Climate Change Strategy and action plan was prepared and adopted with the aim of Moray Council becoming carbon neutral by 2030. To ensure the Strategy remains relevant and accounts for ongoing national policy development, it is subject to review at 3-year intervals.

3. Reducing inequalities and tackling climate change (4)

Outcome measures have been identified for all actions which are proposed to be the primary method for monitoring progress on climate change objectives and targets. These indicators are reviewed annually to ensure they are fit for purpose to monitor progress on actions for the lifespan of the strategy.

We are satisfied that the Council clearly reflects sustainability of the environment and in particular climate change in its vision and priorities.

Conclusion

We are satisfied that the priorities of the Council within the Council plan clearly articulates the importance of its plans to reduce inequalities as well as ensuring stakeholders have been involved in identifying local needs and inequalities to inform priorities. We have also obtained assurance that the Council has an agreed action plan aimed at tackling inequality, poverty and addressing fairness issues identified in local communities.

The Council use equality impact assessments as a way of ensuring that the risks and implications of decisions are considered. The Council also has appropriate arrangements in place to reflect the sustainability of the environment and in particular climate change as a key priority in its vision and Council plan.

Overall, we are satisfied the Council ensures that priorities reflect the need to reduce inequalities and climate change and has a number of arrangements in places to address this.

4. Alignment of delivery plans (1)

How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities?

Delivery plans

Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

Are the Council priorities clearly reflected in service plans?

Corporate and administrative priorities are captured and reported in departmental service plans. Service plans set out what the service aims to develop over the coming year and the targets that should be achieved in terms of performance.

Work is currently in progress to revise the Corporate Plan following the local government elections in May 2022 and to take account of the issues from the Covid pandemic that are likely to influence future service requirements and the Scottish Government programme for government. The Council agreed that Service Plans be prepared as normal and that they be further reviewed as required as part of the normal 6 monthly performance reporting framework to take account of any revisions and change in direction in the new Corporate Plan.

The updated draft of the Corporate Plan is developing and has had input from Heads of Service and is consistent with the content of the 2023/24 Service Plans and is not anticipated that further review would be required, subject to any amendments to the final Corporate Plan that is approved by the Council.

The service plans viewed show the strategic outcome or priority as per the corporate plan, action, planned outcome, outcome measures, completion target, lead and priority rating. The strategic outcome/priority is then broken down into further service level outcomes and priorities. **Service plans will require some refresh as a result of the new corporate plan to ensure new priorities are mapped to service delivery.**

Do service plans demonstrate how the Council will improve in its service priority areas?

As mentioned above service plans will require refresh however, we are satisfied from our review of the directorate plans available that plans demonstrate how the Council will improve service priority areas. This is demonstrated through service performance measures and actions combined with the anticipated outcomes, officer responsible for delivery as well as the timescale for delivery of the priority. However, it is currently too early to assess the effectiveness of service plans in the delivery of the service priorities.

4. Alignment of delivery plans (2)

Has the Council taken an innovative approach when considering how services will be delivered in the future?

There are examples where the Council has taken an innovative approach to deliver services such as digital services which have been in place for a number of years prior to the pandemic which allows some services to be accessed 24/7 and enabled a smooth transition to remote and hybrid working as lock down restrictions were in force during the covid-19 pandemic. There has been a move of customer contact hubs into libraries to help provide easy access to the public and drive efficiencies for the Council.

Transformation and an innovative approach to delivering services will be key in futures years to enable delivery of services and Council priorities against what is expected to be a challenging future financial backdrop. The Council will need to continue to share information on transformation projects across the Council and also encourage innovation across all levels of the organisation and ensure there is an opportunity for input and ideas from all levels to help drive transformational change across the Council and service delivery. It is also important that the Council not only have an inwards facing approach but look outwards to others to help provide examples of innovative practice or innovative ways in designing services.

Financial Plans

Is there evidence that the Council has effectively aligned it's 2023/24 budget to its new priorities?

The Council have prepared a three-year financial plan which was considered at full Council alongside the annual budget. The stakeholder engagement undertaken by the Council identified priorities such as tackling inequalities, economic growth and transformation, climate change, health and social care, infrastructure, education and focus on local communities. These priorities have been reflected in the new Council plan as referred to within the 'Council Vision and Priorities' section of this report. **We are therefore satisfied that the Council has aligned it's 2023/24 budget to its new priorities.**

Does the Council have a medium term and / or long-term plan that effectively demonstrates that financial resources are allocated to deliver its new priorities?

Our review of the budget and MTFs shows that the most significant allocation of capital expenditure is being allocated to economic development, corporate, industrial portfolio, libraries and leisure, parks and open spaces, road improvements and schools. The larger proportions of the revenue budget are being directed to education, education resources and communities, IJB (covering health and social care) and environmental and commercial services. **We are therefore satisfied that the Council is appropriately allocating funding to areas matched with local priorities.**

4. Alignment of delivery plans (3)

Can the Council demonstrate how engagement with its citizens and communities have influenced its budget decisions?

Council members are in continuous engagement with its citizens and communities, and this allows councilors to understand the priority areas impacting their local constituency. The budget setting process then takes due regard to Council plan priorities as informed by the local community to allocate financial resources to priority areas however, it is recognised by the Council that since the pandemic there has been less engagement with communities on financial planning. **As a result of a challenging financial future, it is important that there is increased focus on ensuring there is engagement with local citizens and communities especially around financial planning and future budgeting priorities.**

Workforce Plans

Are workforce plans in place, across the Council, that demonstrate that it has the staff in place with the skills required to deliver services in line with its priorities?

The workforce and organisational development strategy approved at the Corporate Committee in April 2023 is designed to help the Council to develop and maintain a skilled, motivated and flexible workforce and deliver sustainable services. The workforce strategy outlines the corporate vision and Council priorities and recognises that while the corporate plan is under review the workforce strategy is designed to be flexible and enabled to adapt to future priorities and demands. The workforce priorities included within the plan align with those high-level priorities set out in the corporate plan.

Our review of workforce plans show the actions required to be taken in order to achieve Council priorities and sustainable service delivery. A formal annual review of the workforce plan and strategy is undertaken by the corporate committee.

It is too early at this stage to comment on the effectiveness of workforce plans in place to demonstrate the Council has the staff in place with the skills required to deliver services as workforce strategies and plans have only just been approved with target timescale for completion in March 2024, however, we believe that the workforce plans are aligned to draft Council priorities and is a positive step in ensuring plans are in place to help deliver services in line with priorities and with the workforce required.

Asset Plans

Does the Council have an asset strategy and plans in place that demonstrate that it has the right assets to support delivery of services in line with its priorities?

The Council have an asset strategy which spans a 10-year period to 2032/33. The capital plan was approved at the March 2023 full Council meeting alongside the revenue budget. The capital plan shows a total expenditure between 2023/24 and 2032/33 of £501 million of which £400.5 million (80%) is planned to be financed through loans. This is a significant amount of planned borrowing and therefore will be revenue implications for the Council. It is not clear from the capital plan what the estimated revenue costs will be to the Council across this ten-year period. There are risks associated with the capital plan where it is not evident how these risks have been considered such as potential interest rate rises in future years and the revenue implication of this.

4. Alignment of delivery plans (4)

The Council will need to review the affordability of the proposed capital plan and its revenue implications. A review of the capital plan and estates strategy should be carried out and identify through scenario planning and sensitivity analysis whether the proposed capital plan is affordable in the short to medium term. It is also important that the Council considers what is affordable to ensure continued financial sustainability as well as identify what capital priority areas are to ensure delivery of Council plan priorities. (Action plan recommendation raised- see Appendix 1).

Do the Council's annual and longer-term capital plans include projects that are aligned to the asset plans to support improved services? Is the extent of 'slippage' on key projects a concern?

The greatest areas of spend over the next 10 years as outlined within the capital plan relates to; corporate, majority focusing on the Council's vehicle and plant replacement program and how this moves to a zero-emission fleet. Economic development, this includes the capital components of the Moray Growth Deal. Road improvements, includes expenditure on resurfacing and reconstruction. Learning estate strategy and schools, this includes plans for new build/refurbishment of schools. These areas of spend are aligned to Council priority areas to support improved services. Council priorities includes focus on economic development, environment, people (including children's services) and sustainability all of which are consistent with greater levels of spend as per the capital plan.

As at 31 December 2022 the Council had incurred £16.682m of expenditure against a full year budget of £42.867m. It was estimated in December that there was likely to be a total projected expenditure for the year of £36.468m. The final outturn position for 2022/23 financial year was £28.3m. Issues such as volatile conditions within the construction industry and in supply chains of materials, resulting in contractors declining to tender for works or increasing prices significantly above estimates as well as delays in construction works and delivery of goods have meant programmes started to slip within the financial year.

Underspends incurred by the Council have increased from 9% to 35% in the past five years. There is a theme of recurring underspends at the Council however this has significantly increased in the past two years. It is important the Council look to ensure that the budget provides a realistic reflection of the anticipated spend for the year and projects that look to be slipping there is appropriate challenge and scrutiny of delivery to ensure projects are delivered on time and to budget to avoid projects slipping into future years which impacts on future capital planning and financing. We do however understand that shortages of labour and rising inflation has impacted delivery of projects however the Council should ensure that it is appropriately monitoring delivery of capital spend.

The Council should continue to monitor any slippage of the capital plan as this can have adverse implications for the revenue budget where more money is borrowed than required and interest payments that have been made on projects slip into future years, extending the borrowing requirement. The Council should ensure it does not borrow in advance of need and that any slippage on capital projects is appropriately actioned in a timely manner to ensure there is minimal revenue implications.

4. Alignment of delivery plans (5)

Digital Plans

Does the Council have a digital strategy and plans in place that demonstrate how its digital infrastructure supports delivery of services in line with its priorities?

Moray Council holds an ICT and Digital Strategy which runs from 2020-2023. The digital strategy sets out how ICT services will help support the delivery of Moray Council's Corporate Plan in line with corporate priorities. The ICT strategy is monitored through the HR, ICT and Organisational Development and Strategy Governance and Performance Services' service plans. Quarterly service performance information is provided as well as within six monthly service performance reports and an annual review of the strategy and plan which is overseen by the Corporate Committee. **A refresh of the ICT strategy is due to be presented to the Corporate Committee in August 2023 to align with the new corporate plan. This will ensure that priorities within the new corporate plan are aligned with how digital infrastructure supports delivery of services in line with new corporate priorities.**

Conclusion

Can the Council demonstrate that it has taken decisions to show how it will deliver on its priorities, allocate and align resources to its new priorities and secure sustainability of its services into the longer term?

We have seen evidence that the Council has taken decisions to show how it will deliver on its priorities, allocate and align resources to priorities and secure sustainability of its services into the longer term. The priorities of the Council plan are broad in nature and therefore, provides the Council with flexibility in future years to respond to changes in the local community. The Council have also evidenced large investment in projects such as economic development including the Moray Growth Deal to meet strategic priorities relating to 'Build a stronger, greener, vibrant economy'. Overall, we are satisfied that the Council has appropriate delivery plans and that there is alignment of financial, workforce and asset plans with Council priorities however digital plans are yet to be finalised. One of the biggest challenges that the Council will face in the medium to longer term relates to capital investment in services to help in the delivery of Council priorities. We highlight the fact that the Council has an ambitious capital plan which results in significant amounts of planned borrowing and the Council will need to evidence and reflect their updated considerations on the affordability of this programme to avoid the risk of wider financial challenges.

5. Leadership (1)

Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

Effective leadership from councilors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever. Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed Council priorities and work together to achieve them.

Is there effective collaborative working between members and with members and officers towards the achievement of the priorities?

There have been a number of changes to the leadership of the Council since the prior year local government elections. Two members left the administration group and the Convener resigned from their post resulting in a decision to approve a new structure consisting of a Leader, Depute Leader and Civic Leader.

In addition, a by-election was held in early November following the resignation of one of the new intake of councillors from an opposition party in May. The recent BVAR Report notes *"The council works with three tiers of governance. The CMT meet with the administration group; group leaders meet at least once a month; and business goes through formal committees. In December 2020, the Chief Executive met with group leaders to discuss political management and ways of working, but this can still be difficult especially where there are areas of political difference. Cross-party working arrangements can be affected by longstanding political differences between some groups and some poor relationships. The administration group has been able to gain support for key decisions, but this can be time-consuming, challenging and relies on the support of other elected members"*.

Review of meeting minutes and observation of Council meetings has identified that there continues to be challenges on cross party working arrangements to progress key decisions. Our review has found that key decisions are being made however due to challenges in cross party working, the ability to gain support for key decisions continues to be time-consuming and challenging. This is largely due to the political make up of the Council where the political balance is finely balanced and therefore provides challenges in progression in key decision-making areas and creating pace for change. (Action plan recommendation raised- see Appendix 1).

5. Leadership (2)

Is there evidence that members have taken decisions that contribute to the achievement of the priorities, in particular when allocating resources and in setting and monitoring performance targets?

There is a risk that progression of Council priorities is hindered due to a lack of effective cross party working arrangements. This risk has been highlighted within Audit Scotland Best Value Assurance Reports for a number of years and it is important that the Council urgently act upon this issue to mitigate against future risks of non-delivery of Council priorities. The Council is aware of the significant financial challenges that it faces in the short to medium term and significant decisions will need to be made on areas such as finances and service delivery. Lack of effective cross-party working will make it extremely difficult for members to agree on difficult decisions that need to be made which could impact on pace of delivery of priorities, effective service delivery and financial sustainability. **The Council will need to ensure that members work effectively together in order to act on key decisions in an effective and efficient manner.**

Do members and officers demonstrate mutual respect, trust, honesty and openness and appropriate behaviours?

There are respective codes of conduct for both officers and Elected Members. We have not identified instances of members or officers not demonstrating appropriate behaviours however as mentioned above we have identified a lack of collaborative working across political parties in order to progress key decisions. In some cases, there are instances where members allow political differences to impact progression of key decisions, examples being the annual budget setting process and renewal of the corporate plan which has taken longer to finalise in part due to political differences.

Is there a corporate approach to self-evaluation that supports continuous improvement in priority areas?

Monitoring of service plan progress and service performance in key areas is monitored and reported to ensure a process of continuous improvement. However, self-evaluation is something that could be improved upon at the Council. There are examples of best practice in other Councils that undertake an annual self evaluation questionnaire considered by committees such as Audit Committees using various frameworks and tools such as the Public Service Improvement Framework (PSIF). This allows councils with the opportunity to evaluate on strengths and weaknesses and draw any themes arising from results of self evaluations to implement any necessary action plans to support continuous improvement in priority areas and ensure it is demonstrating compliance against the CIPFA Code of Principles for Delivering Good Governance (revised 2016).

We recommend that Moray Council look to implement an annual self evaluation and consider the results of this evaluation on an annual basis to identify strengths as well as areas for improvement in order to support continuous improvement. (Action plan recommendation raised- see Appendix 1).

5. Leadership (3)

Have any issues been identified with the capacity and skills of senior officers that could impact on the ability of the Council to deliver its objectives? Has there been turnover of senior officers?

We have considered the capacity and skills of senior officers which could impact on the ability of the Council to deliver its objectives. **The Council has not experienced high turnover of senior officers and we have not identified from our discussions with management and review of Council reports any significant issues with the capacity and skills of senior officers in place at the Council.**

Issues were identified in previous BVAR reports relating to the previous cohort of elected members in relation to effective scrutiny. In response to this finding, a workshop was led in late 2022 for elected members by the Improvement Service to clarify the scrutiny remit of the Audit and Scrutiny Committee and approve a Scrutiny Guide. The Council have also appointed two external members (co-opted independent members) to provide appropriate technical expertise.

It is positive to note the steps that the Council have taken to address this issue and provide further clarification on the remit of the Audit and Scrutiny committee for members in the way of producing a formal scrutiny guide. **Our attendance at recent audit and scrutiny committees since being appointed as new external auditors has however already identified instances where there have been challenges between members in relation to actions to be taken regarding the remit of Audit and Scrutiny committee.**

There continues to be some confusion between members on what should be escalated to Council and what should be contained and actioned within the remit of the Audit and Scrutiny Committee.

We have found that there has been lengthy debates on which committee issues should be escalated to rather than focusing on how to resolve the issue at hand. This presents a risk to resolving identified issues in a timely manner.

We recommend that further training is provided to members to provide further clarification and guidance on the remit of audit and scrutiny to ensure implementation of the scrutiny guide for members is being actioned. (Action plan recommendation raised - see Appendix 1).

Conclusion

We have identified some continuing risks relating to the lack of effective cross party working in order to progress key decisions. Strong and cohesive leadership is important in ensuring delivery of Council priorities and it is important that effective leadership and governance arrangements are in place to help tackle a number of difficult decisions that will be required to be made as a result of a challenging financial climate, increasing demand for services and reduction in resources. This will result in a need for transformational change and will require strong leadership and guidance by officers and elected members.

The Council has made some positive steps in addressing the issues relating to the remit of the Audit and Scrutiny Committee however this issue has not yet been fully resolved and further work is required to ensure committee members are clear on the remit of the Audit and Scrutiny Committee.

The Council remains finely balanced which provides some challenges in progressing key decisions including finalising the new Council plan. Further work has been planned around the theme of 'Collaborative leadership' by the Council, including the use of external support, to improve the way councillors and officers work together and to ensure that Council meeting time is used effectively. This work is currently in progress and the Council aim to capture findings in a revised Best Value action plan.

Appendices

Appendix 1. Improvement Action Plan (1)

We have identified four recommendations for the Council as a result of best value thematic review carried out. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you.

Issue and risk

1. Community Engagement - Participatory Budgeting

Given the financial challenges that lie ahead for the Council, decisions will need to be made regarding available financial resource and how it is allocated and prioritized which has the potential to have a knock-on impact on service delivery.

Recommendations

It is important that the Council undertake more work around participatory budgeting and ensure key stakeholders including partners and individuals are involved within participatory budgeting exercises to ensure that financial resources are distributed to priority areas and reflective of priority areas for the local population.

Management response

The questionnaire to be issued for the 2024/5 budget consultation exercise asks the public to consider our draft strategic priorities alongside our finances. The results will help ensure that our resources are aligned to priorities.

Responsible Officer: Chief Executive

Target date: 31 March 2024

Appendix 1. Improvement Action Plan (2)

Issue and risk

2. Alignment of delivery plans - Asset Plans

The capital plan shows a total expenditure between 2023/24 and 2032/33 of £501 million of which £400.5 million (80%) is planned to be financed through loans. This is a significant amount of planned borrowing and therefore will be revenue implications for the Council. In our view the current capital plan is unaffordable.

Recommendations

The Council will need to review the affordability of the proposed capital plan and its revenue implications. A review of the capital plan and estates strategy should be carried out and identify through scenario planning and sensitivity analysis whether the proposed capital plan is affordable in the short to medium term. It is also important that the Council considers what is affordable to ensure continued financial sustainability as well as identify what capital priority areas are to ensure delivery of Council plan priorities.

Management response

The indicative 10-year capital plan will be reviewed as part of the financial planning process. As a short-term savings measure, capital budget managers have also been asked to review planned expenditure for 2023/24 with a view to delaying projects or otherwise reducing expenditures in 2023/24.

Responsible Officer: Chief Financial Officer

Target date: 31 March 2024

Appendix 1. Improvement Action Plan (3)

Issue and risk

3. Leadership - Cross Party Working

Key decisions are being made by Council members however due to lack of effective cross party working, the ability to gain support for key decisions continues to be time-consuming and challenging. This is largely due to the political make up of the Council where there the political balance is finely balanced and therefore provides challenges in progression in key decision-making areas and creating pace for change. There is a risk that progression of Council priorities is hindered due to a lack of effective cross party working arrangements.

Recommendations

Lack of effective cross-party working will make it extremely difficult for members to agree on difficult decisions that need to be made which could impact on pace of delivery of priorities, effective service delivery and financial sustainability. The Council will need to ensure that members work effectively together in order to act on key decisions in an effective and efficient manner. We recommend that Moray Council look to implement an annual self evaluation and consider the results of this evaluation on an annual basis to identify strengths as well as areas for improvement in order to support continuous improvement.

Management response

Further work has been planned and will be captured in a revised Best Value Action Plan for the Council.

Responsible Officer: Chief Executive

Target date: 31 December 2023

Appendix 1. Improvement Action Plan (4)

Issue and risk

4. Leadership - Audit and Scrutiny Committee

There continues to be some confusion between members on what should be escalated to Council and what should be contained and actioned within the remit of the Audit and Scrutiny Committee. We have found that there has been lengthy debates on which committee issues should be escalated to rather than focusing on how to resolve the issue at hand. This presents a risk to resolving identified issues in a timely manner.

Recommendations

We recommend that further training is provided to members to provide further clarification and guidance on the remit of audit and scrutiny to ensure implementation of the scrutiny guide for members is being actioned.

Management response

A briefing on this topic will be arranged for Elected Members.

Responsible Officer: Head of Governance, Strategy & Performance and Head HR, ICT & OD

Target date: 31 March 2024





REPORT TO: SPECIAL MORAY COUNCIL ON 25 OCTOBER 2023

SUBJECT: UK GOVERNMENT “OUR LONG-TERM PLAN FOR TOWNS”

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 To inform the Council of the announcement on 1 October 2023 that Elgin is one of 55 towns in the UK to receive £20 million funding towards town centre regeneration projects from the UK Government and to agree that the Head of Economic Growth and Development liaises with the UK and Scottish Governments to progress governance arrangements to establish a Town Board.

1.2 This report is submitted to Committee in terms of Section III(A)(2) of the Council’s Scheme of Administration relating to long-term financial plans.

2. RECOMMENDATION

2.1 The Council is asked to:

(i) note the award of £20 million funding for Elgin from the UK Government Long-Term Plan for Towns;

(ii) agree that the Head of Economic Growth and Development liaises with the other 6 Scottish towns local authorities which have been awarded funding to share best practice;

(iii) agree that the Head of Economic Growth and Development establishes an initial informal group as per para 4.8 and suitable interim governance structures;

(iv) agree that the Head of Economic Growth and Development proposes to the initial group that the Elgin City Centre Masterplan and Delivery Programme are updated to inform the Long Term Plan, and if this is supported, delegated authority is granted to progress that work ahead of formal constitution of the Town Board; and

(v) agree a further report be prepared for Council when further details on the staffing and financial implications surrounding the

funding are available.

3. BACKGROUND

- 3.1 The Long –Term Plan for Towns was published on 1 October 2023 and seeks to invest £1.1billion into 55 towns across the UK, of which 7 are within Scotland, including Elgin.
- 3.2 The Plan recognises that through the Government’s existing programmes and lessons learned from other countries, the need for longer term funding certainty, building local partnerships, having a clear plan for delivery, joint working between central and local Government and involving people and communities from the outset are key to success and have been embedded in the Plan.
- 3.3 The funding will be focused on the issues that matter most to local people, including high streets, heritage and regeneration. The funding complements several projects within the Moray Growth Deal which will invest in Elgin and town centre regeneration funding secured from a number of external sources as reported to Economic Development and Infrastructure Services Committee on 5 September 2023 (paragraph 10 of the minute refers).

4. PROPOSALS

- 4.1 The Long Term Plan requires that each of the 55 towns will have a long term plan drawn up by a new Towns Board, made up of local community leaders and employers. Each town will have a £20 million endowment style fund to invest over the next decade.
- 4.2 To support this work, the UK Government will also be establishing a new Towns Taskforce reporting directly to the Prime Minister, which will support towns on their Long-Term Plans also making it easier to repurpose empty high street shops by reforming licensing rules and supporting more housing in town centres.
- 4.3 Each town will be required to;
- Develop a Long Term Plan to invest in and regenerate their town, based on the priorities of local people and put to local people for consultation
 - Receive £20 million in endowment style funding and support over ten years to support the Town Plan, to be spent on issues that matter to local people, including regenerating high streets and securing public safety. This plan will be put to local people for comment.
 - Establish a Town Board to bring together community leaders, employers, local authorities and the local MP to oversee and deliver the Long-term Plan.
- 4.4 Once structures are in place, capacity funding will be made available from Spring 2024 to develop Town Plans which should be produced no later than Summer 2024. From summer 2024 the UK Government will provide the first year of funding to support the interventions set out in the Long Term Plan

which will be subject to assessment by the Department for Levelling Up, Housing and Communities

- 4.5 Details of the endowment style fund need to be clarified, with the Plan stating that Towns will receive funding and support of £20M (25% resource, £75% capital) to provide a range of interventions across the investment themes and will have ten years to deliver these, providing longer term certainty to deliver significant improvements in their towns. The 25% “resource” needs is presumed to be revenue but clarification is required on spending criteria.
- 4.6 The Plan states that the UK Government will provide further guidance and discuss next steps with each of the local authorities. The UK Government will work with devolved administrations in Scotland and Wales to consider how best this approach is applied in Scotland and Wales.
- 4.7 The Town Boards are expected to comprise a group of local organisations, including;
- Community partners, such as community groups, faith groups and local charities, the neighbourhood forum, the local Council for Voluntary Services
 - Local businesses and social enterprises, such as the chair or board members for the Business Improvement District, key local employers or investors in the town
 - Key cultural, arts, heritage and sporting organisations
 - Public sector agencies such as representatives from schools or police subject to local priorities
 - The local MP/MSP (to be clarified) in Scottish towns, relevant local authorities representatives such as local Councillors.
- 4.8 The Plan encourages local authorities to start bringing partners together which will form part of their Town Boards in advance of this, and to begin to set out a vision, formulate investment priorities and engage with local communities.
- 4.9 The significant work and engagement already undertaken associated with the Elgin City Centre Masterplan (ECCMP), Levelling Up Fund (LUF) round 2 bid and Moray Growth Deal mean that many projects are well positioned to progress to further engagement and delivery with advanced design work completed. The current work to complete addressing formal and informal feedback received on the unsuccessful LUF round 2 bid is transferable and includes;
- Establishing governance structures, including partnership agreements
 - Baseline information requirements and monitoring and evaluation framework
 - Risk registers
 - Revised project costs to reflect inflation
 - Phasing plan
 - Ensuring a strong, linked package of projects is retained
 - Revised economic modelling

- 4.10 However, given that the funding is secured, there is an opportunity to revisit long list projects which weren't included within the LUF round 2 bid and consider for inclusion.
- 4.11 Updating the ECCMP and preparing a complementary Delivery Plan is a resource efficient way to progress, aligning with the work associated with developing a place based approach in the next local development plan. This will then provide the opportunity to consult on priority projects which support the objectives of the Fund.

5 NEXT STEPS

5.1 The proposed next steps are;

- Continue liaison with UK and Scottish Governments to inform governance and understand funding implications.
- Liaise with the other 6 Scottish towns to share best practice.
- Establish an initial informal group.
- Report to Moray Economic Partnership and the Community Planning Board on the proposed governance structures and representation on the Town Board. It is suggested that council representatives for informal discussions be those appointed to Moray Economic Partnership and the Council Leader.
- Report to Council by March 2024 with proposed governance structures and further details on financial and staffing implications.
- Establish Town Board and associated governance structures by April 2024. The Town Board to include representation from business and community.
- If supported, update the ECCMP and develop a Delivery Plan by end July 2024.
- Recruitment of project management staff to support the Delivery Plan by September 2024.

6 SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Town Centre regeneration is a key element of economic development which is a priority in the Corporate Plan. The funding will support employment, training and skills opportunities with regeneration of the town centre supporting and enhancing the regional role of Elgin as a place to live, work and invest.

A Community Wealth Building Plan will be developed to support the programme of projects seeking to maximise economic benefit.

(b) Policy and Legal

The funding will support delivery of the statutory Moray Local Development Plan 2020 and the ECCMP.

Subsidy control advice has been taken through development of the LUF bid and further advice will be required as the programme progresses.

(c) Financial implications

The details of how the endowment fund will operate are not known at this time with details awaited from the UK Government.

Project Management costs will be paid from the 25% revenue within the £20 million allocation. Capacity funding will be released in April to help progress the Town Centre Plan, the amount is not yet known.

Projects are likely to result in increased maintenance costs as previously reported and it is important that projects are designed from the outset to minimise ongoing costs to the Council.

Update of the ECCMP and Delivery Plan if supported will be progressed within existing resources.

(d) Risk Implications

There are a number of risks and opportunities including;

- A risk that the benefits of the £20M are not fully realised or evaluated officers have held workshops to establish Monitoring and Evaluation and benefits realisation plans associated with the LUF projects and these can be updated and adapted to support the Delivery Plan.
- A risk that projects are not shovel ready, however, as noted above, strong partnerships and design work has been progressed for a number of projects.
- A risk regarding inflation and construction costs, which has been and will continue to be reflected in updated cost for projects including high optimism bias levels.
- A risk that the public are not engaged in the project- this will be managed through a strong and active Communications and Engagement Plan. The local press have been very supportive and active on town centre regeneration projects and a partnership approach to communications and engagement will be key to keeping everyone informed and engaged as projects progress.

(e) Staffing Implications

Most of the work carried out to address LUF feedback has been carried out in house by officers within Strategic Planning and Development, Transportation and Consultancy with external expert economic consultancy support.

Officers within Strategic Planning and Development, Transportation and Consultancy will continue to progress and deliver projects as part of their duties in delivering the Moray Local Development Plan 2020, the ECCMP, Active Travel Strategy, Elgin Transport Strategy, Surface Water Management Plan.

It is proposed that in discussion with the initial advisory group, the ECCMP is updated and a Delivery Plan prepared for engagement. This will be done within existing staff resources as it aligns with the place based approach required for the new local development plan which is being prepared. Any aspirational plans outwith those previously articulated through levelling up, growth deal and ECCMP may require additional staffing resource and would need to be funded through the capacity funding within the grant.

However, it is likely that there will be a requirement for the following additional staffing resource for the delivery phase of the project, as well as external legal support;

- A dedicated programme/ project manager to co-ordinate the project to be employed in house and a part time project officer, reporting to the Strategic Planning and Development Manager
- A Project Manager (engineer) to lead on transportation projects, reporting to the Senior Engineer (Transportation)
- Potentially additional part time staff in communications, finance, procurement and audit which will need further clarification.

(f) Property

Council property and the public realm within the town centre may be eligible for support through this funding although clearly the focus of the funding is much wider.

(g) Equalities/Socio Economic Impact

The funding aims to support town centre regeneration and address economic disadvantage and in doing so, provide safer, more inclusive and accessible places.

An Equalities/ Socio Economic Impact Assessment will be undertaken on the updated Elgin City Centre Masterplan and Delivery Plan.

(h) Climate Change and Biodiversity Impacts

The proposals support delivery of the ECCMP which include objectives intended to reduce carbon, by re-using vacant and derelict premises, promoting active travel, greening town centres and through new initiatives including investigating a potential heat network.

There is an opportunity to link funding from the Nature Restoration Fund with delivery of town centre project in future years.

(i) Consultations

The Depute Chief Executive (Economy, Environment and Finance), the the Head of Economic Growth and Development, the Legal Services Manager, the Head of Financial Services, the Democratic Services Manager, the Principal Climate Change Officer, the Consultancy Manager, the Senior Engineer (Transportation), the Senior Communications Officer and the Equalities Officer have been consulted and comments received have been incorporated into the report.

5. CONCLUSION

- 5.1 The UK Government has published “Our Long- Term Plan for Towns” which includes Elgin as one of 55 towns in the UK to receive £20M funding towards issues that matter most to local people, including high streets, heritage and regeneration and public safety and security.**
- 5.2 The Plan requires the Council to set up a Town Board and prepare a Town Plan to deliver the £20M. The ECCMP and work to develop the LUF round 2 bid and address subsequent feedback would provide a strong platform for progressing the governance arrangements required.**
- 5.3 This report proposes that officers liaise with the UK and Scottish Governments over arrangements and begin to establish an initial advisory group and governance arrangements, then update the ECCMP and Delivery Programme.**

Author of Report: Gary Templeton, Strategic Planning and Development Manager

Background Papers:

Ref: SPMAN-813460984-438



REPORT TO: SPECIAL MORAY COUNCIL ON 25 OCTOBER 2023

SUBJECT: PERMISSION FOR HOSPITALITY BUSINESSES TO PLACE FURNITURE AND NON-FURNITURE ITEMS ON PUBLIC FOOTWAYS

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To seek approval for the application process, charges and guidance for the placement of furniture (tables and chairs) and non-furniture items on the public footway for restaurants, cafes and public houses.
- 1.2 This report is submitted to Council in terms of Section III (F) (17) of the Council's Scheme of Administration relating to traffic management, and is submitted to Council for efficiency as the policy and charging elements of the report cross two separate Committee function (Economic Development and Infrastructure Services and Corporate committees).

2. RECOMMENDATION

- 2.1 It is recommended that Council approves the applications process, charges and guidance for the placement of furniture and non-furniture items on the public footway to enable outside dining for restaurants, cafes and public houses.**

3. BACKGROUND

- 3.1 The appropriate use of the public realm for outdoor eating and drinking has been highlighted as a way of supporting hospitality businesses and encouraging visitors to Moray's town centres and coastal villages. Until this year the placement of furniture and other items to enable outdoor dining on public footways outside premises has required planning permission. However, changes to Permitted Development Rights in Scotland brought in on 31 March 2023 remove the requirement for planning permission so permission is now conditional on meeting Roads Authority requirements associated with Section 59 of the Roads (Scotland) Act 1984.

3.2 Section 59 relates to the control of obstructions in roads and states that:

“ ... nothing shall be placed or deposited in a road so as to cause an obstruction except with the roads authority’s consent in writing and in accordance with any reasonable conditions which they think fit to attach to the consent ...”

3.3 As the placement of furniture within the public footway previously required planning permission, the Council has no standalone process for hospitality businesses to seek the necessary permission from the Roads Authority. As part of the planning process, Transportation were a consultee and provided comments on the suitability of the proposal. If Transportation had no objections then consent was gained implicitly through the planning process.

3.4 There have also been occasions when hospitality businesses have placed furniture and other items within the footway without seeking planning permission. The procedure followed when such a situation was noted during routine inspections or brought to the Council’s attention through a complaint, included a site visit to determine if there was sufficient space for pedestrians to safely pass.

3.5 In instances where there was sufficient space, the business would be asked to seek retrospective planning permission. However, if there was not sufficient space, Officers would seek the removal of the furniture and non-furniture items by talking to the proprietor of the business and issuing a follow up letter. Should the business continue to place the obstructions on the footway, then the Council would use its powers under Section 59 of the Roads (Scotland) Act 1984 to remove them and recover the costs for their removal.

3.6 Transport Scotland’s good practice guidance ‘Roads for All’ highlights the importance of ensuring that footways are free from clutter and remain a safe environment for vulnerable road users and states that:

“A well designed pavement café, the right location, can add value to the pedestrian environment and should present no barriers or hazard to disabled people. However, a badly designed café or a café on a too narrow a footway can restrict the pedestrian route and create a hostile environment for disabled people.”

3.7 The presence of furniture within a footway also present hazards to people with impaired vision, in particular those who use a long cane as an assistance tool. Many hospitality businesses are not aware of the impact that tables and chairs can have on this group of road user and the need to make sure that areas of seating are behind a defined barrier.

3.8 It is therefore important that clear guidance is provided to local businesses to ensure that any outside dining on the public footways does not represent an obstruction to other road users. In the absence of the need for planning permission, an application process supported by clear guidance on what is and what is not acceptable is required.

3.9 A review of how other local authorities across Scotland treat outdoor hospitality on the public footway has been undertaken. During this review it

was noted that most Local Authorities issue an annual permit, which is subject to a charge. The proposed application form and guidance have been discussed with Moray Chamber of Commerce and Elgin BID during a meeting at the end of August and their comments have been taken on board (see para 5.6).

- 3.10 Following that meeting Elgin BID surveyed their members for feedback on the proposed guidance and application process. Of the 16 responses received from members of BID, 9 related to the level of the fee and that it would be non-refundable if an application was unsuccessful. The information provided within the guidance, along with additional information for businesses (see para 5.6) will seek to minimise the risk of an unsuccessful application.
- 3.11 The following sections set out proposed guidance, the application process and levels of charges for the placement of tables and chairs on the footway.

4. PROPOSED GUIDANCE

- 4.1 A review of other Local Authority guidance was undertaken which found that the level of detail in the guidance varies widely. Large cities such as Edinburgh and Aberdeen have very detailed, prescriptive guidance whereas other more rural authorities areas have simpler guidance. However there are common elements across the various guidance documents which are:
- a) Ensuring that there is a minimum area of footway kept clear to enable the safe passage of pedestrians, particularly those with impaired mobility or vision.
 - b) Having movable barriers around the area to be used for outdoor hospitality, which include low level 'kickboards' to highlight the presence of the barriers to visually impaired persons using a long cane as an aid.
 - c) The business monitoring and keeping the area clean and tidy, and removing the tables, chairs and barriers at the end of the day.
 - d) Removing the tables, chairs and barriers upon request to allow for roadworks, access to utilities, events etc.
 - e) For licensed premises, the operator's alcohol licence must also cover the area applied for.

- 4.2 Guidance for applicants has been prepared and is Proposed attached as **APPENDIX 1**. In summary this guidance seeks:

Location

- a) Applications will only be considered for footways and pedestrianised areas where there is public access and the area is part of the Public Road.
- b) An unobstructed space between the carriageway and the front of the outdoor hospitality must ideally be 2.0 metres and no less than 1.5 metres at any constraint.

- c) For locations near junctions and accesses, visibility splays (sightlines) must be kept clear.
- d) The hospitality area must be defined by a removable barrier, and has a low level kick board which can be detected by the visually impaired.
- e) All tables, chairs, barriers and other items must be removed off-street out with the agreed operational hours or when the hospitality area is not in use, to reduce the risk of anti-social behaviour and/or damage to the furniture or other property.

Furniture

- f) The furniture should be of a sufficient quality and form of construction to ensure it will not be blown away by the wind or be easily moved to another area where it can cause a hazardous obstruction, and as a general principle plastic garden furniture is unlikely to be sufficiently robust.
- g) Non-furniture items such as gas heaters must comply with the relevant safety standards.

Environmental Requirements

- h) The operator must keep the area clean and free from litter during the permitted hours of operation.
- i) The preparation of food must be carried out within registered premises and not in the outdoor hospitality area, unless permission has been granted by the Council's Environmental Health section
- j) The operator must provide suitable and adequate lighting if it is intended that the outdoor area is used during the hours of darkness. Lighting proposals will be reviewed by Building Standards section.

Requirements for Approval

- k) Applicants must agree to the removal, at short notice, of all tables, chairs and associated items at any time they are requested to do so by the Council, Statutory Undertakers or by the Emergency Services in order to respond to an emergency situation (e.g. a burst water pipe).
- l) Permission may be temporarily withdrawn by the Council at any time to allow for roadworks, large events or for any other reasonable similar scenario. Notice of the start and finish of the withdrawal period will be provided in advance (minimum 5 working days notice).

5. PROPOSED APPLICATION PROCESS

- 5.1 During the Covid-19 restrictions, a temporary application process for furniture on the footway was developed in response to restrictions on the number of

covers that cafes/restaurants/public houses could have inside and to support recovery of businesses. The following proposed application process takes cognisance of the approach taken at that time and the approaches taken by other local authorities.

- 5.2 Applications are to be made to the Traffic Team and follow the same process that exists for road opening permits, permissions to place skips and scaffolding on the public road etc. Applications will also be shared with Licensing, and the Environmental Protection and Environmental Health sections so they are aware of any relevant implications arising from the application.
- 5.3 The proposed application process requires the following information to be supplied:
- a) Evidence of public liabilities insurance of £5m;
 - b) Plan showing extent of area (Scale 1:100minimum);
 - c) Details of the proposed furniture and barriers, and other items to be used;
 - d) Evidence that area is within sight of premises and there are staff available who can leave the premises to visit the area to ensure it that the furniture and barriers remain within the agreed area and do not cause an obstruction;
 - e) Details of how the area will be managed during operational hours to ensure that the furniture and barriers remain within the agreed area and do not cause an obstruction; and
 - f) Details of where the furniture, barriers and other items will be stored when they are not in use.
- 5.4 The proposed form is similar to the existing road opening permit form and other permissions to place items on the public road e.g. skips, scaffolding and is attached as **Appendix 2**.
- 5.5 Applicants will need to agree with the conditions as set out in guidance document (**Appendix 1**) and if there is a deviation from permission/guidance, then the permission can be revoked.
- 5.6 Moray Chamber of Commerce has recommended that details of the application process, with some examples of good practice, are added to the Moray Business Advice portal. This would assist applicants in determining whether or not their application would be successful before submitting, and minimise the risk of an unsuccessful application. Information will be uploaded, including photographs of good/bad practice from locations outwith Moray. Elgin BID have requested that an officer attends a future BID meeting to talk hospitality businesses through the application process and offer initial advice, Officer attendance at the Elgin BID meeting will be in the new year. Officers would attend a Moray Chamber of Commerce meeting should this be requested.

6. PROPOSED CHARGES

- 6.1 A review of charges and fees applied by other local authorities found that some charge an annual flat rate fee whilst others charge per square metre occupied, and have differing rates for different locations. The authorities which have differing rates tend to be those that include cities with areas that are subject to very high levels of footfall.
- 6.2 The fees charged are used to cover administration and inspection costs which would be incurred by the Roads Authority in checking applications and ensuring that the tables, chairs and barriers remain in the agreed location. The proposed level of fee is lower than the fees for a planning application for the placement of tables and chairs on the public road, which was the previous means of gaining permission.
- 6.3 Moray is a rural authority with smaller settlements. A flat rate charge of £175.00 per annum is proposed. This charge is similar to other authorities and is the current charge for a Road Opening Permit. The charge will be reviewed as part of the annual review of all Council charges at the start of next year. A separate charge would be applied should there be a requirement to remove furniture and other items as part of any enforcement action undertaken by the Council.
- 6.4 The annual permit may be renewed by an existing applicant upon confirmation that pre-existing arrangements are still accurate.

7. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The use of the public realm for outdoor hospitality can support businesses and encourage visitors to town centres and coastal villages, leading to increased economic activity.

(b) Policy and Legal

Changes to permitted development rights have removed the requirement for planning permission for outdoor hospitality areas on the public footway and in the public realm, subject to the granting of a licence under Section 59 of Roads (Scotland) Act 1984. Premises licenced for the sale/consumption of alcohol must extend their alcohol licence to cover proposed outdoor area. Any implications relating to data protection or processing fair notice about how applicants data will be stored / used will be addressed prior to implementation.

(c) Financial implications

Costs of processing applications and site inspections are to be covered by annual application fee. This fee will increase on an annual basis in keeping with other Council charges.

(d) Risk Implications

The indiscriminate placement of tables and chairs on footways and in the public realm can result in obstructions and hazards for pedestrians. An application process and associated guidance will reduce the risk of

injury. Operators will be required to demonstrate that they have public liability insurance which will be checked as part of the application process.

(e) Staffing Implications

The consideration of applications and checking of compliance will be undertaken as part of existing staff duties.

(f) Property

The new permitted development rights cover public footways and the public realm only. Outside seating for hospitality on private or other Council ground will still require planning permission.

(g) Equalities/Socio Economic Impact

In practical terms there are no changes to the impacts of the council's position on those with protected characteristics. The guidance regarding disabled access and safety will continue as per the current arrangements.

(h) Climate Change and Biodiversity Impacts

There are no climate change or biodiversity impacts associated with this report.

(i) Consultations

The Depute Chief Executive (Economy, Environment and Finance), Head of Environmental and Commercial Services, Legal Services Manager, Sean Hoath, Senior Solicitor (Licensing and Regulatory) Chief Finance Officer, Development Management and Building Standards Manager, Environmental Health and Trading Services Manager, Environmental Protection Manager, Roads Maintenance Manager, Equalities Officer and the Democratic Services Manager have been consulted and any comments taken into consideration.

8. CONCLUSIONS

8.1 There are now Permitted Development Rights for hospitality businesses to place tables and chairs on the public footway to enable outside dining. However the rights are conditional on meeting the requirements of Section 59 of the Roads Scotland Act.

8.2 To safeguard operation of the public footway, guidance and an application process has been developed. Other Local Authorities in Scotland have similar guidance and application processes in place already.

8.3 It is proposed that a charge of £175.00 is made for the application, which is to be renewed on an annual basis.

Author of Report: Diane Anderson, Senior Engineer Transportation
Background Papers:
Ref: SPMAN-524642768-967

Guidance and Conditions for the Use of the Public Road for Outdoor Hospitality

Permission to use any part of the adopted road, including the footway, for outdoor hospitality (or any use involving the placing of tables, chairs and other furniture within the public road) is granted by the issue of a permit by Moray Council as the Roads Authority, under Section 59 of the Roads (Scotland) Act 1984.

Tables and chairs placed on any part of the adopted road without such permission constitutes an obstruction and the Council will take enforcement action in such cases.

The granting of such permission Under Section 59 of the Act only relates to the occupation of the road and applicants will need to ensure that they obtain all of the necessary permits and permissions e.g. alcohol licensing.

The granting of other relevant permits/consents should not be taken as an indication that occupation of the road will be permitted.

Location

Outdoor hospitality will be considered on footways and other pedestrianised areas where there is public access.

Junction visibility splays must be maintained at all times. This may mean increasing the unobstructed footway width to accommodate this requirement. This will have an impact on proposed sites at or near junctions.

Outdoor hospitality should generally be situated adjacent to the premises from where they are intended to be serviced from the premises to the outdoor hospitality area. If the area is directly in front of the applicant's premises then a 1.5 metre wide unobstructed access corridor to the premise's entrance must be maintained at all times.

The outdoor hospitality area must be physically delineated by a removable barrier to define the operational area. No fixing or marking of any kind will be permitted on the public road. The barrier must be distinguishable and not create a hazard to other road users, particularly those with visual impairments.

The design of the barrier must solid bar elements between 100mm and 1000mm above ground level, with a low level kick board or similar which can be detected by the visually impaired using a long cane.

Materials should be lightweight and portable but strong enough to prevent collapse if accidentally walked or stumbled into. Rope barriers will not be permitted.

It is the responsibility of the permit holder to ensure that all barriers, tables, chairs etc. are removed off-street outwith the agreed operational hours, or when the hospitality area is not in use.

Furniture

The furniture should be of a sufficient quality and form of construction to ensure it will not be blown away by the wind or be easily moved to another area where it can cause a hazardous obstruction, and as a general principle plastic garden furniture is

unlikely to be sufficiently robust Where umbrellas are provided these must be fabric type (i.e. non-reflective). They must be positioned to avoid causing an obstruction/hazard by overhanging beyond the barriers or impairing pedestrian/vehicle sight lines.

Non-furniture items, such as menu boards, signs and portable gas heaters must be approved and comply with relevant safety standards, where applicable, and be retained within the limits of the barriers.

The Council reserves the right to remove any obstructions resulting from items being placed outwith the approved limit of the hospitality area. All furniture and non-furniture items must be removed at the end of each working day.

Environmental Requirements

It will be the responsibility of the operator to keep the hospitality area clean and free from litter during the permitted hours of operation.

In general, the preparation or cooking of any form of food must be carried out from within registered premises and not in the outdoor hospitality area to prevent the risk of food contamination and the uncontrolled dispersal of cooking vapours.

If the proprietor wishes to prepare or cook food within the hospitality area then consent may be required from Environmental Health to ensure compliance with Food Premises Regulations.

The operator must provide suitable and adequate lighting if it is intended that the outdoor area is used during the hours of darkness. Any lighting must be designed in such a manner as to avoid distracting or confusing drivers and pedestrians.

Requirements for Approval

It is a condition of consent that applicants remove, at short notice, all tables, chairs and associated items at any time they are requested to do so by the Council, any Statutory Undertaker or by the emergency services, in order to respond to an emergency situation (eg a burst water pipe).

Applicants should also note that consent may be suspended by the Council at any time to allow for road works, large events or for any competent reason. There will be no refund of the application fee for periods when the permitted area is not available. Permission to operate an outdoor hospitality area will normally be granted for a 12 month period to allow the Council to monitor the operation of the facility and to ensure that the conditions are being adhered to.

Applicants must reapply on an annual basis confirming that the area to be occupied has not changed. Please ensure that you apply for any renewal at least 21 days before the expiry of any current permission.

Conditions

1. The minimum width of unobstructed space between the carriageway and the front of the outdoor hospitality area must be no less than 2.0 metres (1.5 metres if previous planning permission exists).
2. Junction visibility splays must be maintained at all times.
3. A 1.5 metre wide unobstructed access corridor to the premise's entrance must be maintained at all times.
4. Solid barriers must be approved and have solid bar elements between 100mm and 1000mm above ground level with a low level kick board or similar which can be detected by the visually impaired using a long cane.
5. Rope barriers will not be permitted.
6. All emergency routes and exits must be kept clear at all times.
7. All furniture and non-furniture items must be removed at the end of each working day. Should furniture and non-furniture items be persistently left on the public road then they may be removed by the council and the cost of removal/storage/destruction will be recovered.
8. The permit requires renewal on an annual basis.
9. Applicants will be required to provide (with the application) proof of Public Liability Insurance as indemnification against all claims, injuries or accidents with cover up to a minimum of £5 million for any one event, which shall remain in force throughout the permission. This proof is also required to be provided with any subsequent applications for renewal.
10. The area occupied must be washed at the end of each working day, prior to reopening the area to the general public. The operator is required to make adequate provision for the storage and disposal of all waste and litter.
11. The preparation or cooking of any form of food is not generally permitted within the outdoor hospitality area. Any area where food will be served will be designated as 'no smoking'.
12. The hours of operation must be agreed with the Council prior to commencement of operation of an approved outdoor hospitality area. However permission will not be granted before 08.00 nor after 22.00.
13. Applicants must remove, at short notice, of all tables, chairs and associated items at any time they are requested to do so by the Council, any Statutory Undertakers or by the emergency services.
14. Applicants will be liable for any damage to the public road resulting from the placement of furniture and non-furniture items. The costs of any repairs

required as a result of damage associated with the use of the area shall be recovered by the Council.

TC/1914-

ENVIRONMENTAL AND COMMERCIAL SERVICES
TRANSPORTATIONAPPLICATION FOR A PERMIT TO PLACE TABLE AND CHAIRS
ON THE PAVEMENT OR ROAD
ROADS (SCOTLAND) ACT 1984, SECTION 59

*required information

Are you an agent acting on behalf of the applicant? (Put 'No' if you applying on your own behalf or on behalf of a business you own or work for) Yes/ No (delete as appropriate)	
APPLICANT DETAILS	
*Name:	
*E-mail	
Main telephone number (include country code if outside UK)	
Other telephone number	
How would you like to be contacted?	
Are you:	
Applying as a business or organisation, including as a sole trader (A sole trader is a business owned by one person without any special legal structure) Yes / No (delete as appropriate)	
Applying as an individual (Applying as an individual means you are applying so you can be employed, or for some other personal reason, such as following a hobby) Yes / No (delete as appropriate)	
TYPE OF APPLICATION	
Type of application:	New Renewal (delete as appropriate)
Existing Permission Number (for renewal applications only):	
PREMISES FOR WHICH PERMISSION IS REQUIRED	
*Name of premises/trading name	
*Building number or name	
*Street	
Location	
*Town	
*Postcode	
Further Details	
*Type of business (e.g. pub, restaurant, café)	
Proposed Start Date (new application):	
Expiry Date of Current Permission (Renewal)::	

OCCUPATION OF PAVEMENT/FOOTWAY

*Describe the area where you wish to place tables and chairs (a detailed plan must be attached with your application, photographs of the area can also be attached)

Give the dimensions of the area you wish to occupy in metres

*Length

*Width

*Give the total width of the pavement or footway at this location

OPENING TIMES

State the days and times you propose to place tables and chairs on the pavement

*Day or Days

*From

*To

*Do you plan to place table and chairs on the pavement all year round? Yes / No (delete as appropriate)

DETAILS OF FURNITURE

Provide details of all the furniture and other equipment you propose to place on the pavement. Please refer to the local guidance note and conditions which can be found at : **XXXinsert weblinkXXX** to ensure your proposals are compliant. Supporting information, drawings, photographs, etc. should also be provided. Please specify the number of each item below:

*Tables	Space Heaters
*Chairs	Lighting
Litter Bins	Barrier/Balustrades
Parasols/Umbrellas	

Other furniture or equipment (Description e.g. dimensions, type, material, colour supplier/technical details, as appropriate)

Further Details

Where will these items be stored when not in use?

What are your arrangements for clearing and cleaning the pavement at the end of the day?

PUBLIC LIABILITY INSURANCE

You must have a suitable level of public liability insurance to cover this activity – check local requirements

*Do you have public liability insurance Yes / No (delete as appropriate)

ADDITIONAL DETAILS

Provide any additional information which is required or relevant to your application.

PAYMENT DETAILS

This fee must be paid to the authority.

I attach fee of £

Cheque (post only)

Credit/Debit Card (Please call 0300 1234565 during office hours for Card Payment)

DECLARATION

This section should be completed by the applicant.

I confirm that I have read and understand the Conditions which will attached to any permission as set out in the Moray Council Guidance and Conditions for the Use of the Public Road for Outdoor Hospitality XXXX insert weblink XXXX

*Full Name

*Capacity

*Date

For Office Use Only

Approved By:

Date:

Fee Paid:

BACS/Cheque/Card Payment No:

NOTES FOR GUIDANCE OF APPLICANT

Fees:	Annual Fee	£175.00
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1. Charges must be paid on application.
2. The completed form should be submitted:
 - **By Post to:** Moray Council
P.O. Box 6760
Elgin IV30 9BX
 - **By E Mail to:** roadspermits@moray.gov.uk
3. **AT LEAST 21 WORKING DAYS NOTICE IS REQUIRED PRIOR TO PERMISSION BEING GIVEN.**
4. Guidance and Conditions of Permission are available on the council's website for inspection at: **XXXXXX.**
5. Indemnity The applicant shall indemnify Moray Council as Roads Authority for and against all actions, claims, demands, costs, charges, damages, losses and expenses of whatsoever kind or nature which may be brought or made against them or incurred by them in respect of the negligence, omission or default of the holder of this permission or those for whom the holder of this permission is responsible arising in respect of any operations authorised by this permission unless due to the negligence or other breach of legal duty on the part of the Council or of any person for whom the Council are responsible.