

Agenda Item	10
Report No	AC/22/25

The Highland Council

Committee: Audit Committee

Date: 20 August 2025

Report Title: Best Value Thematic 3 (BV3) Report on Transformation

Report By: Strategic Lead (Corporate Audit)

1. Purpose/Executive Summary

- 1.1 This report presents the 2024/25 Best Value Thematic Report from our External Auditors. This is the third thematic review (BV3) which was on the subject of Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes.
- 1.2 Audit Scotland, our External Auditors, will attend the Committee remotely to present this report.

2. Recommendations

- 2.1 The Committee is asked to **scrutinise**, **consider** and **note** the report findings, in particular the key messages on pages 3 - 4 and the improvement action plan at Appendix 1 of the report.

3. Implications

- 3.1 Resource – there are no direct resource implications arising from this report. However, the report does consider the financial sustainability of the Council and planned budget savings.
- 3.2 Legal – the Council has a statutory duty to deliver Best Value. Audit Scotland holds Councils to account for this duty by assessing how effectively they are delivering BV and publicly reporting on the outcome.
- 3.3 Risk – timely implementation of the management agreed actions will assist in driving improvement and ensuring that the Council has effective arrangements to demonstrate that it provides Best Value. By doing so, this will reduce the risk of reputational damage arising from any adverse BV report findings.
- 3.4 Health and Safety (risks arising from changes to plan, equipment, process or people) – there are no implications arising from this report.

3.5 Gaelic – there are no implications arising from this report.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children’s Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is an update report and therefore an impact assessment is not required.

5. Background

5.1 Since 2023, Audit Scotland’s approach to auditing Best Value in Councils has been integrated within their annual audit work with annual BV thematic reviews also undertaken. There is still a statutory Best Value report on each Council during the five-year audit appointment period. This was recently completed and the [Controller of Audit’s report](#) was considered by Council on 26/06/25.

5.2 The Committee has already considered the previous two BV thematic reviews which examined [leadership](#) and then [workforce and innovation](#).

5.3 Prior to announcing the topic of the third thematic review, Audit Scotland issued a report in October 2024 on Transformation in Councils. This report contained the key message that councils must radically transform at pace in order to ensure their financial sustainability, and included a set of principles which they expected all Councils to follow. This [report](#) was subsequently considered by the Corporate Resources Committee on 05/12/24.

5.4 In the third thematic review, the Accounts Commission directed auditors to report on transformation and how councils are redesigning and delivering more efficient services to achieve planned outcomes. The auditors considered the following questions:

- To what extent does the council have clear plans for transformation that link to its priorities and support long term sustainability?
- To what extent does the council’s programme management arrangements facilitate effective oversight of its transformation plans?
- To what extent are partners and communities involved in the development and delivery of the council’s plans for transformation?
- To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

The key messages are set out in pages 3 - 4 of the report and these present a positive picture of the Highland Council’s approach to transformation. This includes a clear plan for transformation, good governance and reporting arrangements for scrutiny of the Delivery Plan at various levels, working with partners and community engagement.

The report findings and evidence considered are detailed under the following headings:

- Transformation planning
- Programme management

- Partnership working and community engagement
- Impact of transformation.

Audit Scotland have made only two audit recommendations for improvement: the need to work at pace with NHS Highland to deliver adult social care transformation and the associated savings; and including commentary on any overarching reasons for slippage in the Delivery Plan savings within the annual report to Council. Further details can be found in the improvement action plan at Appendix 1 of the report together with the Council's management agreed actions. Progress with implementation will be followed up by Audit Scotland as part of their normal audit process in 2025/26.

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Date: 5 August 2025

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Background Papers:

The Highland Council

Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes



 AUDIT SCOTLAND

Prepared by Audit Scotland
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Key messages

- 1** The Highland Council has established a clear plan for transformation via its Operational Delivery Plan 2024-27. The council has transparently set out six transformation portfolios and supporting workstreams and projects, along with quantified costs and benefits. The Delivery Plan supports the delivery of various strategic plans, including the Our Future Highland Plan and Medium-Term Financial Plans.
- 2** The Delivery Plan aims to help the council to close its funding gap, with an ambitious target to deliver £54.6 million in recurring savings between 2024/25 and 2026/27. It achieved 80 per cent of its targeted Delivery Plan savings in 2024/25 (based on unaudited figures).
- 3** The council has invested £35.7 million in reserves to support transformation activity. This includes £20 million for adult social care transformation, which faces significant budget pressures. The council plans to deliver £9.6 million savings in adult social care, but it is not yet clear how the savings will be delivered or how it plans to use the remaining balance on the earmarked fund.
- 4** The council has good governance arrangements in place to oversee progress with its delivery plan at various levels. This includes via its Corporate Management Team, Strategic Portfolio Boards and Project Boards. There is regular reporting to elected members which includes information on progress in relation to costs and benefits. Reporting to both elected members and the senior leadership team is underpinned by the council's performance and risk management system.
- 5** The council has invested in its staffing resources to support the Delivery Plan, with posts created at both a project level and within its central programme management office. Nonetheless, resourcing remains an inherent risk to the implementation of the Delivery Plan.
- 6** The council is working with various public, private and third sector partners to progress various projects within its Delivery Plan. There is also evidence of joint funding arrangements in place.

- 7** The council engaged with communities when setting its three-year budget in 2024. It has also evidenced how engagement with communities has influenced transformational activity.
 - 8** The council has implemented an integrated approach to impact assessments. Summaries of impact assessment screenings and full impact assessments are included within relevant committee reports to support decision making.
 - 9** The council has made good progress with identifying clear success measures for projects in the Delivery Plan. It has put in place a systematic approach to monitoring and reporting these.
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Introduction

1. Transformation is about radically changing how councils operate and deliver services to achieve planned outcomes in a financially sustainable way ([Transformation in councils](#), Accounts Commission, October 2024). The [2023 Local Government Overview \(LGO\)](#) notes that councils have never faced such a challenging situation. Service demands have increased after the Covid-19 pandemic and funding is forecast to reduce in real terms.

2. The Accounts Commission's [Transformation in councils](#) report recognises that, while work has been ongoing in relation to local government transformation for decades, a step change is required and the pace and scale of transformation must increase significantly. Transformation, through greater collaboration with partners, will be key for councils to deliver more sustainable service models in challenging financial climates.

3. This report sets out how the council is redesigning and delivering more efficient services to achieve planned outcomes.

4. [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.

5. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on transformation and how councils are redesigning and delivering more efficient services to achieve planned outcomes. In carrying out the work, auditors have considered the following questions:

- To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?
- To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans?
- To what extent are partners and communities involved in the development and delivery of the council's plans for transformation?
- To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

6. 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.

7. 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](#) and we have considered the Accounts Commission's transformation principles set out in [Transformation in councils \(Exhibit 1\)](#).

Exhibit 1: Transformation principles

Principle	Description
Vision	<p>Has a clear vision that sets out the intended end state of any transformation activity, focused on:</p> <ul style="list-style-type: none"> • delivering large-scale recurring savings or generating income for the council, contributing to its longer-term financial sustainability • improving outcomes for citizens in line with council priorities • taking a whole-system approach to see and realise opportunities both within councils and more widely • meeting the needs of the people who use services and reduce inequalities • focusing on preventative activity, where applicable, to reduce the demand for services and to make them sustainable in the longer term.
Planning	<ul style="list-style-type: none"> • Be clear on the scale of the change required and ensure transformation plans are sufficiently ambitious to credibly respond to the scale of the challenge. • Commit staff with appropriate skills, time, and resources to ensure transformation occurs at the scale and pace required and that there is enough capacity for the changes to be embedded. • Be clear about the timescales, costs, outcomes, and anticipated impacts of transformation projects. • Show urgency and progress projects at pace without compromising appropriate governance on projects.
Governance	<ul style="list-style-type: none"> • Have a clear process for monitoring, evaluating, and reporting progress. • Put in place effective governance and escalation processes so that the transformation activities are well managed in their own right, but also able to be given priority alongside other business-as-usual activities.
Collaboration	<ul style="list-style-type: none"> • Develop better working relationships with communities and/or partners to achieve a sustainable model of service delivery. • Actively consider the opportunities offered by regional or national sectoral collaboration, or by integrating services locally with partners, or by supporting

Principle	Description
	<p>individuals and communities to achieve desired outcomes in place of an existing service.</p> <ul style="list-style-type: none">• Learn from good practice across Scotland and beyond.
Innovation	<ul style="list-style-type: none">• Implement new ways of thinking, including innovation, creativity and a desire, willingness, and action to change and do things in new and different ways that achieve the outcomes needed.• Embed the right culture and behaviours to manage change and help maximise the contribution of all the team.

Source: Accounts Commission

Transformation planning

8. The council needs to ensure it can deliver sustainable services now and in the future, and difficult decisions will need to be made to achieve this. The Accounts Commission's [Local government budgets 2025/26](#) briefing noted that councils' cumulative funding gap to 2027/28 is £997 million. Councils will need to identify and deliver recurring measures such as savings or increased income to be financially sustainable in the short term.

Findings and evidence relating to the council's transformation planning arrangements

Findings	Evidence
<p>The council has set out clear plans for transformation in its Operational Delivery Plan 2024-27 which links into strategic priorities from the Our Future Highland Administration Programme 2022-27 and the Highland Outcome Improvement Plan. A suite of strategies to support the Operational Delivery Plan are in place and are aligned to strategic priorities and activities.</p>	<ul style="list-style-type: none"> • The council's transformation activity is underpinned by its Operational Delivery Plan 2024–27 (from here referred to as the Delivery Plan). This sets out transformation workstreams as well as programmes and projects across six portfolios: <ul style="list-style-type: none"> – Person-centred solutions – Workforce for the future – Reconfiguring our asset base – Corporate solutions – Income generation – Net Zero, energy investment and innovation • The portfolios outlined in the Delivery Plan are intended to deliver the strategic priorities set out under the Our Future Highland Administration Programme 2022-27 and the Highland Outcome Improvement Plan (HOIP). Each project within the Delivery Plan includes references to the relevant priorities from both the Our Future Highland Administration Programme and the HOIP. • The Delivery Plan also includes cross-references to savings measures in the council's Medium-Term Financial Plan (MTFP) 2024–27. The Delivery Plan is intended to be a rolling three-year plan, so the council has also mapped relevant savings and investment proposals from the MTFP 2025–28 to Delivery Plan portfolios. • The Delivery Plan is supported by several other strategies: <ul style="list-style-type: none"> – The council approved a £2.1 billion 20-year Highland Investment Plan in May 2024. This sets out plans for capital investment over this period to help improve

Findings

Evidence

facilities for communities and enable transformational change and changes to future service delivery. The Delivery Plan includes a Highland Investment Plan workstream.

- In December 2024, the council approved a new Corporate Workforce Planning Strategy 2025–27. In addition, it approved a Talent Strategy 2025–27 in March 2025. These are aligned to the Delivery Plan, with links to Delivery Plan projects and portfolios included in the action plans for both strategies.
- The council approved a Community Wealth Building Strategy in September 2024. This sets out a people-centred approach to economic development. It includes an action plan aligned to the Delivery Plan.
- The council’s Digital Strategy was approved in September 2022 and therefore pre-dates the Operational Delivery Plan. It makes transformation a key focus of digital activity at the council. The Delivery Plan also includes digital projects. The council has considered how these complement the Digital Strategy Implementation Plan and incorporated some activities from the Digital Strategy Implementation Plan into the Delivery Plan.

The council’s Delivery Plan provided details of 64 programmes and projects that contribute to the transformation of the council and the wider Highland region. This information, which is publicly available, includes quantified costs and benefits. The council has also prepared detailed project plans to support the implementation of more complex projects.

- The council’s Delivery Plan 2024–27 comprises 64 projects/programmes and gives details for each of these, including the responsible and sponsoring officers, key milestone dates, measures of success, key risks, strategic links, and financial information where relevant.
- The council set out further detail on savings/income stemming from the Delivery Plan in its MTFPs for 2024–27 and 2025–28. This included contextual information, costs, savings/income, anticipated benefits, impacts on the public and vulnerable groups/communities, FTE impact, deliverability, and risks/mitigations. The MTFP for 2025–28 also includes similar details on proposed investments, some of which link to the Delivery Plan.
- The Delivery Plan and MTFPs are available on the council’s website, allowing the public to get a clear overview of the council’s transformation plans.
- The council reports that its approach to implementing the Delivery Plan varies depending on the scale and complexity of the initiative. Services assess whether a project can be implemented through business as usual or whether a full project management approach is required.

Findings	Evidence
<p>The council earmarked £35.7 million reserves over 2024/25 to 2026/27 to support the Delivery Plan and the delivery of £54.6 million projected savings. Based on unaudited data, the council delivered savings of £22.2 million through its Delivery Plan in 2024/25. A number of projects did not achieve their planned savings for 2024/25, most notably in adult social care, for which there was a £4.5 million shortfall.</p>	<ul style="list-style-type: none"> • If a full project management approach is taken, the council prepares a project initiation document (PID). This sets out project governance arrangements; anticipated benefits; arrangements for quality management, risk management and communications; constraints and assumptions; project costs; and timescales for delivery. We reviewed a sample of three PIDs and found that they were thorough and consistent across service areas. PIDs are supplemented by project plans setting out tasks, timescales, and resources. <hr/> <ul style="list-style-type: none"> • The council has a projected budget gap of £13.0 million over 2025/26 to 2027/28. This is after the delivery of £36.7 million savings (excluding savings which were re-based from 2024/25) and use of £2.5 million financial flexibilities. The 2025/26 budget also included a seven per cent increase in council tax (of which two per cent is earmarked to support the Highland Investment Plan), the planned use of £5.4 million of earmarked reserves to meet one off investments, and the use of £6.1 million of earmarked reserves arising from the use of financial flexibilities in previous years. • The council's budget gap reduced significantly going into 2025/26, having been projected at £113 million over three years in the MTFP 2024–27. The improved financial position resulted from a combination of factors, including the agreement of council tax and budget savings, as well as Scottish Government funding being higher than the council had expected. • The council intended to deliver significant investment and savings through its Delivery Plan. It earmarked £35.7 million of reserves to support the Delivery Plan over 2024/25 to 2026/27 and projected £54.6 million savings over the same period. • The council achieved £22.2 million out of £27.6 million (80.4 per cent) planned Delivery Plan savings in 2024/25, based on unaudited data. The most notable savings came from an additional £5.6 million in council tax revenue generated from second homes and long-term vacant properties, along with £3 million in extra income resulting from increased fees and charges. • In 2024/25, 21 Delivery Plan projects were expected to deliver savings. Of these: <ul style="list-style-type: none"> – Nine projects met or exceeded their targets, achieving a total of £3.4 million in savings. – 12 projects fell short, resulting in a combined shortfall of £8.8 million.

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- A significant portion of this shortfall, £4.5 million, was linked to adult social care. Additionally, £2.4 million in planned savings for 2024/25 have been deferred and are now scheduled for delivery in future years, as reflected in the Medium-Term Financial Plan (MTFP) for 2025–28.
- Going forward, it will be important for the council to maintain strong oversight of Delivery Plan projects to ensure that planned savings are delivered. Project reporting includes discussion of the reasons for any slippage in savings, but the council's 2024/25 Delivery Plan Annual Progress Report does not comment on whether there are overarching issues causing slippage. There would be scope to strengthen future Delivery Plan reporting to the Full Council by including commentary on this.
- Looking ahead, the council's MTFP 2025–28 sets out £36.7 million of projected savings (excluding savings which were re-based from 2024/25) and £4.5 million of revenue investment. Significant savings planned for 2025/26 onwards include:
 - redesign of adult social care (£2.6 million in 2026/27)
 - redesigning recycling services (£1.7 million in 2025/26)
 - a family first approach to children's services (£0.7 million in 2025/26 and a further £0.7 million 2026/27)
 - efficiencies from procurement (£0.3 million in 2025/26 and £1.1 million in 2026/27)
 - maximising and expanding solar PV (£0.9 million in 25/26 and £0.5 million in 2026/27)
 - commercial scale solar PV (£2.6 million in 2026/27).
- Significant investments in the MTFP 2025–28 relating to the Delivery Plan include:
 - £6 million investment in the in-house bus service
 - £8 million investment in renewable energy
- The council is also investing £0.2 million in project management training and development, recognising the importance of this for implementing the Delivery Plan.

The council earmarked £20 million reserves for adult social care to support its transformation and the realisation of £9.6 million in recurring budget savings for over the same period. It is unclear how the savings will be achieved and how the remaining balance on

- In Highland, adult social care is delivered by NHS Highland under the lead agency model.
- In May 2025, the council approved using £5.6 million of its earmarked fund to mitigate an adult social care overspend in NHS Highland for 2024/25. Factors contributing to the overspend included increased costs of agency spend due to staffing challenges and underlying cost pressures. In light of this, the council recognised that work will be required with NHS Highland to increase the pace of adult social care

Findings	Evidence
<p>the earmarked reserve will be used.</p>	<p>change and transformation. It reports that it is focused on a number of digital and support-related workstreams and is working with NHS Highland to progress these.</p> <ul style="list-style-type: none"> • The council reported that it was aiming to deliver £9.6 million in savings relating to adult social care through the Delivery Plan between 2024–27. The council earmarked £20 million reserves funding for the change and transformation of adult social care over this period. As of May 2025, £2.3 million has been drawn down by NHS Highland against a total of £2.65 million agreed investment from the fund. The agreed investment comprised: <ul style="list-style-type: none"> – £1.15 million for the local care model project. This aims to enhance community-based support and care coordination. As of April 2025, four sites had been identified for pilots. – £1.50 million for resource and support costs for the adult social care transformation programme. • Five initiatives have been identified (a shared lives service, joint transitions process improvements, the Lochaber care model project, technology enabled care and the local care models and self-directed support project). As of April 2025, only two initiatives have approved business cases (and therefore funding). • Moving forward, the council reports that it expects to draw down approximately £0.75 million from the fund for the shared lives service. • Given the early stage of the projects funded to date, the council's investment has not yet delivered recurring savings. The council's MTFP 2024–27 projected £7 million savings in 2024/25 through the redesign of adult social care. Under the current lead agency model, these savings were to be delivered through NHS Highland. Based on unaudited data, only £2.5 million of non-recurring savings were achieved (36 per cent). • The council's MTFP for 2025–28 includes £2.6 million in recurring savings from the planned redesign of adult social care in 2026/27. However, the specific approach for achieving these savings remains uncertain. It is also unclear how the remaining £12 million in the earmarked reserve will be utilised. • There are joint governance and oversight arrangements in place between the council and NHS Highland to oversee the change and transformation activity in adult social care. This includes a Joint Officer Group, Joint Monitoring Committee, the Person-Centred Solutions Portfolio Board and the Joint Chief Executive meetings. In addition, an Adult Social Care

Findings	Evidence
	<p>Programme Board was established following a recent review of governance arrangements, with its first meeting in March 2025.</p> <ul style="list-style-type: none"> • A Target Operating Model (TOM) has been developed which outlines the strategic vision, structure, processes and technology needed to deliver high-quality, person-centred services to show how care can be integrated across different settings with an emphasis on reducing reliance on residential care. The TOM was approved by the Joint Monitoring Committee and now serves as the foundation for all projects in the Adult Social Care Transformation Programme. • The council and NHS Highland are exploring the options and implications of moving away from the lead agency model. It is recognised that a change in governance model could accompany other technical and strategic changes which might enable wider system change and transformation.

Recommendation 1

The council should work at pace with NHS Highland to develop plans to demonstrate how it will deliver its £9.6 million projected recurring savings from adult social care transformation. In doing so, it should plan how it will use the remaining balance on its earmarked reserves to support this.

Recommendation 2

The council should include commentary on any overarching reasons for slippage in Delivery Plan savings in its reporting to the Full Council.

Programme management

9. It is essential that the council has good programme management arrangements in place to ensure it is making sufficient progress against its transformation plans. It is important that the council has the structures and the staffing resource in place to deliver its transformation ambitions. In addition, the council must ensure that both senior officers and elected members have appropriate oversight of progress.

Findings and evidence relating to the council's programme management arrangements

Findings	Evidence
<p>The council has good governance arrangements in place, underpinned by a well-developed performance management system, to oversee progress with transformation.</p>	<ul style="list-style-type: none"> Governance arrangements are set out within the Delivery Plan where each of the six portfolios is sponsored by an Assistant Chief Executive, led by a Chief Officer and governed by a Strategic Portfolio Board. <p><u>Corporate Management Team (CMT)</u></p> <ul style="list-style-type: none"> The CMT is responsible for the overall management of the council and supports the delivery of the strategic objectives and vision. CMT regularly receives progress reports on Delivery Plan projects. It also has a role in managing wider Delivery Plan risks. For example, in early 2025 the CMT received reports on a risk assurance review of the Delivery Plan and on the development of project management training to mitigate the risk of lack of consistency in delivery approaches. <p><u>Strategic Portfolio Boards</u></p> <ul style="list-style-type: none"> Strategic Portfolio Boards are a delegated function of the CMT with delegated authority to progress transformation activity. Strategic Portfolio Boards meet regularly and are chaired by Assistant Chief Executives. They oversee progress and manage risks in relation to workstreams and projects within each portfolio in the Delivery Plan. The Strategic Portfolio Boards will escalate matters to CMT as appropriate to allow wider CMT discussions and/or decisions on issues requiring elected member approval. Information from the council's Performance and Risk Management System is shared at Strategic Portfolio Board meetings. This covers project RAG ratings, financial information, risks, milestones, and measures of success. Any

Findings

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requests for changes to project plans are also brought to Strategic Portfolio Board meetings. This reporting is supplemented with more detailed papers on specific projects.

Project Boards

- Project Boards are responsible for the day-to-day delivery of more complex projects. Smaller-scale projects are delivered through business as usual. We reviewed project board papers for the My Council Programme and the Finance, HR, Payroll & Pensions Programme. These showed appropriate oversight of implementation, with updates on resourcing, finances, milestones, and risks.

Other senior leadership groups

- The council's Extended Corporate Management Team consists of the CMT; Heads of Service; Strategic Leads; Service Leads; and the Business Manager. It is responsible for the management and delivery of key workstreams, programmes and projects across council services. It meets every four weeks and is a forum for discussion of the Delivery Plan, with regular updates given on progress.
- The council's Operational Management Team focuses on key areas of the Delivery Plan, service improvement and delivery and change management.

Performance and Risk Management System

- The council uses Performance and Risk Management Software (PRMS) to support monitoring and reporting of the Delivery Plan. PRMS captures milestones, risks, financial information and success measures for projects within the Delivery Plan. It allows reporting at a project or portfolio level or holistic reporting of areas such as risks, success measures, financial savings or investment. RAG ratings are used to flag projects that are not on track. The system is used for reporting to Portfolio Boards, CMT and Elected Members.
- PRMS also includes a change requests log, where any changes required within a project are captured for consideration by the appropriate Strategic Portfolio Board.

Progress reports to elected members include detail on progress in relation to time, cost and estimated benefits.

- The Delivery Plan sets out which committee/board each project will report into and how often. Reporting ranges from annual to quarterly. It is also stated in the Delivery Plan that progress will be reported to the Full Council on an annual basis.
- We reviewed a sample of recent Delivery Plan reports to strategic committees and found evidence of reporting of timescales, costs and estimated benefits.
- An Operational Delivery Plan Annual Progress Report 2024/25 went to the Full Council in May 2025. This included

Findings	Evidence
<p>The council has put in place both central and project-level resources to support the Delivery Plan. The council reports that it has created 48 fixed-term posts in relation to the Delivery Plan. Its corporate Portfolio Management Office provides support and oversight across portfolios. While project documentation demonstrates consideration and mitigation of resourcing issues, resourcing remains an inherent risk to the implementation of the Delivery Plan.</p>	<p>reporting on investments and savings from the Delivery Plan (both those delivered in 2024/25 and those planned over 2025/26 to 2027/28). It also included updates on resourcing, staff engagement, ‘highlights’ from 2024/25, and RAG ratings for all Delivery Plan projects.</p> <ul style="list-style-type: none"> • Elected members also have access to the council’s PRMS system. This includes a ‘briefing book’ which is set up to give them an overview of individual projects. <hr/> <ul style="list-style-type: none"> • The council has a corporate Portfolio Management Office (PMO) that supports the implementation and governance of the Delivery Plan. The role of the PMO and the Performance Team were brought together given both have a key role in supporting its governance, assurance and progress reporting. Its remit includes: <ul style="list-style-type: none"> – ensuring a consistent approach to risk management – tracking of risks, milestones, success measures and financial indicators – project management standards and training – hosting a Digital Improvement Hub. • The PMO is part of the council’s Strategic Improvement and Performance function. In terms of structure, a Performance Manager oversees three Portfolio Managers, five IT Project Officers, and four Performance Officers. • The council reports that it has created 48 posts to support the Delivery Plan. These are fixed-term roles for a period of up to two years. Of the 43 posts intended to be filled in 2024/25, 37 were filled as of May 2025, with recruitment ongoing for the remaining six. The roles are based on the resourcing needs identified within each portfolio and include project management roles, surveyors, and business analysts. • The council’s Project Initiation Documents (PIDs) set out the roles and responsibilities of key project staff. The PIDs that we reviewed included named individuals for the majority of key roles. • As reported in the 2023/24 Best Value thematic report on workforce innovation, the council acknowledges that attracting talent to digital and ICT roles remains a key challenge. In addition, it reported that there is a substantial risk around not having appropriately skilled personnel to provide the level of transformation required. • A number of projects have been impacted by resourcing issues, therefore resourcing remains an inherent risk to the implementation of the Delivery Plan. Updates to strategic committees and portfolio boards indicate that resourcing issues are monitored and managed. For example, a January

Findings	Evidence
	<p>2025 update to the council's Climate Change Committee highlighted that a lack of staff capacity was hampering project delivery. In May 2025, the council reported that a dedicated project delivery team had been established to ensure that capacity was in place.</p>

Partnership working and community engagement

10. The [Best Value in Scotland](#) report noted that councils must now rethink how they work together, and with local partners and communities, to provide financially sustainable services. Few councils provide services jointly or share support services across different councils to a great extent. The scale and nature of the challenge, as set out in the [Transformation in councils](#) report, means that it is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services.

Findings and evidence relating to the council's partnership working and community engagement arrangements

Findings	Evidence
<p>The council has demonstrated it is working with various public, private and third sector partners to deliver its transformation plans.</p>	<p>The council is working in partnership to deliver a number of transformational initiatives through its Delivery Plan. For example:</p> <p>Person-centred solutions portfolio</p> <ul style="list-style-type: none"> • The Adult Services Strategic Plan 2024-2027 is a joint strategic plan for adult social care between NHS Highland and The Highland Council through the Health and Social Care Partnership. The plan is managed via the adult social care workstream within the person-centred solutions portfolio in the council's Delivery Plan. The Person-Centred Solutions Portfolio Board has both the Chief Officer and the Director of Adult Social Care for NHS Highland as members of the Board. • The council is working with a third sector partner, the Care and Learning Alliance (CALA), to explore a single-care model to provide integrated care to both adults and children. The model is intended to deliver flexible person-centred care within discrete rural or island communities to meet the care needs within that community. Recognising that the model sits outside current regulatory or legislative frameworks, the council and partners have worked with the Care Inspectorate, the Scottish Social Services Council and Scottish Government to develop a pathfinder to allow the model to be tested and developed in a way that provides robust evidence

Findings	Evidence
	<p>to support potential regulatory and legislative changes. There is a steering group in place for the project which is exploring two potential locations for the pathfinder.</p> <p><u>Reconfiguring our asset base</u></p> <ul style="list-style-type: none"> • The Highland Investment Plan (HIP) is a 20-year capital investment plan and is a workstream within the Reconfiguring our asset base portfolio. The council plans to reconfigure its estate with community hubs. As part of this, it plans to seek opportunities for integrated service delivery and co-location with key partners. In June 2024, community planning partners agreed to adopt the council's master-planning approach and develop a partnership operating model for shared spaces. This is supported by actions within the HOIP, including the development of a shared asset register and a shared agreement for costs, legal implications and IT systems for shared spaces. <p><u>Other transformational initiatives with partners not covered by the Delivery Plan</u></p> <ul style="list-style-type: none"> • The Storr Centre on the Isle of Skye is run by The Highland Council in collaboration with a number of public, private, third sector and community partners. At August 2024, the council projected annual surplus income of £300k from the Storr Centre after allowing for costs. The council plans to reinvest some of this income into the local area. • The council has an ongoing model with Citizens Advice to provide council-funded welfare advice and information services. The council's Welfare Support Team works with Citizens Advice to provide the service. It has a Highland-wide service delivery contract with Inverness, Badenoch and Strathspey Citizens Advice which is then sub-contracted to all Citizens Advice Bureaux operating within the Highlands. The council reported that 26,500 residents were supported during 2023/24 and that financial gains for clients exceeded £26.8 million, representing a £17.32 return for every £1 allocated to the welfare services. In March 2025 the council agreed an additional £250k annual recurring funding for the services. The council reports that this funds the Citizens Advice Bureau to provide additional resources for the existing contract as well as three additional permanent decentralised posts in Wick, Fort William and Nairn.
<p>There are examples of joint funding arrangements to support some transformation projects.</p>	<ul style="list-style-type: none"> • The council has benefitted from both public and private sector investment to support transformation. • It secured £6.55 million Recycling Improvement Fund (RIF) funding from Zero Waste Scotland. The council's application received a recommendation for a full funding award.

Findings	Evidence
	<ul style="list-style-type: none"> • The council has a shared procurement service with Aberdeen City Council and Aberdeenshire Council. Through this service, the councils are working with Moray Council to expand electric vehicle infrastructure, which is supported by £7.5m of Scottish Government funding. • The council is receiving funding of £0.5m from the UK Shared Prosperity Fund to support an extension of the Storr Centre. • The council has developed a Social Value Charter for Renewables Investment which sets out its community benefit expectations for developers wishing to invest in renewable energy. Investors will contribute funding for each renewable energy development to a central fund that will support and enable economic development, increase prosperity and achieve equity for communities across Highland. The council created a Strategic Fund Partnership to manage the strategic fund, which includes public agencies, renewables companies and community representatives. As part of the charter, Scottish and Southern Electricity Networks Transmission has pledged to support the delivery of 400 homes in Highland.
<p>The council engaged with communities on the development of its three-year budget and provided examples of how it has engaged well with communities on transformational activities.</p>	<ul style="list-style-type: none"> • The council consulted the public on its budget for 2024–27 through two phases. Its first phase took place between November-December 2023 through a budget simulator, survey and staff ideas page. Phase two took place between January-February 2024 and focused on understanding support for and potential impacts of suggestions received during phase one. • The council has also engaged with communities on specific projects within the Delivery Plan. For example: <ul style="list-style-type: none"> – The Highland Council’s in-house bus team introduced a new service from February 2025 to make it more convenient for people living in and around Inverness to visit two retail parks. Known as the 108 Shopper Bus, the request for the service came from residents who have been physically unable to catch the service bus as they live too far away from the active bus stops (Case study 1, page 21). – The council engaged with customers around the development of its customer experience strategy and customer charter. In addition to an online survey, 55 members of the public participated in community-based focus groups to inform the development of the strategy and charter. These included young people, tenants and community groups. This helped identify common themes, such as the importance of being able to contact the right person first time, the need to have clear

Findings	Evidence
<p>The council is engaging with the third sector on transformation projects which support vulnerable groups.</p>	<p>expectations set and the need for the council to communicate and update them through to resolution. Feedback also revealed that customers liked the council's website and would like to be able to use the this for more things. These elements of feedback were incorporated into the customer charter and customer experience strategy.</p> <ul style="list-style-type: none"> • The council is working with the Highland third sector interface and other community planning partners to deliver its community capacity building workstream which sits within the person-centred solutions portfolio within the Delivery Plan. This aims to increase capacity within the third sector for community service delivery in key areas such as adult health and social care and childcare. • The council is supporting the delivery of the Whole Family Wellbeing Programme as part of the Community Planning Partnership's Integrated Children's Services Plan 2023-26. The programme aims to strengthen support for families through early intervention to help reduce crisis and family breakdowns. It is delivered through locality partnerships, with Local Partnership Network Groups (LPNGs) in place across Highland's nine community planning partnership localities. These include representatives from community, statutory and third sector organisations who support families within their communities. Their remit includes helping to gather evidence of need in their locality areas, acting as a community of practice and sharing information and resources, where applicable, to support the programme.

Case study 1: In-House Bus Service

The council launched its in-house bus service in response to a steep rise in public and school transport contract costs following the Covid-19 pandemic. It piloted the service on seven routes starting in early 2023. The pilot has evolved into a business-as-usual operation, with expansion in 2024 and 2025, including the establishment of a second base in Caithness and the acquisition of a local bus operator. The council has also introduced a new 108 Shopper Bus service in response to a request from local residents. The council plans to further expand the service across Highland, including Skye and Badenoch & Strathspey, by 2028.

The initiative aimed to reduce costs, improve service reliability, and ensure continuity of statutory school transport, particularly in rural and remote areas. The council reports that service quality has improved, with increased passenger numbers, high reliability, and positive feedback on cleanliness and driver conduct. The in-house model has enabled the council to respond more flexibly to community needs, particularly in rural areas, supporting the council's strategic aim of resilient and sustainable communities.

Financially, the project is self-funding and has delivered recurring savings. By 2024/25, it had secured an annual revenue saving of £1.35 million, with cost avoidance benefits of £1.51 million in its initial phase (figures based on unaudited data). Capital investments, such as vehicle purchases, are offset by the savings from avoiding high contract costs. The council's 2025/26 budget includes a £6 million Transport Expansion Fund to support future growth.

Source: Audit Scotland

Impact of transformation

11. It is important that the council has success measures in place to demonstrate the impact of its transformational activity on service quality, outcomes for people who use services, inequalities and/or savings.

Findings and evidence relating to the impact of the council's transformation activity

Findings	Evidence
<p>The council has made good progress with identifying clear success measures for projects in the Operational Delivery Plan. It has put in place a systematic approach to monitoring and reporting these.</p>	<ul style="list-style-type: none"> • The council's Delivery Plan includes measures of success for each project. Each project is also linked to targets in the council's Performance Plan. More detailed discussion of project benefits is included in Project Initiation Documents. • The council uses the PRMS to monitor and report on the impacts of the Operational Delivery Plan. The system allows monitoring of measures of success on a project or portfolio level. RAG ratings are applied to each success measure, which supports monitoring of whether intended benefits are being delivered. • Information on success measures from the PRMS is incorporated into the reporting structure for Delivery Plan progress updates to strategic committees. However, most success measures are not yet at the stage of being reported. It is therefore too early to assess the quality of reporting. The council will need to supplement PRMS information with appropriate contextual information in committee papers. • The Operational Delivery Plan Annual Progress Report 2024/25, which went to the Full Council in May 2025, included 'highlights' from 2024/25 and RAG ratings for all projects but did not include reporting on success measures. There are only a limited number of success measures at the stage of being reported, therefore, there is scope to incorporate these measures in future annual Delivery Plan progress reports.
<p>The case studies provided by the council on its waste service and the in-house bus service have clear success measures and can demonstrate impact. These</p>	<p>The case studies provided by the council have clear measures of success in place that have been reported on to strategic committees:</p> <p><u>Recycling Improvement Fund – Waste Service Change</u></p> <ul style="list-style-type: none"> • This project has the following measures of success:

Findings	Evidence
<p>impacts are reported to elected members.</p>	<ul style="list-style-type: none"> – Increased recycling / reduction in residual waste – early data from September 2024, following roll-out in April 2024, indicated that there has been a reduction in residual waste. – Recurring savings – the council projected savings of £0.365 million in 2024/25 and £1.695 million in 2025/26. – Income generation through the Extended Producer Responsibility for Packaging Regulations – projected to be £9.5 million for 25/26. <ul style="list-style-type: none"> • The council also reports that the changes have been positively received by the community. <p><u>In-house bus service</u></p> <ul style="list-style-type: none"> • The council reports the following benefits from its in-house bus service: <ul style="list-style-type: none"> – Revenue savings - £1.35 million in 2024/25. – Improved service reliability – in the first year of operation (2023), the council reported that the only missed services were due to extreme weather or road closures, and that 96 per cent of services were no more than one minute early or five minutes late, in line with council policies and Traffic Commissioner standards. – Greater flexibility to add new routes. – From 2026/27, the council intends to start monitoring the number of low carbon buses in its fleet.
<p>The council has implemented a new integrated approach to impact assessments. This included introducing a screening process to identify proposals with potential negative impacts requiring a full impact assessment. The council includes summaries of impact assessment screenings and full impact assessments within committee papers where relevant to support decision making.</p>	<ul style="list-style-type: none"> • The council implemented a new integrated approach to impact assessments in July 2024. This followed a Delivery Plan project to improve the process, create a digital tool, and implement staff training and guidance. The new approach includes an initial screening process to establish where full impact assessments are required. Full assessments include consideration of impacts on island and mainland rural communities. • We reviewed four full impact assessments provided by the council, two of which were under the new template. One of the impact assessments provided relates to the council's proposal to introduce a visitor levy. This included detailed consideration of the potential impacts of the scheme and set out mitigations. The other impact assessments provided did demonstrate consideration of impacts and mitigations but were less detailed owing to the nature and/or stage of the proposals. • The council has a directory on its website of full impact assessments completed under the new approach. Only two full assessments have been performed since July 2024 to

Findings	Evidence
	<p>date, but the council reports that it expects to carry out further full assessments for projects currently in development.</p> <ul style="list-style-type: none"> • We also reviewed three impact assessment screenings. These included project descriptions and noted whether a full impact assessment was required for each of five potential areas of impact. The council reports in line with legislation that full impact assessments are only required if negative impacts are identified which then need to be addressed. • The council includes integrated impact assessments and screening summaries where relevant within committee reports to support decision making.

Case study 2: Recycling Improvement Fund – Waste Service Change

The council is undertaking a transformation project in its waste service, funded by a £6.55 million grant from Zero Waste Scotland's Recycling Improvement Fund. The project aims to modernise recycling services, reduce residual waste and help the council to meet national environmental targets.

The council used the funding to introduce a twin-stream recycling system across the Highland region, enabling more efficient waste separation and processing of recyclable materials. The project expanded access to food waste collection from 34,000 households to 60,000 households.

The council has projected recurring savings of £2.06 million between 2024/25 and 2025/26 from the project and it is expected to generate £9.50 million income for the council through the Extended Producer Responsibility for Packaging Regulations. The project is also expected to deliver non-financial benefits including a significant reduction in residual waste (which has been evidenced in early data), increased diversion of recyclable materials and measurable carbon savings.

Source: Audit Scotland

Appendix 1: Improvement action plan

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Adult social care transformation</p> <p>The council earmarked £20 million reserves for adult social care to support its transformation and the realisation of £9.6 million in recurring budget savings for over the same period. It is unclear how the savings will be achieved and how the remaining balance on the earmarked reserve will be used.</p> <p>Risk – Failure to identify savings presents a risk to the sustainability of the adult social care service.</p>	<p>The council should work at pace with NHS Highland to develop plans to demonstrate how it will deliver its £9.6 million projected recurring savings from adult social care transformation. In doing so, it should plan how it will use the remaining balance on its earmarked reserves to support this.</p>	<p>Agreed and this will be subject to ongoing discussions during the year. Progress on delivery of savings will continue to be reported in the normal manner to the committees.</p> <p>Assistant Chief Executive – People/ Chief Officer – Integrated People Services</p> <p>March 2026</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>2. Slippage in the delivery of savings</p> <p>The council should include commentary on any overarching reasons for slippage in Delivery Plan savings in its reporting to the Full Council.</p> <p>Risk – Reasons for slippage in the delivery of savings are not made clear to elected members.</p>	<p>The council should include commentary on any overarching reasons for slippage in Delivery Plan savings in its reporting to the Full Council.</p>	<p>Progress on Delivery Plan savings are also reported to their respective Strategic Committees who hold responsibility for their delivery. In addition, an annual report is also presented to Council giving full oversight of the Delivery Plan's progress. The report to Council in May 2025 was the first annual report and it is expected that this will evolve and improve over time.</p> <p>The next annual report to Council will include details of any overarching reasons where these are applicable.</p> <p>Assistant Chief Executive – Corporate/ Chief Officer – Business Solutions</p> <p>By May 2026</p>

The Highland Council

Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes



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