Agenda Item	**6**
Report No	**AC/18/26**

The Highland Council

Committee: **Audit Committee**

Date: **19 August 2026**

Report Title: **Accounts Commission Report – Delivering for the future. Transformation: How Councils are redesigning and delivering more efficient services**

Report By: **Strategic Lead (Audit & Risk)**

1. Purpose/Executive Summary

1.1 Audit Scotland published the Council's 2024/25 Best Value Thematic Report in August 2025. It was the third thematic review (BV3) on the subject of Transformation: how Councils are redesigning and delivering more efficient services to achieve planned outcomes.

1.2 The report, considered by the Audit Committee on 20/08/25, presented a positive picture of the Council's approach to transformation. In particular Audit Scotland stated that the Council had 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.

There were two audit recommendations made: 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.

1.3 The Accounts Commission consider the findings from the individual thematic reports and collate these into a national report. This national report is presented for consideration by Committee. Members will note that this report makes a number of positive references to the work being undertaken by the Highland Council (see section 6.3).

2. Recommendations

2.1 The Committee is asked to:

- **Consider, scrutinise** and **note** the information set out in the Accounts Commission report at Appendix 1 and the supplement of case studies at Appendix 2.
- **Note** that Highland Council is regularly referenced throughout the report, and positively so.
- **Note** the Commission's expectations of all Councils with regard to their transformation plans as set out in pages 5 and 6 of the report. Importantly, these

are in place within Highland, and it is important to ensure that this continues when new projects/ programmes are added to transformation plans.

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 Council 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. These thematic reviews have been considered by the Committee and to date have covered the subjects of leadership, workforce and innovation, and transformation.

5.2 Subsequent to the BV2 thematic audits on workforce and innovation being undertaken, it was announced that the findings from the individual Councils thematic reports would be collated into a national report. Delivering for the future: Responding to the workforce challenge was issued in August 2025. This report highlighted some common points identified by External Auditors in their individual BV thematic reports and some examples of good practice. The findings were drawn from 31 Councils and there were 3 key messages reported:

(1) Councils are facing clear and continuing financial pressures and are having to make savings as they redesign and transform how they deliver services, including examining the need to make workforce reductions.

(2) Councils have responded positively to the challenges, but that further progress with workforce planning is still needed in light of continuing financial and demand pressures.
(3) Staff remain the most important resource Councils have to deliver services and meet the needs of their citizens.

6. Accounts Commission report – Delivering for the future. Transformation: How Councils are redesigning and delivering more efficient services.

6.1 Following on from the BV3 thematic report on transformation the Accounts Commission published the above report in May 2026. The report, provided at Appendix 1, has 5 key messages (see pages 3 and 4) which are summarised below. As shown in italics below, only one of these resulted in a recommendation in our BV3 report.

(1) Scotland's Councils continue to face deepening financial challenges, with increasing demand, the cost of delivering services rising faster than available funding, mounting debt and falling reserves. The need for sustainable change is urgent. Half of the Councils in our sample still need to set out how transformation activity will support future financial sustainability.

(2) Some Councils have shown progress with articulating their approaches to transformation, but the picture is mixed across the sector. Those Councils that have done this well are able to set out clear objectives and measurable outcomes, as well as clear alignment with strategic priorities and wider plans.

(3) It is essential that Councils work with their partners in the public, private and third sectors to deliver transformation.

The challenges of NHS Highland achieving the Adult Social Care savings was recognised and an audit recommendation was made in this regard.

(4) While there are examples of consultation with communities on transformation projects, it is often not clear how this engagement has been reflected in service redesign proposals.

(5) Not all Councils are using Equality Impact Assessments in a consistent or effective manner to identify and monitor the effects of transformation activities on vulnerable and protected groups.

6.2 The report covers 3 areas:

(1) Transformation planning:

To what extent do Councils have clear plans for transformation that link to their priorities and support long term financial sustainability?

(2) Programme management:

To what extent do Councils' programme management arrangements facilitate effective oversight of transformation plans?

(3) Partnership working, community engagement, and impacts

To what extent are partners and communities involved in the development and delivery of Councils' plans for transformation? And to what extent have Councils considered the impact of transformation activity, including on vulnerable or protected groups?

6.3 The report also includes a number of case studies as positive examples which other Councils can learn from, and this contains a number of references to the Highland Council. More detailed information is provided in the case study supplement at Appendix 2.

The following specific references were made to Highland Council under the above report headings:

(1) Transformation planning:

The Highland Council's 'Delivery Plan 2024–2027' – a strong example of the transformation programme sitting within the corporate strategic plan.

(2) Programme management:

Operational governance arrangements align with arrangements for strategic and financial priorities.

(3) Partnership working, community engagement, and impacts:

- Joint funding case study – Highland named with other Councils for the expansion of electric vehicle infrastructure supported by £7.5m SG funding.

Impact case studies:

- Incorporating success measures into the Performance and Risk Management System.
- In-house bus service delivering savings while improving service quality.

6.4 The report concludes by stating that Councils should ensure:

- opportunities to work in partnership or to share services continue to be sought
- they clearly document how community engagement, data, and Equality Impact Assessments have influenced plans and implementation
- they have arrangements in place to effectively monitor and report the impacts of transformation activities.

Section 6.3 above shows that this is already being undertaken in Highland.

Designation: Strategic Lead (Audit & Risk)

Date: 4 August 2026

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Appendices:

Appendix 1 – Accounts Commission Report – Delivering for the future
Appendix 2 – Supplement of case studies

Delivering for the future

Transformation: How councils are redesigning and delivering more efficient services

ACCOUNTS COMMISSION

Prepared by Audit Scotland
May 2026

Contents

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Audit team

The core audit team consisted of: Kathrine Sibbald, Emma Brown, Liam Prior and Jack Nixon under the direction of Blyth Deans.

Key messages

1 Scotland's councils continue to face deepening financial challenges, with increasing demand, the cost of delivering services rising faster than available funding, mounting debt and falling reserves. The need for sustainable change is urgent. Transformational approaches to redesign services are an important part of the solution and delaying transformation could risk greater costs, tougher decisions and increased challenges in future years. However, our analysis highlights that the understanding of the anticipated financial and non-financial benefits of transformation projects varies across councils. Half of the councils in our sample still need to set out how transformation activity will support future financial sustainability. Integrating this information into council medium- and long-term financial plans is key to understanding whether the scale of transformation being delivered is sufficient to respond to the challenges facing local government.

2 Some councils have shown progress with articulating their approaches to transformation, but the picture is mixed across the sector. Those councils that have done this well are able to set out clear objectives and measurable outcomes, as well as clear alignment with strategic priorities and wider plans. In some councils, oversight of transformation activities is not always clear, and reporting to councillors is often not comprehensive enough to fully inform their leadership and scrutiny responsibilities. The timely and effective delivery of transformation plans requires appropriate workforce capacity and skills, in leadership,

management and frontline roles. While some councils manage this well, resourcing challenges have been a barrier to faster progress in others.

3 It is essential that councils work with their partners in the public, private and third sectors to deliver transformation. Although there are some positive examples of effective partnership working, challenges persist in achieving real change for service users and delivery of clear cost savings. Barriers include funding, capacity and resource constraints, governance, and IT and data-sharing issues.

4 While there are examples of consultation with communities on transformation projects, it is often not clear how this engagement has been reflected in service redesign proposals. Councils are also often unable to clearly report the financial impact and wider benefits of their transformation activities. As a result, it is difficult for communities to understand how transformation is contributing to strategic priorities, financial sustainability and service delivery.

5 Not all councils are using Equality Impact Assessments in a consistent or effective manner to identify and monitor the effects of transformation activities on vulnerable and protected groups. This inconsistency can result in gaps in understanding how changes may disadvantage certain sections of the community. Where Equality Impact Assessments are not fully embedded in the planning and monitoring processes, there is a risk that the potential impacts on those most at risk are not adequately considered or addressed.

Commission expectations

In its October 2024 report, Transformation in councils, the Accounts Commission urged councils to 'prioritise and urgently progress the delivery of their local transformation ambitions and engage effectively in sector-led transformation activity, securing political backing and committing resources'. As set out in the key messages on pages 3 and 4, the local Best Value audit work has shown mixed progress across councils with transformation. With the financial sustainability of councils becoming increasingly at risk, the Commission asks councils to reflect on the messages in the 2024 report and ensure they have effective arrangements in place to support transformation, are learning from and sharing effective practice with others and are engaging with national sector-led approaches.

This report summarises learning from local work and highlights specific expectations of all councils.

The Commission expects, in respect of transformation plans, that councils ensure these:

- are sufficiently ambitious to respond to the financial challenges
- are clearly linked and reflect wider strategic plans and priorities
- clearly set out details to support effective implementation, monitoring and reporting
- clearly set out planned savings from transformation programmes and plans, linking these to financial plans including medium- and long-term financial plans.

In respect of programme management and resourcing, councils need to ensure:

- they have clear oversight at a strategic level of all transformation activity

- there is effective engagement with councillors accompanied by comprehensive reporting on transformation initiatives
- they regularly review whether workforce capacity (in terms of time availability and skills) is sufficient to plan, manage and deliver current and medium-term transformation plans and programmes
- they strategically plan and establish the necessary workforce capacity to support transformation initiatives, ensuring adequate management and staff availability to facilitate the development and execution of transformation activities
- transformation plans (at strategic and project level) set out appropriate success measures so that there is clear data to support scrutiny and demonstrate progress and impact against objectives.

In respect of partnership working, community engagement and impacts, councils should ensure:

- opportunities to work in partnership or to share services continue to be sought
- they clearly document how community engagement, data, and equality impact assessments have influenced plans and implementation
- they have arrangements in place to effectively monitor and report the impacts of transformation activities.

1. Introduction

About the audit work and this report

1. Since 2022, auditors have undertaken thematic Best Value audit work alongside annual audit work at Scottish councils. In previous years this has focused on why leadership matters and responding to workforce challenges. Local transformation was the theme audited alongside the 2024/25 annual audit work. The findings are set out in a management report to each council.

2. This report draws on the findings of **the 22 management reports** available at the time of drafting. The Accounts Commission considered it important to share the messages and learning from this work as early as possible. This sample approach allows more timely reporting, while still including a representative range of councils in terms of size, location and demographics.

3. This report covers the following areas:

- **Transformation planning:** To what extent do councils have clear plans for transformation that link to their priorities and support long-term financial sustainability?
- **Programme management:** To what extent do councils' programme management arrangements facilitate effective oversight of transformation plans?
- **Partnership working, community engagement, and impacts:** To what extent are partners and communities involved in the development and delivery of councils' plans for transformation? And to what extent have councils considered the impact of transformation activity, including on vulnerable or protected groups?

4. The report sets out a high-level view of progress across councils. It also aims to support further improvement in the sector by providing information and assessment of different arrangements for transformation in councils. A supplement to the report, Delivering for the future – Case studies, collates case studies from the management reports reviewed. These are illustrative examples of approaches that are contributing positively within the respective councils. They are intended as a resource to support councils learn from others. It is structured to set out examples against the different factors, considered in this report, that contribute to effective transformation arrangements. It is a snapshot of examples at the time of drafting and many other valid approaches exist beyond those reflected in the supplement. Case studies in the supplement are referenced but not replicated within this report.

The 22 management reports in scope are for the following councils:

Aberdeenshire, Angus, Dundee City, East Ayrshire, East Lothian, East Renfrewshire, City of Edinburgh, Falkirk, Fife, Highland, Midlothian, Moray, North Ayrshire, North Lanarkshire, Perth and Kinross, Renfrewshire, Scottish Borders, Shetland Islands, South Ayrshire, South Lanarkshire, West Dunbartonshire, and West Lothian.

The management reports for the following ten councils were not yet published at the time of drafting (owing to a variety of factors): Aberdeen City, Argyll and Bute, Clackmannanshire, Dumfries and Galloway, East Dunbartonshire, Eilean Siar, Glasgow City, Inverclyde, Orkney Islands, and Stirling.

What is transformation?

5. Transformation is about radically changing how local government operates and delivers services to improve people's lives in a financially sustainable way. There is no single, concise definition of transformation in a local government context. Individual councils must have the flexibility to transform service delivery appropriately to the needs of their communities.

6. While there will be differences in approach across councils, the Accounts Commission's October 2024 Transformation in councils report set out five principles that must underpin transformation. This report summarises learning from local work in these areas to support councils with delivery.

Transformation principle:	Covered in this report under:
Vision	Strategic planning (paragraph 20)
Planning	Financial planning (paragraphs 21–24) Transformation funding (paragraphs 25–27) Project plans (paragraphs 28–29) Resourcing (paragraphs 37–39) Impacts (paragraphs 57–58)
Governance	Managing projects and programmes (paragraphs 33–34) Councillor engagement (paragraphs 35–36)
Collaboration	Partnership working (paragraphs 46–50) Joint funding (paragraphs 51–52) Community engagement (paragraphs 53–56)
Innovation	This has been considered across our transformation work. Examples of the different approaches councils are taking are included in our case study supplement.

7. Both local and sector-led approaches have an important role to play in driving and delivering transformation. In Transformation in councils, the Accounts Commission set out a specific expectation for individual councils to 'prioritise and urgently progress the delivery of their local transformation ambitions and engage effectively in sector-led transformation activity, securing political backing and committing resources'.

Why is transformation important?

8. The Accounts Commission underlined in its Local government in Scotland: Financial bulletin 2024/25 that the financial challenges facing Scotland's councils continue to deepen. With increasing demand, the cost of delivering services is rising faster than available funding, together with mounting debt, falling reserves and a continued reliance on non-recurring measures to close significant budget gaps. This risks the financial sustainability of councils over the next three to five years. Meanwhile, national indicators show satisfaction with council services is decreasing.

9. In this context, the need for sustainable change is urgent. Councils have made considerable savings, including those stemming from transformation, but these have been insufficient to close the gap between the funding needed and funding available. While only part of the solution, transformational approaches (in areas such as early intervention, prevention, partnership working or digital) can reduce costs while bringing meaningful improvements for those who use council services.

10. Alongside transformation, difficult decisions will be needed, which could include stopping services, reducing services, or making new or additional charges. The Accounts Commission recognises that implementing transformation is challenging and that some initiatives may not succeed. However, delaying transformation could risk greater costs, tougher decisions and increased challenges in future years.

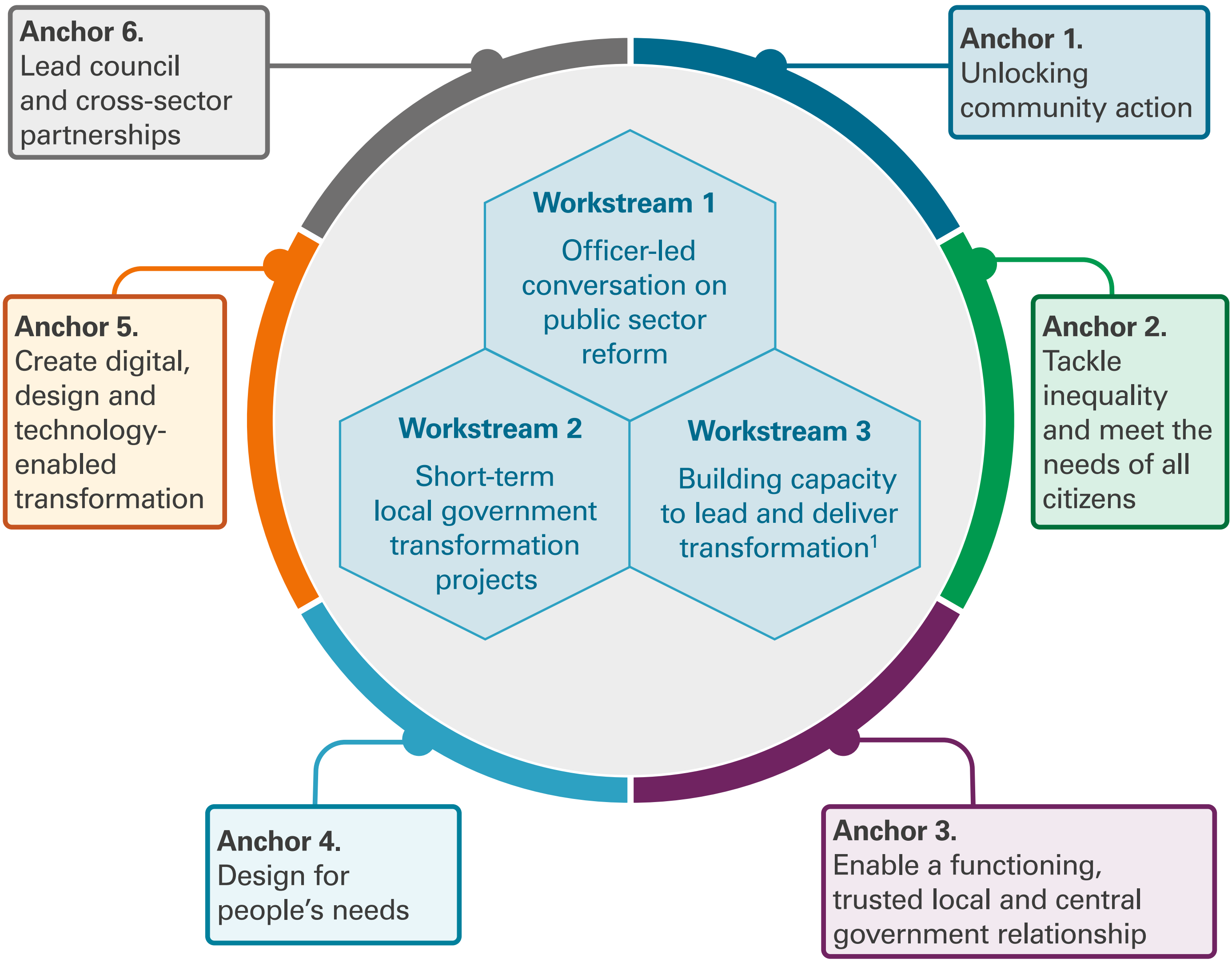
Progress with national approaches

11. The audit work and this report focus on progress at each council with their local approach to transformation, however national sector-led transformation work, alongside local approaches, has the potential to help councils achieve financial sustainability and deliver better outcomes in the medium to long term. It offers an opportunity to build consensus across the sector and with communities on what local government transformation should look like and how and when that will be achieved.

12. Councils face many of the same challenges. For example, many councils are being impacted by demographic change, including the challenges of either growing or declining populations, or a growing older population. There is an opportunity to share knowledge, data, expertise and experience around planning and delivering change, with greater efficiencies from shared learning.

13. In 2023, the Society of Local Authority Chief Executives (SOLACE) and the Improvement Service launched the local government transformation programme following the publication of Delivering a future for Scottish Local Authorities. Within the programme, a range of national approaches are being undertaken in three workstreams, as set out in Exhibit 1 (page 10).

Exhibit 1.
SOLACE and Improvement Service Transformation Programme structure



Note 1: Including the Leadership Practitioner Forum.

Source: Audit Scotland

14. Progress reported by SOLACE and the Improvement Service against each workstream is set out at Exhibit 2 (page 11).

Exhibit 2.
Progress with the Transformation Programme

Workstream 1

Officer-led conversation on public sector reform

A draft report on public service reform from a local government perspective that will set out challenges and opportunities for the sector is due for publication in summer 2026.

Workstream 2

Short-term local government transformation projects

- Duties and powers portal – in April 2026, a portal was launched that brings together the statutory duties and powers held by councils, to 'make the legislative landscape easier to navigate and to provide a shared, consistent foundation to support service improvement and transformation activity'.
- National self-evaluation framework – in April 2026 the framework was launched with four councils due to pilot the framework over 2026/27.
- Other areas of work under way including collaboration on procurement, guidance and toolkits for digital programmes, potential shared digital services and opportunities for wider shared services arrangements.

Workstream 3

Building capacity to lead and deliver transformation

Each council has appointed a senior leader in their organisation to be the single point of contact for the transformation programme and a network for senior officers, the Leadership Practitioner Forum, brings together officers from across the sector to discuss and contribute to the programme as it progresses.

Note: Further information and progress updates are available on the Improvement Service website

Source: SOLACE and Improvement Service

15. In Transformation in councils, the Accounts Commission was clear that both SOLACE and the Improvment Service needed to sustain the momentum of their Transformation Programme and be clear on actions needed, timescales, costs, resources, outcomes, outputs and impacts.

16. Given the major risks to financial sustainability across the sector, fast progress from this initiative is essential. Sector-led improvement activity is more important than ever, as it can be instrumental in driving meaningful change locally and improving outcomes for communities.

2. Planning

To what extent do councils have clear plans for transformation that link to their priorities and support long-term financial sustainability?

Why it is important

17. The scale, pace and ambition of transformation must increase to meet rising demand, rising expectations and rising costs facing councils. Significant change cannot be delivered in the short term. Early intervention and preventative approaches take time to deliver benefits, and major digital transformation projects often require significant investment and lengthy implementation periods. Officers and councillors will need to work collaboratively to plan change over the longer term. The Accounts Commission recognises the challenges that councils face in planning for the long term, while managing day-to-day demands within a difficult financial context. However, proactively planning for change will reduce the need for more difficult measures and further costs in future.

18. Delivering meaningful change is complex. It can and should involve coordination across different areas of the council, across political groupings and more widely with partners. Success depends on having clear aims, realistic timescales, and a shared understanding of the expected costs, outcomes, and impacts. Clearly establishing these at the outset enables councils and their partners to better direct their limited time and resources.

19. When planning changes to how services are delivered, it is vital that councillors and officers consider and assess the impacts on service users. Decisions can have unintended consequences, particularly for the more vulnerable members of communities who often have a greater need for council services.

What we found

Councils that have articulated their approaches to transformation well have underpinned plans with clear objectives and measurable outcomes, as well as demonstrating clear alignment with strategic priorities and wider plans.

The quality and availability of details about projects and their planned impact (both financial and non-financial) varies across councils:

- **Over a third of the councils in our sample have not sufficiently determined the financial impacts of their transformation plans.**
- **Half of the councils in our sample have not clearly set out the anticipated financial impacts of their transformation activity in their medium- and long-term financial plans.**
- **Most councils in our sample need to improve how they identify, monitor and report on wider benefits.**

Where these are lacking, councils face risks around delivery, financial planning and achieving improvements for communities.

Strategic planning

20. Whether transformation plans are stand-alone or embedded in wider strategic plans, councils need to ensure there are clear links between projects and their contribution to the council's strategic priorities and aims. In addition, there should be clear links with other corporate programmes such as financial, workforce, digital, capital and asset strategies and plans.

Strategic planning Case studies:

1. East Ayrshire Council – a service embedded approach that is well linked to wider corporate strategies.

2. North Lanarkshire Council's 'Programme of Work' and accompanying delivery plan – seeing transformation through a regional lens.

3. The Highland Council's 'Delivery Plan 2024–2027' – a strong example of the transformation programme sitting within the corporate strategic plan.

4. West Lothian Council – an example of a stand-alone 'Performance and Transformation Strategy' with projects embedded in services.

All case studies are provided in a separate supplement.

View case studies

Financial planning

21. Given the significant financial challenges outlined at paragraph 8, it is essential that councils establish strong links between transformation plans and medium- to long-term financial planning.

22. Auditors reported that just over half of the 22 councils in our sample identified savings from transformation initiatives. For just over a third of councils, savings were either identified for some projects or not at all. At four councils, auditors made recommendations around identifying transformation savings, while at others they noted this reflected the stage projects had reached at the time of audit work.

23. Where savings have been identified, all but two councils in our sample appropriately incorporated these into wider financial plans, such as medium-term financial strategies and budget documentation. Half of the councils in our sample still need to progress this further. This is important to give councillors and communities a clear picture of how far budget gaps are being addressed through transformation. Not doing so could undermine the level of support for transformation.

24. North Ayrshire Council is one council that demonstrates a strong and clear approach to transformation in its financial planning. The primary driver behind the council's transformation programme is to deliver savings to address financial challenges and protect frontline services. The council has also been clear that transformation is only part of the solution to closing its budget gap, with significant further measures also needed. It has recognised that these will need to include future recurring savings through workforce changes, cuts to services, and increases to council tax and fees and charges.

Financial planning Case study:

1. North Ayrshire Council – a strong approach to planning transformation to deliver savings and protect frontline services.

All case studies are provided in a separate supplement.

View case studies

Transformation funding

25. Almost all councils reviewed have earmarked reserves set aside for transformation, but these vary in purpose and value. About two-thirds of the councils in our sample have a fund that supports general transformation or change activity. Meanwhile, other councils have set aside funds for more specific purposes, such as digital transformation, capital investment, adult social care or early intervention and prevention.

26. Some councils have set out timeframes for the use of transformation reserves, ranging from the medium term (three to five years) to the long term (up to 15 years). Others use spend-to-save models, allowing ongoing replenishment of funds, for example Falkirk and Scottish Borders councils.

27. It is difficult to get a clear picture of the amount set aside across the sector for transformation given ongoing movements in reserve levels and some reserves being used for a mixture of transformation and other activity. North Lanarkshire Council has used its £793.1 million Community Investment Fund to support transformation through capital investment and economic regeneration (see case studies). Other reserves referenced in local reports as being used for transformation ranged from £1.6 million to £40 million. Some examples of larger transformation reserves are set out in the case studies.

Transformation funding Case studies:

1. North Lanarkshire Council Community Investment Fund – supporting capital investment and economic regeneration by setting aside council tax income.

2. Renfrewshire Council Service Modernisation and Reform Fund – supporting transformation through a combination of reserves, short-term capacity within service budgets and external funding.

3. Scottish Borders Council Change Fund – a £20 million self-replenishing reserve to support transformation projects.

4. East Ayrshire Council Early Intervention and Prevention Fund – using funding generated on a one-off basis from financial flexibilities to support early intervention and prevention.

All case studies are provided in a separate supplement.

View case studies

Project plans

28. Auditors reviewed samples of councils' project plans for transformation as part of local audit work. Those councils who have good project plans were able to set out clearly:

- planned annual costs and savings
- potential impact on service delivery, performance, staffing, and service users
- alignment with strategic plans and priorities
- timescales for delivery
- risk management
- consultation requirements
- whether a full integrated impact assessment is required.

29. Our work has shown that some councils do not have the level of detailed project planning in place needed to support delivery of transformation. Some projects were at an early stage in the planning cycle when audit work was carried out. For others, auditors noted slow progress developing detailed project plans or project plans not consistently covering all the expected areas. This presents risks to timely delivery and brings a lack of clarity over how strategic plans will be achieved.

Project plans Case study:

1. West Lothian Council – a comprehensive template for budget reduction measures, which include transformation projects.

All case studies are provided in a separate supplement.

View case studies

What needs to happen

30. Councils need to ensure transformation plans:

- are sufficiently ambitious to respond to the financial challenges
- are clearly linked and reflect wider strategic plans and priorities
- clearly set out details to support effective implementation, monitoring and reporting
- clearly set out planned savings from transformation programmes and plans, linking these to financial plans.

3. Programme management

To what extent do councils' programme management arrangements facilitate effective oversight of transformation plans?

Why it is important

31. Effective programme management and governance arrangements are vital to ensure that transformation activities are effectively coordinated, resourced, monitored and evaluated.

32. Councils will not achieve transformation at the scale needed to address current challenges if they do not have staff with the right skills and sufficient capacity to deliver it.

What we found

- **Not all councils have clear oversight at a strategic level of all transformation activity. More broadly there is a need for better and more comprehensive reporting of the planned benefits to support effective management and scrutiny by councillors.**
- **Councillors have a crucial role in supporting and scrutinising transformation. Open and effective collaboration across political lines, as well as with senior officers, is critical when making the difficult decisions that transformation work can involve.**
- **Many councils need to improve the workforce capacity available to make better progress with transformation. However, there are strong examples of councils managing these challenges effectively.**

Managing projects and programmes

33. Councils manage transformation projects and programmes in different ways. In some councils, they are managed as a central portfolio of projects and in others they are managed within service areas. Regardless of the approach taken, it is important that there is clear oversight at a strategic level of all transformation activity so that the impact on council priorities, finances and communities can be understood.

34. Auditors found some councils do not have this central oversight, or lack a clear sense of what activity should be treated as transformation. This brings risks that transformation activity is not sufficiently focused on strategic priorities.

Managing projects and programmes
Case studies:

1. Falkirk Council – strong arrangements for officer monitoring of transformation activity.

2. Highland Council, 3. North Lanarkshire Council and 4. Renfrewshire Council – operational governance arrangements align with arrangements for strategic and financial priorities.

5. Fife Council and 6. North Ayrshire Council – transformation/reform boards.

7. Dundee City and 8. Perth and Kinross councils – Programme Management Offices.

All case studies are provided in a separate supplement.

View case studies

Councillor engagement

35. Auditors regularly highlight the importance of councillors collaborating well with each other, including across political lines, and with officers when making long-term strategic decisions to address financial sustainability risks. Three 2024/25 annual audit reports (out of 20 published at the time of drafting) raised concerns around a lack of collaborative leadership.

36. A common finding from audit work on transformation is the need for more comprehensive reporting to councillors about transformation initiatives, with recommendations around this at ten councils. Most formal engagement with councillors on transformation is through Full Council meetings and policy committees, but some councils have dedicated councillor forums for transformation. These have been used to allow early engagement and in-depth scrutiny of transformation plans by councillors. This supports a collaborative approach between officers and councillors, which is needed to underpin meaningful change.

Councillor engagement Case studies:

1. Midlothian Council – effective governance arrangements for reporting progress to the senior leadership team and councillors.

2. Scottish Borders Council – improving transformation visibility for councillors.

All case studies are provided in a separate supplement.

View case studies

Resourcing

37. A lack of capacity (both time and skills) is a significant risk to delivery of transformation across the sector. Around a third of the reports reviewed as part of our sample made recommendations about improving workforce capacity to deliver transformation. These stemmed from risks identified around capacity across leadership, service staff, and dedicated transformation teams.

38. Councils have had varying levels of success in managing staff capacity to deliver transformation work. Some councils have handled this well through close monitoring and ongoing management of staffing arrangements. At others, a lack of capacity has led to slower than anticipated progress.

39. Councils have used different staff structures to deliver transformation. Some use a centralised management approach, finding this supports more collaborative working and sharing of learning. At other councils, staff within specific service areas lead transformation. This means implementation is owned within services and not seen as the responsibility of others. Stronger examples of this approach have ensured that there is specialist skills capacity embedded in services. There are risks and benefits for councils to manage under both approaches. In all cases, councils need to ensure that their arrangements are clear and support achieving their overall objectives.

Resourcing Case studies:

1. Midlothian Council – Programme Management Office provides coordination, skills and support.

2. West Lothian Council – Service Design Champions Group embedded in the workforce.

All case studies are provided in a separate supplement.

View case studies

What needs to happen

40. Councils need to ensure:

- they have clear oversight at a strategic level of all transformation activity
- there is effective engagement with councillors accompanied by comprehensive reporting on transformation initiatives
- they regularly review whether workforce capacity (in terms of time availability and skills) is sufficient to plan, manage and deliver current and medium-term transformation plans and programmes
- they strategically plan and establish the necessary workforce capacity to support transformation initiatives, ensuring adequate management and staff availability to facilitate the development and execution of transformation activities
- transformation plans (at strategic and project level) set out appropriate success measures so that there is clear data to support scrutiny and demonstrate progress and impact against objectives.

4. Partnership working, community engagement and impacts

To what extent are partners and communities involved in the development and delivery of councils' plans for transformation? And to what extent have councils considered the impact of their transformation activity, including on vulnerable or protected groups?

Why it is important

Partnership working

41. Councils cannot deliver transformation alone and it is essential that they work with the Scottish Government, **Community Planning** partners, and third sector partners on the transformation of local services.

42. Councils and their partners need to radically rethink how they work together to support more sustainable models of service delivery. While there are challenges with implementation, working in partnership can create meaningful changes in how services are delivered, making best use of workforce skills and capacity, as well as contributing to addressing financial sustainability challenges.

Community engagement and impacts

43. Communities must be actively involved in the difficult decisions councils make about their local services. Councils need to be clear on the need for change, the options and implications. This is vital given that changes or reductions to services can have a significant impact on people's lives.

44. General public consultations need to be supplemented by targeted consultations with the groups most impacted by changes to specific services, with consideration given to encouraging participation.

45. Failure to engage over proposed changes exposes councils to substantial risks, including the need to withdraw proposals or defend legal challenges. Doing so also means savings and efficiencies have to be found from other services and budgets.

Community Planning is led by Community Planning Partnerships within each council area. It involves councils and other public bodies working with local communities, businesses and the voluntary sector to plan and deliver services that improve people's lives.

What we found

- **There are many positive examples of partnership working, but most of these are on the margins in terms of transformation. Partnership working that meaningfully addresses financial sustainability challenges or significantly changes how services are delivered to communities remains difficult.**
- **There is limited evidence of how community engagement has influenced project design and delivery. For vulnerable and protected groups, this should be evidenced through Equality Impact Assessments, but around a quarter of the councils in our sample need to develop a more consistent, thorough process for these.**
- **Councils are often failing to report clearly and transparently on the progress and impacts of transformation activity. This means that it is difficult for communities to understand how transformation is contributing to strategic priorities, financial sustainability, and service delivery.**

Partnership working

46. Councils can point to many positive examples of how they work with partners across the public, private and third sectors. However, there are varying degrees to which this work can be considered transformational.

47. Some of the most notable plans for transformation in local government involve shared services. At the time of audit work, North Ayrshire, East Ayrshire and South Ayrshire councils were exploring 'Pan-Ayrshire' joint working. The councils highlighted barriers (including the siloed approach to funding, governance and reporting) and referred to the vital role of national government in enabling more transformational partnership working.

48. Some councils are developing partnership or place-based approaches to support joint delivery with partners. For example, Midlothian Council established a Multi-Agency Transformation Management Group with partners to deliver whole system change. Falkirk and Clackmannanshire councils are exploring future joint transformation opportunities.

49. Councils also provided examples of partnership working on energy initiatives, property rationalisation, and digital initiatives.

50. The Improvement Service's September 2025 report on Collaborative Working in Scottish Local Government identified a number of barriers to further partnership working in local government that were echoed in our local audit work. These included:

- funding
- capacity and resource constraints
- variability in local requirements and loss of dedicated local capacity

- inconsistencies in service delivery
- cultural, governance, legal and organisational barriers
- HR and employment policies
- IT and data-sharing issues
- sustainability and maintaining momentum
- measuring impact.

Partnership working Case studies:

1. Pan-Ayrshire shared services.

2. Midlothian – Multi-Agency Transformation Management Group.

All case studies are provided in a separate supplement.

View case studies

Joint funding

51. Joint funding arrangements can be a strong enabler to progressing transformational partnership initiatives. Funding arrangements with the UK or Scottish governments were highlighted most frequently in audit work.

52. Joint funding with wider partners is more limited. The Improvement Service's report on Collaborative Working in Scottish Local Government, September 2025 noted that projects could be left in a financially vulnerable position if one or more partners were to pull out and withdraw their funding. This risk is heightened by the difficult financial situation facing councils.

Joint funding Case studies:

1. Aberdeen City, Aberdeenshire, Highland and Moray councils – expanding electric vehicle infrastructure supported by £7.5 million of Scottish Government funding.

2. Moray Council's m.connect project – developing a demand-responsive council-run bus service using funding provided by the Scottish Government.

3. Shetland and Orkney Islands councils – working with partners in the private and third sectors on rural energy hubs.

4. Midlothian Council's joint venture with private sector to deliver low-carbon energy projects across the area – Midlothian Energy Limited.

All case studies are provided in a separate supplement.

View case studies

Community engagement

53. Auditors reported examples of effective community engagement at individual project level, but only a small number of councils were able to provide evidence this had influenced project design and delivery. Examples of project-level engagement included targeted consultation for individual projects, direct engagement with service users to inform service redesign, and engagement with vulnerable or protected groups where projects were likely to have a material impact.

54. Equality Impact Assessments provide a framework for documenting how consultation with and data on vulnerable and protected groups has influenced plans and for monitoring impacts as work progresses. However, auditors found these were not carried out consistently at three councils and not completed thoroughly at six councils.

55. Councils also consult on their budgets, taking a range of approaches. Some include engagement on specific transformation savings or wider engagement on how funding should be prioritised. For example, North Ayrshire Council carried out extensive engagement in winter 2024 on its budget, including several areas of transformation work. The council reported that consulting on specific budget options rather than generic areas of priority led to increased engagement from communities.

56. Perth and Kinross Council rolled out a structured and user-focused 'service design' approach to transforming services. The council uses various methods (including workshops, events, and meetings) to gather feedback and ideas from those who deliver, use and interact with services. This feedback is then used to set clear actions for progress and agree solutions for future improvement.

Community engagement Case studies:

1. North Ayrshire Council – budget consultation.

2. Perth and Kinross Council – user-focused service design approach.

3. East Renfrewshire Council – use of data.

All case studies are provided in a separate supplement.

View case studies

Impacts

57. Once projects are under way and then implemented, councils are often failing to report clearly and transparently on progress and impacts. Councils often do not have stated measures of success in place at the outset to allow them to track progress. This limits self-evaluation, scrutiny and accountability on whether anticipated timescales, impacts and value for money have been met. Councils can also miss opportunities to review, improve and share learning.

58. Around two-thirds of the reports in our sample included recommendations about identifying and monitoring the impacts and benefits of transformation. Several councils have recognised the opportunity for further progress in this area and are developing processes to assess how far benefits have been realised. A lack of clear reporting on benefits makes it difficult for a council to communicate to councillors and the wider public on the overall impacts and value of its transformation initiatives.

Impact Case studies:

1. Perth and Kinross Council – benefits realisation log.

2. Highland Council – incorporating success measures into Performance and Risk Management System.

3. Highland Council – in-house bus service delivering savings while improving service quality.

4. Angus Council – tracking the impacts of estate rationalisation.

All case studies are provided in a separate supplement.

View case studies

What needs to happen

59. Councils should ensure:

- opportunities to work in partnership or to share services continue to be sought
- they clearly document how community engagement, data, and Equality Impact Assessments have influenced plans and implementation
- they have arrangements in place to effectively monitor and report the impacts of transformation activities.

Delivering for the future

Transformation: How councils are redesigning and delivering more efficient services

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Delivering for the future: Transformation

Case studies

ACCOUNTS COMMISSION

Contents

Introduction

1. This supplement sets out the detail of the case studies referenced in the report Delivering for the future: Transformation - How councils are redesigning and delivering more efficient services. These are illustrative examples of approaches that are contributing positively within the respective councils. They are intended as a resource to support councils to learn from others. It is a snapshot of examples at the time of drafting and many other valid approaches exist beyond those reflected in the supplement.

2. The supplement is organised into headings aligned with those in the Delivering for the future report to support cross-referencing. It is intended to provide further information where of interest rather than act as a standalone document.

3. The case studies are sourced from local management reports. A link to the relevant local report is provided in the source for each case study.

Strategic planning

1. East Ayrshire Council

A service embedded approach that is well linked to wider corporate strategies

Transformation is embedded in service delivery, giving services direct responsibility for delivering change. The council's commitment to transformation is set out in its Strategic Plan 2022–27 and its medium-term financial strategy is the driver for transformational change. It does not articulate what its plans are for transformation. Instead, it sets out information about ongoing activity designed to support transformational change across its plans. The new approach involves transformational activity being owned by each head of service with the Council Management Team providing oversight.

Source: East Ayrshire Council: Best Value thematic management report, (page 10), Audit Scotland

2. North Lanarkshire Council

'Programme of Work' and accompanying delivery plan – seeing transformation through a regional lens

The council has embedded transformation into the programme of work that supports delivery of its strategic plan (The Plan for North Lanarkshire). The strategic plan, and therefore the initiatives to deliver it, is outward looking, setting out a long-term vision and priorities for North Lanarkshire for the council, its partners, stakeholders and communities. The council's programme of work has included projects such as community hubs, the purchase of Cumbernauld town centre to facilitate regeneration, and the development of digital classrooms.

Source: North Lanarkshire Council: Best Value thematic management report, (page 8), Audit Scotland

3. Highland Council

A strong example of the transformation programme sitting within the corporate strategic plan

The council's Delivery Plan 2024–27 sets out how it will deliver on the commitments in its Our Future Highland corporate plan. It is organised into six portfolios, each with workstreams and projects. This shows how projects come together to address priority areas. For each project, the delivery plan sets out links to wider council strategies, financial implications, timescales, and success measures. The document is public, providing a clear summary for communities of the council's plans.

Source: The Highland Council: Best Value thematic management report, (page 8), Audit Scotland

4. West Lothian Council

An example of a standalone 'Performance and Transformation Strategy' with projects embedded in services

The council's Performance and Transformation Strategy aims to support the effective and efficient delivery of council services and transformation for the future. The strategy sets out four high-level outcomes, with general objectives to achieve these.

Other corporate strategies, including the Customer Strategy, People Strategy, Corporate Governance Strategy and Raising Attainment Strategy, include performance and transformation actions. Service areas produce service improvement plans every three years, which include performance and transformation actions.

As transformation is delivered as part of the council's package of savings measures, it is fully integrated into the council's financial plans.

Source: West Lothian Council: Best Value thematic management report, (page 7), Audit Scotland

Financial planning

1. North Ayrshire Council

A strong approach to planning transformation to deliver savings and protect frontline services

The council is clear that the primary driver behind its transformation programme is the need to deliver financial savings to address the council's financial challenges. The council's current transformation programme, known as its Sustainable Change Programme, was approved in 2023 and consists of five workstreams and six service reviews.

The council has a dedicated section in its annual budget documents on its change programme. As well as setting out the savings generated to date, it notes that the more progress made through delivery of the programme, the less impact there could be on delivery of the council's core services.

Source: North Ayrshire Council: Best Value thematic management report, (page 10), Audit Scotland

Transformation funding

1. North Lanarkshire Council

Community Investment Fund

The council has demonstrated its commitment to transformation through the creation of the Community Investment Fund in 2018 to support capital investment and economic regeneration activity, facilitated by increased council tax income. In December 2024, the council reported an expected fund value of £793.1 million over the 15 years from its inception to 2033/34. To date, the fund has supported projects such as community hubs, the regeneration of Cumbernauld town centre, and the development of digital classrooms.

The council also has a Change Management Fund of £19.4 million that it uses to support future budget pressures, one-off costs of approved savings and transformation initiatives.

Source: North Lanarkshire Council: Best Value thematic management report, (page 9), Audit Scotland

2. Renfrewshire Council

Service Modernisation and Reform Fund

Renfrewshire Council's Service Modernisation and Reform Fund supports services in implementing change and funds development costs for projects that are expected to bring long-term benefits to the council. Alongside this, the council utilises short-term capacity within service budgets and external funding where available to protect the fund's capacity to support further work over the long term.

The fund is increased where there are one-off surpluses in revenue budgets. It had a balance of £10.2 million at 1 April 2025. Based on current commitments the council estimates that there is sufficient funding available for two to three years of costs, but also anticipates there to be further funding required in order to exploit potential opportunities arising in relation to the use of AI.

Source: Renfrewshire Council: Best Value thematic management report, (page 12), Azets Audit Services Ltd

3. Scottish Borders Council

Change Fund

The council has a £20 million self-replenishing Change Fund to support transformation projects. Auditors noted that it was too early to measure its success but highlighted that £1 million had been invested in 2024/25 to support digital projects. These were due to be repaid over three to five financial years.

Source: Scottish Borders Council: Best Value thematic management report, (page 9), Audit Scotland

4. East Ayrshire Council

Early Intervention and Prevention Fund

East Ayrshire Council used funding generated on a one-off basis from financial flexibilities to set up a £40 million Early Intervention and Prevention Fund, showing its commitment to invest resources to improve strategic outcomes. This will be spent over ten years. The council consulted local communities and community planning partners on how to spend this money.

Source: East Ayrshire Council: Best Value thematic management report, (page 13), Audit Scotland

Project plans

1. West Lothian Council

Budget reduction measures template

The council has developed a comprehensive template that it uses for new budget reduction measures, including its transformation projects. The template includes consideration of:

- annual savings up to 2027/28
- potential impacts on statutory and discretionary elements of service delivery; performance; staffing levels; and the public/those who use services
- potential impacts on council priorities, local outcome improvement plans and national health and wellbeing outcomes
- risks, uncertainties and mitigating factors
- consultation requirements
- whether a full integrated impact assessment is required.

Auditors reviewed a sample of project templates and found that these are used across council service areas.

Source: West Lothian Council: Best Value thematic management report, (page 8), Audit Scotland

Managing projects and programmes

1. Falkirk Council

Strong arrangements for officer monitoring of transformation activity

The governance arrangements for the council's Council of the Future programme were revised in response to recommendations made in the council's last Best Value Assurance Report (January 2022). The council adopted more officer-led arrangements which included the creation of the Council of the Future Board and three simplified directorate boards.

The Council of the Future Board meets every two months and is responsible for upholding and implementing the council's vision for transformation, maintaining the scope of the portfolio and ensuring transformation is resourced and managed effectively to deliver tangible benefits. There is strong ownership from senior leadership across the council, with the board being chaired by the chief executive and membership including directors and heads of service. The Council of the Future Board operates on a model of exception reporting, which means that it focuses on projects which are not meeting targets. It receives updates on the overall status of the transformation projects and individual projects, which show a red, amber or green status for milestones and financials.

The council has developed a template for Spend to Save reserve (formerly Change Fund) bids to ensure that funding is only granted where Council of the Future criteria are met and that savings are to be delivered as a result of the funding.

Source: Falkirk Council: Best Value thematic management report, (page 12), Audit Scotland

Examples where operational governance arrangements align with arrangements for strategic and financial priorities

2. Highland Council

The council has good governance arrangements in place to oversee progress with transformation, underpinned by a well-developed performance management system. Governance arrangements are set out within the council's Delivery Plan 2024–27. Each of the six portfolios within the Delivery Plan is sponsored by an assistant chief executive, led by a chief officer and governed by a strategic portfolio board. The council has put in place both central and project-level resources, creating 48 fixed-term posts to support the Delivery Plan.

The council's corporate Portfolio Management Office supports the implementation and governance of the Delivery Plan. The Portfolio Management Office and the Performance Team were brought together given both have a key role in supporting governance, assurance and progress reporting. The Portfolio Management Office 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.

Source: The Highland Council: Best Value thematic management report, (page 14), Audit Scotland

3. North Lanarkshire Council

The council has effective governance arrangements in place to oversee its transformation work.

Elected members have strategic oversight of the council's Programme of Work (which incorporates transformation) through the Policy and Strategy Committee, receiving comprehensive updates every six months. Specific reports are also submitted to service committees on individual projects and activities. At an officer level, the Corporate Management Team has oversight of the entire Programme of Work within the council.

Six strategic boards monitor delivery. These are chaired by a senior responsible officer, who is a chief officer and is accountable for the delivery of programme of work priorities. The One Service Programme of Work Strategic Board has an overarching focus on the delivery of the council's transformational activities through the Programme of Work to ensure a 'one place, one plan, one council approach'.

Key components of the governance processes established for overseeing transformation work within the council are highlighted below:

- There is a council-wide single Integrated Delivery Plan that tracks all projects and activities across the entire Programme of Work and its seven priorities with designated officers and set timescales.
- The Delivery Plan is monitored quarterly at each Programme of Work strategic board meeting. Delivery is monitored using a quality assurance framework and applying RAG ratings across key dimensions. Monitoring reports are produced for review by each of the six boards on a quarterly basis and a composite report is produced for review by the Corporate Management Team on a quarterly basis.
- All boards have clear oversight of the council's transformation activities. For example, there is detailed consideration and regular discussion in relation to transformation activity. Standing agenda items include updates on delivering the Programme of Work and Programme of Work Governance and Performance.

Source: North Lanarkshire Council: Best Value thematic management report, (page 11), Audit Scotland

4. Renfrewshire Council

The council has established a refreshed Transformation Board, chaired by the director of finance and resources, to provide strategic oversight of the current phase of its Reshaping Renfrewshire transformation programme. In previous phases, transformation updates were presented to the Corporate Management Team through 'portfolio' updates on themes aligned to the strategic outcomes a minimum of twice a year. Under the refreshed structure, the Transformation Board reports into the Corporate Management Team and the cross-party Leadership Board. The Leadership Board is responsible for approving and providing the highest level of governance oversight of the overall transformation programme.

Individual workstreams are overseen by a relevant officer governance group and report to the relevant political board. Such boards receive updates at appropriate points in time on progress against objectives. To allow a more efficient oversight of the complex environment, the responsibility of governing projects is at a workstream level and split between different council boards (for political oversight) and governance groups (for officer oversight) chaired by head of service, director or the chief executive. All of the officer groups then report to the Corporate Management Team at appropriate points during the project.

The council also has a corporate Project Management Office function with Programme Management Unit specialists who support major transformation projects and programmes.

Source: Renfrewshire Council: Best Value thematic management report, (page 14), Azets Audit Services Ltd

Examples where transformation or reform boards are used

5. Fife Council

The council has a Programme Management Office, Reform Board and Cabinet Committee in place to provide strategic direction, ensure alignment with corporate priorities, and monitor delivery of progress of transformational activity.

The Reform Board comprises the council's Executive Team and provides strategic direction, approves key initiatives, and monitors overall progress. Transformation proposals are routed through the Reform Board through the council's Service Change Plan process. Insights from Reform Board and Cabinet Committee discussions are fed back to service teams to refine delivery plans, ensuring a two-way flow of information and strategic alignment.

Source: Fife Council: Best Value thematic management report, (page 11), Azets Audit Services Ltd

6. North Ayrshire Council

The council provides regular and detailed information on the financial and non-financial benefits of individual transformation workstreams and service reviews to its Transformation Board.

The board meets bi-monthly and is chaired by the chief executive, ensuring they are well-sighted on the programme. All chief officers are members of the board. The board considers and agrees work to be progressed under the council's Sustainable Change Programme. Each of the five workstreams in the programme has its own project board, which feeds into the Transformation Board.

Source: North Ayrshire Council: Best Value thematic management report, (page 11), Audit Scotland

Examples where Programme or Project Management Offices are in place

7. Dundee City Council

The council has a permanently resourced Programme Management Office which comprises two permanent staff and one temporary member of staff. The Programme Management Office function is part of the Chief Executive service area. The Programme Management Office consists of a transformation programme manager and two transformation programme officers. Auditors concluded the Programme Management Office is adequately resourced.

The transformation programme officers are assigned to key transformation projects with other projects being led by service staff but supported from the central Programme Management Office function. However, Programme Management Office staff can help progress projects where required. The council is planning to develop more secondment opportunities to support transformation projects to help resource transformation.

Source: Dundee City Council: Best Value thematic management report, (page 12), Audit Scotland

8. Perth and Kinross Council

The council's transformation programme is effectively resourced, and this is continually monitored. A Programme Management Office was formally approved in September 2024. It is due to be in place until March 2026 and discussions are ongoing at the council around future arrangements.

The Programme Management Office comprises three members of staff – a strategic lead, project manager and project officer. In most cases service staff lead the transformation projects taking place in their area with support from the central Programme Management Office function. However, Programme Management Office staff can help progress projects when required. The council has reported that the Programme Management Office has led to improved consistency of approach, clear support structures and more accountability in terms of monitoring and reporting.

Source: Perth and Kinross Council: Best Value thematic management report, (page 10), Audit Scotland

Councillor engagement

1. Midlothian Council

Effective governance arrangements for reporting progress to the senior leadership team and councillors

As part of the effective governance arrangements supporting the delivery of its Transformation Blueprint, the council has a Business Transformation Steering Group, made up of councillors from across parties. Its purpose is to scrutinise and approve transformation work for onward transmission to the Full Council; advise the officer-led Business Transformation Board on priorities and risks; and allocate funding from the council's Transformation Fund.

The council has developed a Transformation Blueprint dashboard to report progress across the programme to the Full Council, the Business Transformation Board and the Business Transformation Steering Group. The dashboard is supplemented by more detailed papers on individual projects which provide suitable information for senior leadership and councillors on transformation progress and issues.

Source: Midlothian Council: Best Value thematic management report, (page 12), Audit Scotland

2. Scottish Borders Council

Improving transformation visibility for councillors

The council is working to improve the visibility of its transformation programme with councillors through its reporting arrangements and its Transformation Working Group.

In May 2024, the council established a Transformation Working Group. This was set up for councillors to provide views on transformation proposals to help officers to decide which projects to take forward in the budget. The group includes cross-party and independent councillor representation.

From October 2024, during the financial planning process, the Transformation Working Group became the Budget Working Group. The council reported that this approach was beneficial when setting its 2025/26 budget. It intends to have a recurring annual pattern where the Transformation Working Group meets for around six months before becoming the Budget Working Group for around six months during the financial planning process.

Source: Scottish Borders Council: Best Value thematic management report, (page 12), Audit Scotland

Resourcing

1. Midlothian Council

Use of Transformation Fund to resource a Programme Management Office

The council has used its Transformation Fund to develop a fixed-term programme management office to support implementation of its Transformation Blueprint for a three-year period until October 2026. It is well resourced and is led by the executive business manager (transformation), who attends key officer and councillor governance groups.

The council has also used its Transformation Fund to create extra posts in service areas to deliver transformation, but has faced difficulties recruiting for some of these. To mitigate capacity risks around transformation work, the council has considered employing support staff and has recruited consultants.

The council reports that the executive business manager (transformation) regularly reviews resourcing of the Transformation Blueprint and discusses this in fortnightly meetings with the chief officer corporate solutions.

Source: Midlothian Council: Best Value thematic management report, (page 13), Audit Scotland

2. West Lothian Council

Service Design Champions Group embedded in the workforce

The council has invested in staffing structures to support transformation. It established a six-week service design training course and associated Service Design Champions Group in 2020. To date, it has trained 83 staff across all service areas in service design tools and techniques, with 69 service design champions who remain with the council. These champions support the development of new projects and/or service reviews in their areas. The Service Design Champions Group meets quarterly, which provides the opportunity for ongoing learning, professional development and networking.

Source: West Lothian Council: Best Value thematic management report, (page 11), Audit Scotland

Partnership working

1. North Ayrshire, East Ayrshire and South Ayrshire councils

Pan-Ayrshire shared services

Some of the most radical plans for transformation in the local government sector involve shared services. At the time of audit work, North Ayrshire, East Ayrshire and South Ayrshire councils were exploring 'Pan-Ayrshire' shared services. However, the councils highlighted barriers (including the siloed approach to funding, governance and reporting) and referred to the vital role of national government in enabling more transformational partnership working. In early 2026, North and East Ayrshire councils agreed to progress a shared Economic Development Service. South Ayrshire are not currently joining this shared service.

Source: South Ayrshire Council: Best Value thematic management report, (page 13), Audit Scotland

2. Midlothian Council

Multi-Agency Transformation Management Group

The council is working well with partners to deliver transformation in Midlothian. One of the council's Transformation Blueprint themes is multi-agency transformation. Projects being taken forward under this theme include economic growth and skills; the Midlothian Aligned Curriculum Offer; estate rationalisation; one stop shops; and exploring the Safeguarding Through Rapid Intervention model.

The council has established a board with its partners, the Multi-Agency Transformation Management Group, to deliver whole system change. This is chaired by the council's chief executive. Partners represented include NHS Lothian, Police Scotland, Scottish Fire and Rescue Service, University of Edinburgh, Edinburgh College, Scottish Ambulance Service and East Lothian Council.

Source: Midlothian Council: Best Value thematic management report, (page 15), Audit Scotland

Joint funding

1. Aberdeen City, Aberdeenshire, Highland and Moray councils

Expanding electric vehicle infrastructure supported by £7.5 million of Scottish Government funding

Highland, Aberdeen City and Aberdeenshire councils share a procurement service. Through this service, and building on wider regional relationships, the councils are working with Moray Council to expand electric vehicle infrastructure, which is supported by £7.5 million of Scottish Government funding.

Source: The Highland Council: Best Value thematic management report, (page 20), Audit Scotland

2. Moray Council

M.connect project – developing a demand-responsive council-run bus service using funding provided by the Scottish Government

This ambitious ten-year project (initiated in 2022) aimed to develop a demand-responsive council-operated bus service with links to the wider commercial bus network. It is expected to run until 2032 where it is anticipated the service will become embedded as business as usual. It was not targeted as a cost-saving measure, but to improve public transport connectivity in rural areas with low population density and relatively high transport poverty. Journeys made with the service have increased from 45,881 in year one to 74,938 in year three.

The council worked with Highlands and Islands Regional Transport Partnership and Highlands and Islands Enterprise to develop an outline business case in 2021 and a full business case in 2023. Capital funding of £4.3 million was provided by the Scottish Government as part of the Moray Growth Deal. The Department for Work and Pensions has also partnered with the council on initiatives to provide pathways to employment – either through bus services that provide access to interviews/employment, or driver recruitment. A further partnership with NHS Grampian is likely to be considered in phase 2.

The council noted initial and ongoing community engagement and feedback has been key to the success of the m.connect service. Initial engagement was to establish the need and inform solutions, to ensure the council were delivering a service that was wanted. The council recognises ongoing customer engagement is essential to grow and improve the service, with evidence of feedback influencing decision-making.

Source: Moray Council: Best Value thematic management report, (page 20), Grant Thornton UK LLP

3. Shetland Islands and Orkney Islands Councils

Partner, private and third sector collaboration on rural energy hubs

Shetland Islands and Orkney Islands councils are involved in a rural energy hub project with the environmental consultancy Aquatera Ltd, the European Marine Energy Centre, Community Energy Scotland, and Highland Fuels Ltd. After initial projects in Shetland and Orkney, this second phase of work aims to pilot a rural energy hub in Shetland. A hub was expected to open in Brae during 2025.

Shetland Islands Council and Orkney Islands Council were awarded £1.6 million and £1.3 million respectively of UK Research and Innovation funding, with further grant funding awarded to partners.

Source: Shetland Islands Council: Best Value thematic management report, (page 17), Audit Scotland

4. Midlothian Council

Midlothian Energy Limited – joint venture with private sector to deliver low-carbon energy projects across the area

Midlothian Energy Limited is an energy services company which is a joint venture between Midlothian Council and Vattenfall Heat UK. It was set up to deliver low-carbon energy projects across Midlothian and supports the council's 2020 Climate Change Strategy. Initially, the project will supply low-carbon heat to around 3,000 homes, education and retail spaces in Midlothian's new town, Shawfair. The first connection to a residential property was achieved in December 2024. The council and Vattenfall are aiming to expand the Midlothian Energy Limited network into existing buildings in Midlothian and Edinburgh over the next five years.

Midlothian Energy Limited is expected to benefit the council's long-term financial position, while providing both environmental and community benefits, such as helping to achieve its net zero carbon ambition by 2045, jobs creation, outreach events for schools and generating local supply chain opportunities.

The council provided a £1.6 million shareholder equity injection into Midlothian Energy Limited to cover business costs of the company and up to £8.6 million to allow the Shawfair project to proceed. This is being matched by Vattenfall. Additionally, Midlothian Energy Limited has also benefitted from £7.4 million funding from the Scottish Government's Low Carbon Transition programme.

Source: Midlothian Council: Best Value thematic management report, (page 19), Audit Scotland

Community engagement

1. North Ayrshire Council

Budget consultation

The council ran an expanded, comprehensive budget engagement process from October to November 2024 to gather views on several transformation projects in response to significant financial challenges. Surveys included a range of options across six main themes. The themed survey approach let people focus on areas of interest and increased responses from 200 in 2024/25 to 4,461 in 2025/26, alongside additional community discussions. The results were shared with councillors to inform future service delivery, and two proposals were agreed as budget savings: the learning review and the economic development service review.

Source: North Ayrshire Council: Best Value thematic management report, (page 18), Audit Scotland

2. Perth and Kinross Council

User-focused service design approach

Perth and Kinross Council use the Scottish Approach to Service Design, using the Double Diamond framework to ensure services are designed collaboratively, with users, and focused on solving the right problems with effective well-defined solutions. Feedback gathered through workshops, events, and meetings informs clear actions and service improvements, including recent reviews of employability services and Arm's-Length External Organisations.

Source: Perth and Kinross Council: Best Value thematic management report, (page 15), Audit Scotland

3. East Renfrewshire Council

Use of data

East Renfrewshire Council invested in data analysis tools to identify early signs of financial vulnerability among its communities. Financial wellbeing indicators (such as unauthorised overdraft use) can be overlaid onto council datasets. Data can be broken down into very small areas of the map, allowing the council to identify pockets of vulnerability in otherwise affluent areas. This has allowed the council to target the advice services it provides citizens around money and energy efficiency.

Source: East Renfrewshire Council: Best Value Thematic Report, (page 12), Ernst and Young LLP

Impacts

1. Perth and Kinross Council

Benefits realisation log

The council has introduced a benefits realisation log which has been incorporated into the council's project monitoring system to capture what deliverables have been achieved in the period. Examples of deliverables include the completion of key milestones, workstreams, key task(s) within workstreams, a critical success factor being completed, or an outcome achieved. The council has committed to enhance the recording of benefits realised in every project and ensure that it can link the outcomes, return on investment and benefits to workstreams and action planning. This is due for completion in March 2026.

Source: Perth and Kinross Council: Best Value thematic management report, (page 18), Audit Scotland

2. Highland Council

Incorporating success measures into the Performance and Risk Management System (PRMS)

The council has made good progress with identifying clear success measures for projects in its Delivery Plan. Each project is also linked to targets in the council's Performance Plan. The council uses its PRMS to monitor and report on the impacts of its 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 were not at the stage of being reported at the time of audit work. It was therefore too early to assess the quality of reporting.

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. It did not include reporting on success measures, as these were not yet at the stage of being reported for most projects. Auditors noted there was scope to incorporate these measures in future annual Delivery Plan progress reports.

Source: The Highland Council: Best Value thematic management report, (page 23), Audit Scotland

3. Highland Council

Highland Council in-house bus service – delivering savings while improving service quality

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 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 included a £6 million Transport Expansion Fund to support future growth.

Source: The Highland Council: Best Value thematic management report, (page 24), Audit Scotland

4. Angus Council

Tracking the impacts of estate rationalisation

The Agile Working and Estate Rationalisation Programme is a long-term transformation initiative aimed at modernising workforce practices, reducing the council's property footprint and improving environmental and financial sustainability. Initiated in 2015 as part of the broader Transforming Angus programme, the project introduced agile workstyles supported by mobile technology and digitisation, enabling hybrid working and rapid adaptation during the Covid-19 pandemic. Over four phases, the council reduced its estate by 33 properties to eight properties, saving £3.68 million in recurring revenue costs and generating £1.33 million in capital receipts, while also cutting 298 tonnes of CO^2 emissions.

The programme aligned with council priorities such as economic development, climate action, and operational efficiency. An Equality Impact Assessment ensured the redesign of workspaces considered inclusivity, with no negative impacts identified for protected groups. The programme also supports staff wellbeing, flexibility, and inclusion contributing to a more attractive and resilient employment proposition.

The council set out 16 success measures associated with the programme categorised into workforce, property and environmental-related improvements. These included:

- increase in employee satisfaction
- attracting the right talent and retaining the right skills and capability
- reduction in property revenue costs through reduced footprint
- capital receipts and income generation through, for example, leasing out property
- reduction in CO^2 emissions from, for example, less travel to and from work.

Measures relating to employee satisfaction and talent are to be monitored through staff surveys.

Source: Angus Council: Best Value thematic management report, (page 18), Audit Scotland

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