Midlothian Council

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

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Key messages

1 Midlothian Council recognises that transformation is essential to ensure service delivery remains financially sustainable and has published a Transformation Blueprint for Midlothian. This strategic plan was approved in June 2023 and has five clear objectives, including supporting the council in addressing the £8.9 million funding gap.

2 The council is focused on delivering a wide range of key transformation initiatives to progress the Transformation Blueprint. This includes a variety of digital initiatives being progressed as part of its Digital Transformation Strategy to create efficiencies in its operations. It is too early to fully determine the scale of all of the projects being taken forward, and the extent to which they will contribute towards closing the funding gap. The council recognises that it is operating in a fiscally challenging environment and now needs to find a way to accelerate progress on the remaining projects within the Transformation Blueprint within the resources it has available.

3 The council has established effective governance arrangements for reporting progress with delivering transformation to its senior leadership team and elected members.

4 There are challenges in recruitment and capacity across the public sector including Midlothian Council. In particular, the council is experiencing challenges recruiting into procurement and digital, among other service areas. The council is using its Transformation Fund to help alleviate some of these pressures, including the establishment of a fixed-term Programme Management Office.

5 The council is working well with partners, and has engaged with communities, the third sector and vulnerable groups to deliver transformation in Midlothian.

6 From our review of a sample of the council's integrated impact assessments, we found it is not always clear how public consultation has influenced plans and the council does not always clearly document how it intends to mitigate potential negative impacts identified.

7   The council can demonstrate the impact of previous transformation activity, including its Equipped for Learning project and No.11 Recovery Hub. It recognises the need to improve how it reports this to the public.

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	
Vision	Have a clear vision that sets out the intended end state of any transformation activity, focused on: • 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	• 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	• 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	• 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 individuals and communities to achieve desired outcomes in place of an existing service. • Learn from good practice across Scotland and beyond.
Innovation	• 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. Midlothian 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 2024/25](#) briefing noted that councils' cumulative funding gap between 2025/26 and 2026/27 is £780 million. This means that, cumulatively, councils need to identify and deliver recurring measures such as savings or increased income of five per cent of their overall revenue budget to be financially sustainable in the short term.

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

Findings	Evidence
The council's Transformation Blueprint provides a clear strategic plan for transformation organised around five themes. The Transformation Blueprint aligns with its Medium-Term Financial Strategy and the Single Midlothian Plan. The council's Digital Transformation Strategy and Workforce Strategy are key enablers of the Transformation Blueprint.	Transformation Blueprint The council agreed its Transformation Blueprint in June 2023, which recognises the council as the fastest growing local authority in Scotland. This strategic plan has five clear objectives, including supporting the council in addressing the £8.9 million funding gap. Work to support the Transformation Blueprint is organised around five themes: • Follow the money • 21st century workforce • Workplaces for the future • Income generation and commercialisation • Multi-agency transformation. Each of the themes has an elected member sponsor and are to be supported by a series of short projects, called sprints, to be phased over several years. Examples of sprints include: • Contract management • Delivering joined-up services in 'One Stop Shop' hubs • Digital transformation • Estate rationalisation • Advertising and marketing. The council has outlined that sprints are intended to be 100-day collaborative challenges but in reality activity is taking longer than this.

Findings	Evidence
	The Transformation Blueprint aligns with the ambitions set out within the council's Single Midlothian Plan and the Medium-Term Financial Strategy. It is complemented by the council's Digital Transformation Strategy 2024-2029, Workforce Strategy 2024-2029 and supports delivery of the Scottish Health and Social Care Partnership Strategy and Midlothian's HSCP strategy.

Digital Transformation

Midlothian Council approved its Digital Transformation Strategy 2024-2029 in November 2024. Digital transformation supports the council's vision and is viewed as a key element of driving change in the council and for the people of Midlothian. Digital transformation will create efficiencies and in so doing will assist the council in bridging its budget gap. Specifically, the council is aiming to make better use of digital tools, digitise and automate processes, use Artificial Intelligence and enhance data-led decision making. The council's Digital Transformation Strategy 2024-2029 includes four strategic pillars with activities sitting below these. The pillars are:

- Automate: For an Efficient, Modern Council
- Reimagine: Transform Service Delivery
- Data: Deeper Insights and Preventative Operations
- Secure and Sustain: Protect and Preserve.

The council is currently progressing 22 key digital projects, including implementing online payments through the customer services platform, rollout of Microsoft 365 tools and upgrading audio visual equipment across the learning estate.

Creation of a 21st century workforce

One of the key themes within the Transformation Blueprint is the creation of a 21st century workforce, which includes workstreams that focus on both digital and human resource. The council's Workforce Strategy 2024-29 supports the delivery of this theme, and demonstrates the council's innovation in its approach to addressing workforce and capacity issues. For example, it has worked with education providers to develop a programme of entry level apprenticeships across key professional groups to enable the council to grow its own workforce. The council has also introduced staff development conversations which link to workforce/succession plans.

| **The council is carrying out a wide range of key transformation initiatives to progress the** | Work to deliver the Transformation Blueprint is ongoing. Current activities include, but are not limited to, reviews of the large grants programme, council estate and contract management; improvements to the council's open revenues |

Findings	Evidence
Transformation Blueprint. It has identified priority projects for 2025/26 and is developing project plans to support these. The council recognises the fiscally challenging environment it is operating in and now needs to find a way to accelerate progress further.	processes; implementation of the digital transformation strategy; and work to develop the twin-stream collection of waste and recycling, but as yet there are no projects with quantified costs and benefits.
	At March 2025, 24 projects were being monitored through Transformation Blueprint progress reporting. Two projects were complete: phase one of the school holiday programmes project and phase one of the building maintenance services contract project. Thirteen projects were at the business case stage.
	The council identified five priority projects to be prioritised in 2025/26 as part of its Transformation Blueprint. One is aligned with the workplaces of the future theme and the others relate to the income generation theme. The projects being taken forward are:
	• A one-stop shop pilot in Gorebridge • Commercial opportunities at Vogrie Country Park • Introduction of a RingGo service for on-street parking • Out of school childcare provision • Early learning and childcare 52 week provision.
	The council is now developing project plans for these and they are expected to be reported to the Business Transformation Steering Group in Spring 2025.
	The Transformation Blueprint covers the period from 2023-28. Therefore, the council now needs to find a way to accelerate progress further within the fiscally challenging environment it is operating in.
The council projects an £8.9 million funding gap between 2025/26 and 2028/29 and is working to quantify projected savings from delivering transformation.	The Medium-Term Financial Strategy (MTFS) approved in February 2025 forecasts a funding gap of £8.9 million. As part of its MTFS, the council intends to use one-off reserves to help achieve a balanced budget up to 2027/28. The council has also approved indicative increases in council tax from 2026/27 through to 2028/29.
	The council has reported that the delivery of savings through the Transformation Blueprint is its preferred route to financial sustainability. At February 2025, it had not identified savings or income generation for each of the projects to be taken forward in 2025/26, so these were not included in the 2025/26 budget savings. It is now developing plans for these and it intends to incorporate expected savings into its MTFS once developed. It is important that plans are developed at pace in order to ensure that these contribute to closing its funding gap and reduce its reliance on one-off reserves to balance future budgets.

Findings	Evidence
	In February 2023, the council earmarked £2 million from its General Reserve to invest in projects to support the delivery of the Transformation Blueprint. The council reports that this fund has been critical to the delivery of transformation, particularly in terms of resourcing. In February 2025, the council projected that the non-committed balance on this earmarked fund would be £0.849 million at 31 March 2025. The council reports that additional approvals in Q4 2024/25 for use of the fund have led to a further decrease in the remaining balance. The council plans to consider options to commit further reserves to supporting transformation as part of the 2024/25 year-end financial reporting process.

Recommendation 1

The council should finalise its plans for its identified priority transformation projects, outlining savings to be achieved, costs and anticipated financial and non-financial benefits.

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
The council has effective governance arrangements in place for reporting progress to the senior leadership team and elected members. It has developed a Transformation Blueprint dashboard to provide an overview of progress across projects. This is supported by detailed papers on individual projects.	The council has a Business Transformation Board (BTB) and a Business Transformation Steering Group (BTSG). The BTB is an officer-only board attended by senior officers. Its purpose is to oversee Transformation Blueprint delivery and to report progress to the Corporate Management Team and BTSG. The BTSG is formed of elected members and has cross-party representation. Its purpose is to: • scrutinise and approve the transformation work for onward transmission to the Full Council; • advise the Business Transformation Board on priorities and risks; and • allocate funding from the council's Transformation Fund. The council has developed a Transformation Blueprint dashboard, which is used for reporting progress on the Transformation Blueprint as whole to the Full Council, the BTB and the BTSG. This includes: • RAG statuses for the Transformation Blueprint as a whole and for individual projects; • key risks for the Transformation Blueprint as a whole; • three key milestones since the previous update and for the next three months; • more detailed updates for individual projects. The council is still at the early stages of delivering the Transformation Blueprint, so for most projects key information (such as financial savings) is still being developed. Therefore,

Findings	Evidence
	the dashboards only include limited reporting of areas such as costs, savings, anticipated benefits, and timescales. As projects progress and more information becomes available, the council should consider how to incorporate this into its reporting.
	The Transformation Blueprint dashboards are supplemented by more detailed papers on individual projects. These include limited information about timescales, savings, or anticipated benefits, reflecting the stage that the council is at with the Transformation Blueprint. A number of papers did include estimated costs. Overall, the papers reviewed provided suitable information for senior leadership and elected members on progress and issues relating to transformation work.
The council faces challenges with recruitment and capacity in some service areas and reports that it is working to address these. It has used its Transformation Fund to develop a fixed-term Project Management Office to support implementation of the Transformation Blueprint.	As documented in our Best Value report on workforce innovation, the council faces significant challenges related to capacity and recruitment in some service areas. In some cases, these are reflective of wider workforce issues across local government in Scotland. In particular, the council is experiencing challenges recruiting into procurement and digital, among other service areas.
	We identified a number of instances illustrating recruitment issues:
	• The council was repeatedly unsuccessful in recruiting a suitably qualified person for transformation work on developing a more robust approach to supporting children with complex additional support needs transitioning to adult services. These capacity issues caused delays in this work.
	• The council informed us that some of its project managers are contractors owing to difficulties recruiting in-house project managers, leading to increased costs.
	• The council's Digital Transformation Strategy 2024-2029 notes difficulties in recruiting owing to a shortage of local workers and competition from other sectors and local authorities.
	The council has used its Transformation Fund to establish a Project Management Office (PMO) for a three-year period to October 2026.
	The PMO, which includes six Project Managers and three Project Support Officers, is led by the Executive Business Manager (Transformation), who attends BTB, BTSG and Midlothian Multi-Agency Transformation Management Group meetings. The council reports that the Executive Business Manager (Transformation) regularly reviews resourcing of the

Findings	Evidence
	Transformation Blueprint and discusses this in fortnightly meetings with the Chief Officer Corporate Solutions.
	The council informed us that the PMO has facilitated more collaborative working, given better oversight across the council's transformation activities, and provided a forum for staff to suggest transformation ideas and get support with implementing transformation.
	The council has also used the Transformation Fund to create additional posts in service areas to implement transformation. However, the council has faced difficulties recruiting for some of these posts. Moreover, even where recruitment is successful, some projects require a deep knowledge of the council, which newly-hired staff need time to develop. To address this, the council has considered employing support staff and has recruited consultants to mitigate capacity issues around transformation work.
	There remains, however, an ongoing risk that recruitment and capacity issues lead to overreliance on key individuals for the delivery of transformation. In our Best Value report on workforce innovation, we reported that there were some examples of succession planning at the council, but that this was not being done in a formalised or consistent way. The council has since approved its revised Workforce Strategy 2024-34. The supporting action plan indicates the council's intentions to have succession plans in place for all parts of the council by April 2026.

Recommendation 2

The council should consider how to incorporate consistent reporting of costs, savings, anticipated benefits, and timescales into its Transformation Blueprint dashboard updates as this information becomes available.

Recommendation 3

The council should consider how it will resource its transformation work after the current three-year term for its Project Management Office ends.

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
The council is working well with partners to deliver transformation in Midlothian.	One of the 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 (STRIVE) model. The council has established a board with its partners, the Multi-Agency Transformation Management Group (M-MATMG) to deliver whole system change, which is chaired by the Chief Executive. Partners which are represented on the M-MATMG include NHS Lothian, Police Scotland, Scottish Fire and Rescue Service, University of Edinburgh, Edinburgh College, Scottish Ambulance Service and East Lothian Council.
	As part of the workplaces for the future Transformation Blueprint theme, the council reported that it will review its workspaces to seek opportunities to share with partners and link this with the multi-agency transformation programme. The Transformation Blueprint is a standing item on the M-MATMG agenda and estate rationalisation is an area of focus.
	The council and its partners operate the No.11 Recovery Hub, which offers support with mental health, substance misuse and justice services for adults (Case study 1, page 18).

Findings	Evidence
	The M-MATMG is exploring a multi-agency approach for early intervention to support vulnerable individuals, known as STRIVE. The council is working collaboratively with Police Scotland, the Midlothian/East Lothian Public Protection Unit and East Lothian Council on the project.
	As part of its work on economic growth and skills, the M-MATMG visited Highland Council and Aberdeenshire Council to look at their agendas for developing skills for pathways to healthcare jobs. It is working with NHS Lothian, Edinburgh University and Edinburgh College to explore how pathways can be developed for Midlothian.
	The council is working with Vattenfall Heat UK on a joint venture known as Midlothian Energy Limited (MEL). This will deliver low-carbon heat through energy captured from the Millerhill Recycling and Energy Recovery Centre waste plant to homes, education and retail properties in Midlothian (Case study 2, page 19). There is a current business plan to extend the network beyond this.
There is evidence of jointly funded transformation activity with partners.	MEL is a joint venture between the council and Vattenfall Heat UK. The council provided a £1.6 million shareholder equity injection into MEL 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. MEL has also benefitted from £7.4 million funding from the Scottish Government's Low Carbon Transition Programme.
	In December 2023, the council received £2.2 million grant funding from Zero Waste Scotland's Recycling Improvement Fund for the implementation of its twin stream recycling project. The project aims to introduce a new residential waste collection system to separate out paper and cardboard from plastic by February 2026.
	The council is working with partners on Midlothian's House Project, which supports care experienced young people aged 16-26 to live independently. The council received Life Changes Trust Funding to launch the National House Project framework in Midlothian and has supported 40 care experienced young people, with 65 per cent now in their own permanent properties.
The council engaged with communities on its savings options as part of its 2025/26 budget setting. It has engaged with communities on certain projects within the Transformation Blueprint.	Community engagement is important to Midlothian Council. The council ran a budget consultation for its 2025/26 budget between October and November 2024. As part of this, respondents were asked to rate the extent to which savings proposals would negatively impact them, from no impact to high impact. The consultation incorporated proposals being considered as part of the Transformation Blueprint, including

Findings	Evidence
There is evidence of engagement with the third sector and vulnerable communities on specific projects, some of which pre-date the Transformation Blueprint.	Vogrie Country Park commercialisation, closing Roslin library and reviewing out of school childcare provision.

Four out of the five Transformation Blueprint projects which are now being prioritised for 2025/26 were included in the consultation and the results for all four showed that the majority of respondents rated these as having a low or no negative impact on them. It will be important for the council to engage with those who are impacted to a greater extent by the proposals to shape its plans for redesigning services.

The council has been progressing various activities to support the delivery of its Transformation Blueprint. Not all ongoing projects require public consultation as some focus on the council's internal operations. Examples of community engagement exercises which have been carried out as part of the Transformation Blueprint include:

• Client Transport Review – the council is developing an integrated transport policy as part of its client transport review. An online consultation was conducted from February-March 2025 which aimed to explore ways in which the transport system could be made more inclusive, fairer and accessible to users, particularly those with additional support needs (ASN). Feedback will be incorporated in the draft policy, where appropriate. The council also presented information on the new policy to an ASN parent chairs meeting ahead of the online consultation launch.

• Large Grants Review – the council has established a short-life working group as part of the review of its large grant programme. Membership of the group includes representation from the third sector interface and communities. The scope of the group includes comparing different grant delivery models across Scotland, developing options for funding core costs against the current approach and adoption of and agreed data/evidence informed approach to allocating funding. Recommendations for future funding are expected to be presented to the Full Council in May 2025.

The council also engaged with service users in its transformation work prior to the Transformation Blueprint. For example:

• The council provided numerous examples of engagement with people who use services through the No.11 hub, which opened in November 2019. For example, within justice services there is a focus group of community advisors, who have been part of the justice system (known as Bound) which are consulted on community justice projects and social worker recruitment. The justice service has also engaged with women who use the Spring Service to identify ways to |

Findings	Evidence
	develop the service further, such as sessions addressing issues around online safety.
	• The council reports that it engages annually with stakeholders, including pupils, families, staff and senior leaders on its Equipped for Learning project. This five-year project (2021-2026) aims to equip learners with digital skills for learning, life and work. The council has established a Digital Leader Network of staff from school and early years settings who influence and shape the planned work. The council also reports engagement with parent council chairs and pupil councils. The council is able to demonstrate how engagement has influenced the project. For example, the council created communication grids for iPad introductory materials and the 2025 pupil survey to improve accessibility in response to feedback received.

Case study 1
No. 11 Recovery Hub

The council has worked with NHS Lothian and third sectors partners through the health and social care partnership to develop the No.11 Recovery Hub. This provides shared care for recovery and services which focus on early intervention and prevention. Community substance use and mental health staff, employed by both NHS Lothian and the council, are co-located with Justice Social Work and third sector partners at the Hub. All services within the No.11 Recovery Hub work in partnership to provide a person-centred, trauma informed, holistic approach to improving people's health and well-being.

The council and its partners deliver a variety of services through the No.11 Recovery Hub. For example:

– Health and social care partners work with third sector partners to identify people who are at high risk of severe drug-related harm and provide rapid support to the individual for engagement or re-engagement with holistic care, such as medication assisted treatment for those who are opiate dependent.

– The Midlothian Young Peoples' Advice Service (MYPAS) provides support, information and advice on drugs and alcohol to young people within Midlothian and East Lothian.

– The council worked with a third sector partner to develop and implement a new Mental Health and Resilience Service for citizens between 18-65 years old. This provides same day access for individuals experiencing crisis and distress related to their mental health and wellbeing.

– The council delivers a bespoke service for women called the Spring Service in partnership with NHS, Health in Mind, Access to Industry and Woman's Aid. This provides support to women who have experience of trauma or who have challenges with substance abuse or mental health and are at risk of entering the justice system.

The council has provided a range of data on the outputs and outcomes generated through the No.11 centre which demonstrate its impact. For example, the council reported that 107 people

engaged in ongoing support through MYPAS in Midlothian, of which 47 reported a reduction in substance use and 11 reported becoming drug-alcohol free. The council also reported that MYPAS uses a 'Teen Star' outcomes measuring tool at initial and final assessments. This facilitates an assessment of progress across six categories, such as drugs and alcohol, wellbeing, and safety and security. The council reports that average scores across all categories improved between initial and final assessments in Midlothian for 2023/24.

The council also has three performance indicators relating to substance use services and mental health, which it measures quarterly. These monitor mental health bed occupancy and waiting times for referrals relating to 'Adults with Incapacity', drugs and alcohol. The council reported that during Q1-Q3 24/25:

- Waiting times were below the 12-week target for 100 per cent of 'Adults with Incapacity' reports;

- Waiting time targets for drugs and alcohol referrals exceeded the target of treatment being offered within three weeks in 90 per cent of cases (100 per cent of cases in Q1 and Q3 and in 98.11 per cent of cases in Q2); and

- The target of maintaining mental health bed occupancy below 100 per cent was met in Q1, but not in Q2-3 owing to increases in new presentations and existing patients requiring hospital admission.

Source: Audit Scotland

Case study 2
Midlothian Energy Limited (MEL)

Midlothian Energy Limited is an energy services company which is a joint venture between Midlothian Council and Vattenfall Heat UK. The company was set up to deliver low carbon energy projects across Midlothian and supports the council's 2020 Climate Change Strategy.

Waste heat captured from the Millerhill Recycling and Energy Recovery Centre waste plant will be supplemented with other waste heat sources and aims to provide low-carbon heat to homes, education and retail properties in the Midlothian region. The council reports that waste heat captured and supplied by MEL will be cheaper than alternative low-carbon sources and not affected by the current wholesale energy cost inflation.

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 MEL network into existing buildings in Midlothian and Edinburgh over the next five years.

MEL 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 2030, jobs creation, outreach events for schools and generating local supply chain opportunities.

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
The council can demonstrate the impacts of previous transformation projects through a variety of success measures. It should continue to establish and monitor impacts and outcomes for transformation as work progresses with the Transformation Blueprint.	As part of the audit, we requested case study examples of successful transformation achieved by the council to date. We found that for each project, success measures were in place.
	Equipped for Learning
	The council conducted surveys with pupils, staff and families to get feedback on the programme. This fed into the Equipped for Learning Digital Strategy 2024, which set priorities for the programme going forward.
	Each priority has an 'Impact Measure Challenge Question', i.e. the question to be answered in order to assess whether the priority has been addressed successfully. For each question, the council sets out the position it is aiming to reach and by what date. For example, in feedback staff requested training and guidelines for fast-moving technological developments such as AI. In response, the council set a priority to develop a robust professional learning offer to equip staff with the digital skills they need, including for AI, by June 2026.
	The council could further strengthen its future priorities for the project by adding quantifiable success measures where appropriate.
	No.11 Recovery Hub
	The council provided a range of data on the outputs and outcomes generated through the No.11 Recovery Hub. Examples are provided in Case study 1, page 18.
	Midlothian Energy Limited (MEL)
	Midlothian Energy Limited is expected to benefit the council's long-term financial position, while providing both environmental and community benefits (Case study 2, page 19). Anticipated benefits in relation to these areas are set out

Findings	Evidence
	in MEL's Business Plan 2025-29. The Business Plan also includes financial forecasts for MEL over a 40-year period.
	Ongoing transformation work
	The council told us that there are no separate key performance indicators for the Transformation Blueprint work, but that projects contribute to improved service delivery which is reported to elected members through Cabinet and the Performance, Review and Scrutiny Committee. It said that Senior Responsible Officers determine reporting at a service level.
	While committee papers set out the rationale for going ahead with projects, most projects in the Transformation Blueprint do not have success measures in place at this stage. However, we identified good practice in this area in the council's Waste Services In-Cab transformation project. The council listed benefits with contextual information, set quantified measures of success for each benefit, and set out baselines and measurement frequency. The council also considered what benefits might be achieved under different scenarios.
	In summary, the council should apply a similarly robust approach to all projects in its Transformation Blueprint as it moves forward with this work.
The council recognises that it should be more transparent in reporting the impacts of its transformation work and is taking steps to improve this.	As noted above, the council collects a variety of information on the impacts of its transformation work. The council acknowledges that it could do more to publicly report these. In March 2025, it included 'good news' stories around transformation in its staff newsletter, which is publicly available on the council's website. It could supplement this by publicly reporting progress and impacts of key transformation projects. This could include both projects still in progress and those already implemented.
	The council has recently developed a Transformation webpage, which it plans to use to inform the public on delivery of transformation workstreams against the five Transformation Blueprint themes as work progresses.
In the council's integrated impact assessments for transformation proposals, it is not always clear how public consultation has influenced plans, nor what mitigating actions are in place to address potential negative impacts.	The council published integrated impact assessments (IIAs) for a number of savings proposals in its MTFS 2025/26 to 2028/29. These documented potential negative impacts on vulnerable groups. While mitigating actions were generally set out within these, two of the eleven IIAs did not set out any mitigating actions for these negative impacts. Three IIAs concluded that the proposal should not go ahead owing to potential negative impacts, but these proposals were approved in the council's budget setting meeting in February

Findings	Evidence
	2025. The council plans to agree mitigating actions as part of the development process.
	The IIAs published with the MTFS 2025/26 to 2028/29 also demonstrate limited public consultation beyond the council's budget survey. The council should ensure that this is documented in IIAs.
	The council provided a number of additional IIAs alongside those published with the MTFS 2025/26 to 2028/29. These primarily identified neutral or positive impacts. They set out details of consultation with service users and other stakeholders, but it is not always clear how this contributed to proposals.
	The council has guidance and training in place around IIAs, so should make sure that this is adhered to in practice.

Recommendation 4

The council should clearly report the impact of its transformation activity to the public.

Recommendation 5

The council should consistently document how it intends to mitigate potential negative impacts from its transformation proposals within its integrated impact assessments.

Appendix

Improvement action plan

Issue/risk	Recommendation	Agreed management action/timing
1. Transformation planning The council is carrying out a wide range of activities to progress the Transformation Blueprint. It has identified priority projects for 2025/26 and is developing project plans to support these. The council recognises the fiscally challenging environment it is operating in and now needs to find a way to accelerate progress further.	The council should finalise its plans for its identified priority transformation projects, outlining savings to be achieved, costs and anticipated financial and non-financial benefits.	**Management response** The Council has reported that the delivery of savings through the Transformation Blueprint is its preferred route to financial sustainability. Transformation projects are initiated once approval for funding etc. is agreed through the Council's governance route. Currently, transformation projects such as Waste In-Cab, Client Transport, Customers Payments and Open Revenues have been approved and are underway. Plans for the proposals agreed at Council in February 2025 are being developed and when Business Cases are approved, plans for delivery will be developed. Once expected or identified savings are known these will be incorporated into the MTFS. It is recognised pace is required to ensure transformation contributes to closing the Council's funding gap and reduce its reliance on one-off reserves to balance future budgets.

Issue/risk	Recommendation	Agreed management action/timing
		Responsible officer
		Business Transformation Board
		Business Transformation Steering Group
		Actioned by
		December 2025
2. Reporting progress of transformational activities The council has effective governance arrangements in place for reporting progress to the senior leadership team and elected members. It has developed a Transformation Blueprint dashboard to provide an overview of progress across projects. This is supported by detailed papers on individual projects.	The council should consider how to incorporate consistent reporting of costs, savings, anticipated benefits, and timescales into its Transformation Blueprint dashboard updates as this information becomes available.	**Management response** The Transformation Blueprint dashboard is a summary of the individual transformation projects/workstreams. The dashboard is supported by individual project documentation through which spend, timescales and benefits are reported through Project Boards and relevant Committees. The dashboard will continue to report on key milestones and project status and incorporate key anticipated benefits for each project. Financial reporting on overall transformation spend will be incorporated from Q1 2025/26. Individual project spend is monitored through Project Boards. Savings or income generation identified from the delivery of projects will be incorporated in the MTFS. **Responsible officer** Executive Business Manager, Transformation

Issue/risk	Recommendation	Agreed management action/timing
		Business Transformation Steering Group **Actioned by** December 2025
3. Resources for transformation The council faces challenges with recruitment and capacity in some service areas and reports that it is working to address these. It has used its Transformation Fund to develop a fixed-term Project Management Office to support implementation of the Transformation Blueprint.	The council should consider how it will resource its transformation work after the current three-year term for its Project Management Office ends.	**Management response** The future resourcing of Transformation work and the Programme Management Office will be considered as part of the Council's Transformation Blueprint and strategic workforce and organisational planning. **Responsible officer** Business Transformation Steering Group Midlothian Council **Actioned by** August 2027
4. Reporting the impact of transformational activity The council recognises that it should be more transparent in reporting the impacts of its transformation work and is taking steps to improve this.	The council should clearly report the impact of its transformation activity to the public.	**Management response** Public information is communicated through various social media channels, and a local community radio channel. Transformation work is also shared on the news pages of the Council's website and media releases to highlight where achievements and milestones have been reached. There have been recent social media releases highlighting the Council's key performance statistics some of which link to transformation initiatives.

Issue/risk	Recommendation	Agreed management action/timing
		The development of the Council's Transformation web pages will be used to strengthen public communications and highlight progress and successes to the public.
		Responsible officer
		Transformation Programme Management Office
		Actioned by
		August 2025
5. Integrated impact assessments In the council's integrated impact assessments for transformation proposals, it is not always clear how public consultation has influenced plans, nor what mitigating actions are in place to address potential negative impacts.	The council should consistently document how it intends to mitigate potential negative impacts from its transformation proposals within its integrated impact assessments.	**Management response** The Council ensures the importance and legal and moral reasons for Integrated Impact Assessments is known to relevant staff through the delivery of training. Training is delivered in partnership with City of Edinburgh Council, East Lothian Council, West Lothian Council and NHS Lothian. The training will be reviewed to ensure it focuses on mitigating factors for transformation proposals.
		Responsible officer
		Transformation Project Senior Responsible Officer
		Actioned by
		December 2025

Midlothian Council

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

AS.5.0