

Transformation – How councils are redesigning and delivering more efficient services to achieve planned outcomes

Best Value Thematic 2024/25

Aberdeenshire Council

Prepared for those Charged with Governance and the
Controller of Audit

30 May 2025



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

Scope of the thematic work

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. Transformation, through greater collaboration with partners, will be key for councils to deliver more sustainable service models in challenging financial climates.

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

The [Accounts Commission's Strategy \(2021-2026\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit Practice sets out the Best Value work required to report on these priorities.

Code of Audit Practice 2020 – Best Value reporting requirements

The Accounts Commission's approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports. This is set out in the 2020 Code of Practice, issued by Audit Scotland:

As part of their integrated wider scope annual audit work, appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.

The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integrated Joint Board at least once over the five-year audit appointment on the body's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.

The Accounts Commission reports nationally on thematic aspects of local government bodies' approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission

Scope of the thematic work - continued

This report covers the thematic aspect of the Best Value audit requirements. The Accounts Commission has directed auditors to report on how councils are responding to local government budgetary challenges through service transformation and innovation.

In producing this report, we have considered the following questions posed by the Audit Scotland guidance:

- 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 communities and partners 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?

An improvement plan is included at Appendix A of this report. This sets out our audit recommendations in key areas, and the council's planned response including responsible offices and dates for implementation.

The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2023, Best Value Statutory Guidance 2020](#).

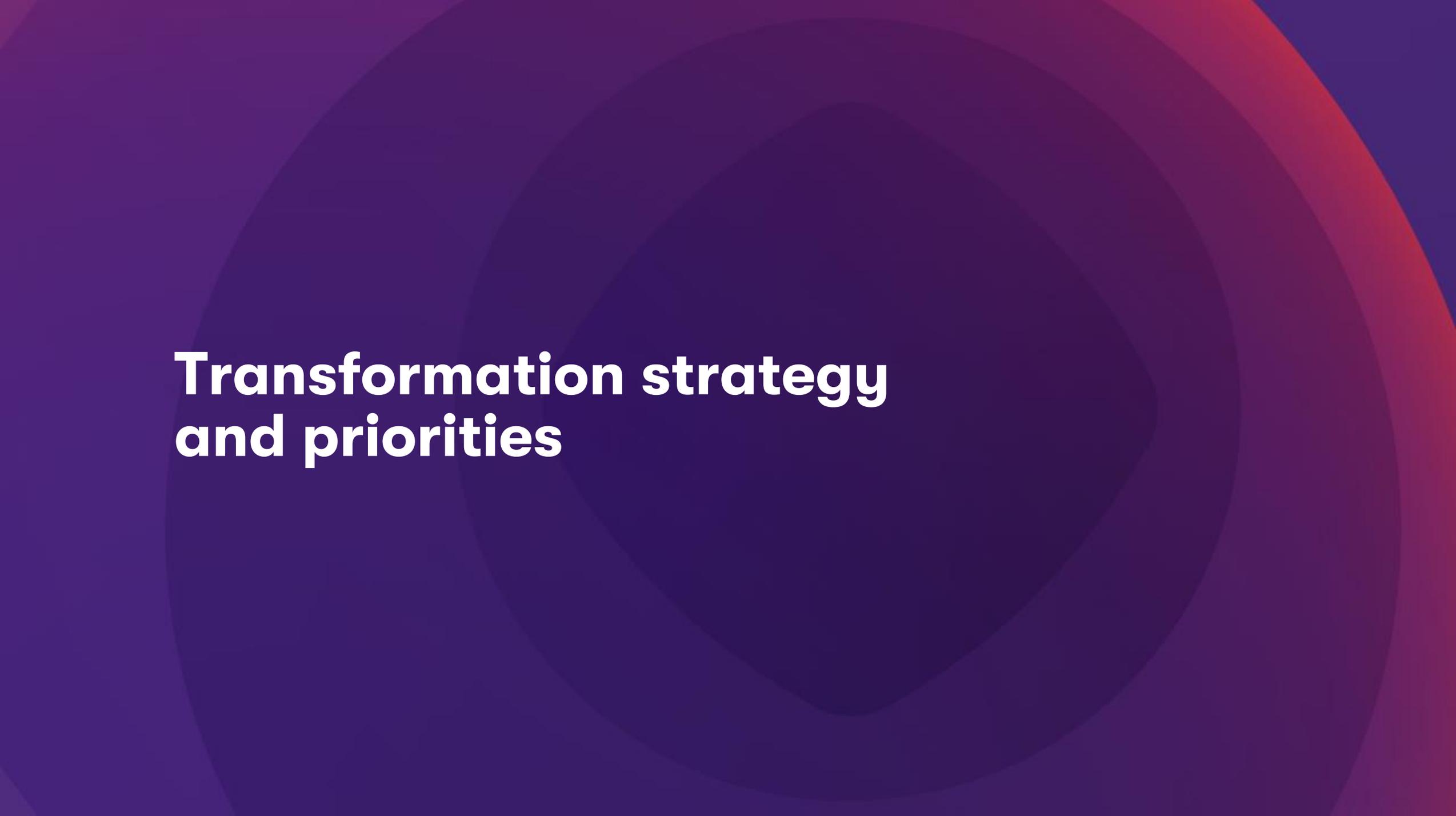
We would like to thank the Senior Management Team for their engagement in the Best Value Thematic process and for the supporting evidence provided to the audit team to assist us forming our conclusions.

This report is presented to the Audit Committee in July 2025. Any significant progress to the recommendations made in this report will be included within the Annual Audit Report which is scheduled to be presented to the Audit Committee on 30 October 2025.

Key messages

We have raised a number of recommendations for improvement. These are in Appendix 1 of this report.

Question	Conclusion
<p>To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?</p>	<p>The Council has a Transformation Strategy which links to its priorities, set out in the Corporate Plan. A balanced budget has been set for 2025/26 with some recurring and non-recurring savings still to be identified. The Medium-Term Financial Strategy identifies a funding gap of £79.5m over the next four years. While the Council can evidence that transformation projects are in train and developing, it is not clear how they are monitoring the cost incurred and savings obtained from these projects. We note that transformation is only part of the solution to providing the long-term financial sustainability of the Council and the council continues to work on other savings and departmental change alongside transformation.</p>
<p>To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans?</p>	<p>Reporting on progress of transformation projects needs to be improved and standardised to allow for comparison of projects across the Council and to enable Members to see clearly where progress is being made and where risks might be arising. Clear financial and non-financial targets for each project require to be set, monitored and reported on regularly.</p>
<p>To what extent are communities and partners involved in the development and delivery of the council's plans for transformation?</p>	<p>The Council engages well with its local communities and uses community engagement as a mechanism to shape and transform service delivery. Community engagement is used to good effect in the Council's service delivery decisions. The Council has some formal partnerships which are working well and providing benefits.</p>
<p>To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?</p>	<p>The Transformation Strategy theme projects which are underway do not have success measures defined at the point of inception. It is therefore difficult to quantify the impact – financial and non-financial – these projects are having at the Council. The Council should introduce comparable success measures for each project.</p>



Transformation strategy and priorities

Transformation strategy and priorities

To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?

The Council has a Transformation Strategy which links to its priorities, set out in the Corporate Plan. A balanced budget has been set for 2025/26 with recurring and non-recurring savings still to be identified. The Medium-Term Financial Strategy identifies a funding gap of £79.5m over the next four years. While the Council can evidence that transformation projects are in train and developing, it is not clear how they are monitoring the cost incurred and savings obtained from these projects, which are essential to the long-term financial sustainability of the Council and contributing to bridging the funding gap identified.

The Council needs to ensure it can deliver sustainable services now and in the future, and difficult decisions will need to be made to achieve this. The Accounts Commission's [Local government budgets 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.

Aberdeenshire Council have set a balanced budget for 2025/26, approved by full Council in February 2025. However, the medium-term financial strategy (MTFS), approved at the same time as the 2025/26 budget predicts a cumulative funding gap of £79.5 million over the next four years to 2029/30.

The Accounts Commission's [Local government budgets 2024/25](#) briefing showed that in 2024/25, of the 32 councils across Scotland, Aberdeenshire Council had the ninth largest budget gap as a percentage of its revenue budget at 4.5%; the highest was Highland Council at 8.5% and the lowest was Glasgow City at 0.2%. Aberdeenshire Council also had the fifth largest cumulative budget gap over the two-year period to 2026/27 at 8%; the highest was Shetland Islands at 22% and the lowest was Scottish Borders at 2%; the average was 5%. A comparison with other Councils can be seen in the Accounts Commission's [Local government budgets 2024/25](#) briefing.

The Council faces significant demographic challenges, with the region's

pensionable age population expected to increase by 28% by 2030, a higher rate of increase than the rest of Scotland, which is expected to be 24%. This change will undoubtedly increase the demand for social care and housing services, which will have a consequential impact on the cost of delivering social care, housing and benefits, amongst others. The savings required to ensure financial sustainability of the Council are likely to need to increase in light of this.

In order to balance the Council's 2025/26 revenue budget, a £5.7 million transformation/service efficiency savings target has been identified (which represents an efficiency percentage target applied to all Council services). We understand that Council services have put in place a number of projects to meet savings targets but we were unable to view a comprehensive list of the projects, what they would cost to implement and what they would save and most importantly, progress made in achieving that target as the financial year progresses. Without this information, it is difficult to form a view on the achievability of the savings target set by the Council.

The 2025/26 budget also assumes £6.2 million of annual recurring transformation savings across the Council. This was introduced in the 2024/25 budget and is now a 'baked in' assumption that the recurring saving will have occurred. We understand, however that those savings will largely fail to be achieved in 2024/25 so will need to be found in the 2025/26 year, in addition to the £5.7m above. Without proper tracking of cost and savings, it will be impossible for the Council to measure success of the savings plan.

Transformation strategy and priorities (2)

In 2022/23 the Council approved the establishment of a Transformation Reserve to fund transformation projects that enhance efficiency, modernise services and deliver sustainable cost reductions with the aim of ensuring the Council could effectively bridge future budget gaps. At conception, the fund held £37.499 million, and at 31 March 2025 this reserve held £16.239 million. Funds withdrawn from the reserve must generate savings to replenish the reserve within a set period, as the reserve is not cash backed. To date, the fund has mainly been used to fund voluntary severance costs, the development of the transformation team and the two projects described in the case studies on pages 17-18.

The Aberdeenshire Integrated Joint Board (IJB) is forecasting a financial deficit for the 2024/25 year of £26.543 million; of which the Council is expected to contribute £11.413 million. Consequently, on 27 February 2025, the Council agreed to temporarily suspend any further requests to withdraw funds from the Transformation Reserve, as these funds may be required to fund the Council's share of the IJB deficit. While transformation work continues at the Council, projects that require funding are not being funded from the transformation reserve and other methods of funding these projects need to be considered. It is not yet clear what impact this will have on the Council's ability to continue to deliver on its transformation program.

Aberdeenshire Council agreed its Future Aberdeenshire Transformation Strategy in November 2023. The strategy contains a vision statement to explain the reasons for transformation:

'Our transformation plan is to take a whole organisation approach to change – opening opportunity for innovative projects which will help protect our finite resources and create financial sustainability for our future.'

A two-track approach is set out in the strategy that aims to support continuous improvement, service redesign and process re-engineering across the Council. Track 1 is Themed Transformation, Track 2 is Team Transformation Activity.

Themed Transformation is based on five themes which are the overarching pillars for activity in track 1:

Shape of our Council	How the structure of the Council, its service delivery and processes can be changed to create savings
Buildings and Estates	Changes that can be made to the estate and the way buildings are used to create savings
External Collaboration and Partnership	How the Council can engage with communities, third sector organisations and businesses, to create savings
Big Data, Digital and Technology	Using new and existing technologies to better improve efficiencies within the Council and create savings
Transport	How the Council can change, use and improve transport systems and resources to create savings

Creating savings is clearly the key to the transformation strategy. Each of the themed areas is led by a Chief Officer, with regular progress reporting taking place to the Strategic Change Board (SCB).

The Transformation Strategy includes high-level information about the types of projects that might occur in each of the themes, harvested from transformation workshops and community engagement events as the strategy was being developed. While there is reporting to SCB, which goes onwards to Council, there is no overarching document that sets out key details such as:

- how and when the individual transformation projects will be implemented;
- what costs are expected to be incurred, when those costs will fall and how they will be funded;
- what savings are expected to be generated and when they will be realised;

Transformation strategy and priorities (3)

- whether reserves will be used to fund projects and, if so, how this will be managed (although, as mentioned earlier, we note that a Transformation reserve is in place with appropriate pay back periods etc.);
- how the success of individual projects will be measured (especially where the primary outcomes are not expected to be financial); and,
- how progress will be monitored.

Track 2 – Team Transformation Activity is designed to embed the change in the services, with an identified leader in the service promoting transformation in the way teams operate. It is intended to be developed as a rolling plan over the next 2-3 years. We are unclear how this is intended to be monitored.

Without such information being held centrally and monitored it is difficult to understand how the Council will be able to measure success of the strategy's implementation. **See Recommendation 2.**

The Aberdeenshire Council Plan ('the Plan') was approved by full Council on 27 June 2024 and covers the period from 2024 – 2029. The Plan outlines that one of the key challenges facing the Council is expected to be demographic changes, with Aberdeenshire's over 65 population expected to grow more than the rest of Scotland, whilst the school-age and young people population is set to decline.

With this in mind, the Plan sets out its key strategic objectives as follows;

- **A sustainable economy** – supporting a strong and diverse economy by attracting people of working age to the region, complimenting the existing highly skilled local workforce;
- **Connected communities** – working with communities and partners to enhance the sense of connection amongst the region's places. This includes supporting communities to develop innovative solutions to ensure the region's places are resilient and vibrant; and

- **Living well locally** – encouraging and supporting residents to lead healthy and active lifestyles and contribute meaningfully to their communities. This includes making proactive choices that will allow the Council to cater to the needs of its increasingly aging population.

The Plan also outlines how decision making should involve local communities and service users, as well as the Council's climate target to meet net zero.

There is no explicit link between the Plan and the Transformation Strategy – albeit the 'Connected Communities' objective above does clearly link to the 'external collaboration and partnership' theme in the Transformation Strategy. There are, however, links between projects such as improving transport and living well locally or accessible schools and reducing school transport costs. While this is positive, on balance, the aims of the transformation programme are unclear, beyond the need to save money, and it is not clear how savings identified through enacting the Strategy will then be used to meet the objectives of the Plan.

A number of individual transformation projects have been identified by the Council and many are underway. Most are in their early stages. However, reporting on success or otherwise is hindered by the fact that there is no central reporting on all transformation projects in progress.

The Transformation Strategy describes how each project should be supported by a business case which should include clear links to the Council Plan and estimated costs and savings. Each business case should also include an Integrated Impact Assessment, so there is a clear appreciation of the impact of changes on residents and those with protected characteristics.

Transformation strategy and priorities (4)

Initially an outline business case is prepared, which is reviewed by the Project Management Office (responsible for overseeing transformation across the Council), before being approved by the Directorate Management Team (DMT) and Strategic Change Board (SCB). A full business case is then prepared. Full business cases are reviewed and approved again by the DMT and SCB and then also by the relevant Policy Committee, before they are finally reviewed and approved by full Council. Once full Council has approved the business case, any requested funding will be released.

The governance process above is in line with good practice. However, this process is only followed when a project is deemed to be transformation and requires funding. Where the project can take place with existing resources, full business cases are not always prepared.

For example, the recent school estate rationalisation programme, which arguably had transformational elements, was not considered to be under the transformation umbrella and did not require funding, so a business case was not considered from a transformation perspective. While there is no evidence that the programme was not appropriately governed, if the savings obtained are deemed to be from transformation activities, it should have gone through the same governance processes. **See Recommendation 3.**

We have reviewed a sample of business cases, produced under the digital theme, which included quantified costs and benefits of implementing the project. The common theme we have seen is the expectation of savings being delivered in the form of reductions to staff time through efficiencies to internal processes. Achieving savings from staff time efficiencies will not be tangibly realised until further action is taken, for example, by removing posts.

In October 2024, the Council introduced a Corporate Vacancy Management Process which limited the circumstances under which vacancies could be filled and introduced a requirement for all vacancy management requests to be approved by a Corporate Vacancy Board. From September 2024 – April 2025, the Council's full time equivalent (FTE) for contractual staff has reduced by 294 to 9,765, an equivalent of 10,878 hours and 2.9%. Reporting is not clear on the level of FTE reductions that can be attributed to transformation projects and thus the savings achieved.

Whilst all of the projects we have reviewed have included quantified costs and benefits, there appears to be a lack of standardisation across the plans in how these figures are calculated. In some cases, the cost of staff time is included and in others it is not. Similarly, in some cases the savings have been calculated on a per annum basis, whereas in others the savings have been aggregated over a fixed period, even where savings are recurring. This makes it difficult for projects to be assessed on a comparable basis and effectively monitor progress. The Council should seek to standardise how costs and benefits are quantified for business cases, so that these can be appropriately compared and the value and timing of future savings can be accurately estimated and monitored. **See Recommendation 4.**

The estimated savings from the projects we reviewed have ranged from £470k - £823k per annum, or £2.237 million where savings were presented in total. It is not clear how these savings fit into the larger scale picture, but at present savings do not appear to be sufficient to address the £79.5 million funding gap. **See Recommendation 1.**

Transformation oversight

Transformation oversight

To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans?

Reporting on progress of transformation projects needs to be improved and standardised to allow for comparison of projects across the Council and to enable Members to see clearly where progress is being made and where risks might be arising. Clear financial and non-financial targets for each project require to be set, monitored and reported on regularly.

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.

The Council has a Programme Management Office (PMO) in place, headed by the PMO Team Leader. The PMO Team Leader reports to the Transformation Programme Manager, who in turn reports to the Director of Business Services. Each of the five transformation themes is led by a Chief Officer and is supported by a project manager and delivery team. The PMO is in place to support transformation activity across the Council and its costs are funded from the Transformation Reserve.

The Council has a Strategic Change Board (SCB) which has oversight of strategic change and transformation across the Council and is made up of the Chief Executive, Directors, Head of Finance and the Head of Legal and People. Monthly reporting to the SCB, allows the Council's senior leadership team (SLT) to provide scrutiny on the portfolio of programmes and projects across change and transformation. At each meeting, each of the five theme leads present an update on progress. This is a high level update which includes an overall RAG rating, key achievements in the period, focus for the next period, any support requirements, risks/issues, mitigations/handling strategy and any upcoming milestones. We attended a meeting of SCB and found a good level of discussion

and understanding of goals.

Reporting to SCB, which then goes to full Council, includes for each of the themes, the total spend to date, but there is no comparison to expected spend. Similarly, there is no inclusion of the expected and achieved savings for individual projects or themes as a whole. We did not observe any key performance indicator data being presented in support of non-financial targets. The Transformation Strategy is predicated on the Council making significant savings, so by not reporting on the savings made they will be unable to quantify the success of the strategy. **See Recommendation 5.**

The most recent SCB minutes and papers showed that, with the exception of the Transport workstream in one instance, every workstream was given an amber RAG rating. Furthermore, all workstreams rated 'Resourcing' as either an amber or red risk.

We were unable to define what the Red, Amber, Green status applied by the Council actually meant – it could be that the objective is not being met, spend is higher than anticipated, savings are not at the level anticipated or that the timescale envisaged is not accurate. Neither could we determine what mitigating actions had been taken against red risks. Without definition and explanation, it is not a true reflection of progress that will allow Members to make effective decisions. This should be defined and reported on regularly. **See Recommendation 5.**

Transformation oversight (2)

Reporting to full Council on the progress of the Transformation Strategy was approved as being on a six-monthly basis. Infrequent reporting, alongside the lack of financial information and status of projects does not indicate that Members are being given appropriate and sufficient evidence on which to make decisions. **See Recommendation 5.** We note that reporting to full Council is expected to increase to quarterly updates from June 2025.

In 2022/23 the Council approved the establishment of a Transformation Reserve with funds of £37.499 million to support the delivery of the transformation programme. In June 2024, £3.000 million was allocated to staffing and consultancy costs, which in the main has been used to fund the transformation team in the PMO.

Withdrawal of funding from the Transformation Reserve is currently suspended whilst the financial challenges presented by the IJB are addressed. Consequently, without a clear longer-term strategy for financing the transformation team and programme management, the programme will need to end in March 2026 when the current allocated funding is expected to be exhausted. The Council will need to determine if there remains a requirement for a PMO to oversee and support transformation projects, and if so, how this will be funded.

In June 2024, the Council approved £0.951 million spend from the Transformation Reserve for the Big Data, Digital and Technology theme. Reporting from Officers set out that this investment would “deliver cashable savings of £2.237 million”, which is essentially a result of a reduction in staff costs delivered by digital efficiencies. We have not been able to verify how much of this FTE saving is achievable as cash savings, or how quickly it can be achieved, and this information was not provided to Members.

At the same meeting, the Council were provided with an update on the Buildings

and Estates theme which included a programme tracker which included a list of activities with RAG ratings against each. The majority of the activities were rated as Amber, with many rated Red. As we have already identified, reporting is not clear what the ratings mean, and no mitigations appear to have been identified to remedy the red and amber ratings. The minutes state that the Council heard the update and, after debate, “agreed to note the progress relating to Aberdeenshire Council’s transformation activity.” There is no further evidence of the discussion held, or challenge made by members.

Update reports on transformation projects are also presented to the Business Services Committee (BSC), or the appropriate service committee. The latest meeting of the BSC on 12 June 2025, saw a 6-month update on the Shape of our Council, External Collaboration and Partnership, and the Buildings and Estates themes.

Updates for each theme included information about the ongoing work in each of the themes and an update on risks that had been identified to achievement of the savings target. However, these were presented differently in each case, with Shape of our Council including a brief explanation of the risk and the workstream objective to which it related. The other themes being reported presented a detailed list of risks identified with a risk rating from 1-10, mitigating actions which had been identified for each risk, a risk owner who had been identified and the status of the risk (i.e. open or closed).

The Building and Estates theme update included a detailed list of all the individual projects, showing their target dates, a RAG rating and a narrative update. Some projects, not all, included savings and costs information. As for the reporting to SCB, there was no definition of RAG in the document, but the amber rated projects, in the majority, related to resource availability. While mitigating actions were identified, there was no indication on how successful that had been.

Transformation oversight (3)

We appreciate that the work in some of these workstreams may be at an early stage, and therefore savings and costs targets, and KPIs, may not yet have been set. We also appreciate that the nature of the projects under the workstreams will be different; however, reporting performance information in a consistent way across the workstreams will allow for easier understanding and comparison. The Council must seek to update their financial and non-financial performance reporting on transformation projects in order that oversight can be properly applied from the use of consistent performance information that is defined at project inception. This applies to reporting to SCB, Council and Service Committees. Members must be given relevant and comparable information to allow for effective decision making. **See Recommendation 5.**

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Partnership working and community engagement

Partnership working and community engagement

To what extent are communities and partners involved in the development and delivery of the council's plans for transformation?

The Council engages well with its local communities and uses community engagement as a mechanism to shape and transform service delivery. Community engagement is used to good effect in the Council's service delivery decisions. The Council has some formal partnerships which are working well and providing benefits.

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 Council has a wide range of transformational projects in progress and the level and type of partner and community engagement varies accordingly.

The big data, digital and technology transformation theme has drawn on technical support from external private sector partners (Microsoft), whereas the Investment in Children's Home Provision across Aberdeenshire project has drawn on feedback from children, young people, and their families who are currently receiving this service and the staff working in the existing children's homes.

We are aware that the Council has engaged with the community, third sector and vulnerable group engagement on a variety of projects, from engagement with tenants as part of the sheltered housing review to engagement with local communities and pupils around the closure of rural schools and estates rationalisation projects. The Council understands the importance of community and partner engagement at an early stage in project planning.

Needs of communities and vulnerable people within them are captured by an Integrated Impact Assessment (IIA), which is completed as part of a full business case before project approval. IIAs are completed on a standardised template, ensuring consistency across the Council. However, as noted earlier in this report, not all projects require a full business case, and thus an IIA completed before approval.

Engagement with vulnerable groups should be carried out in an accessible and appropriate way to ensure they have the opportunity to influence plans. Similarly, community engagement should be performed in an accessible way, around the redesign of services to ensure these are planned around community needs and improve outcomes. This is also essential to securing community buy-in.

Completion of an IIA is an important tool for the Council to demonstrate to Members and the general public that the decision-making process was fulsome and took into account local needs. As reported earlier, the Council should establish governance requirements for projects, including completion of an IIA. **See Recommendation 3.**

We understand that the Council is currently considering a project that would establish a shared services function with Aberdeen City and Highland Councils. The different forms that this project could take are currently being investigated, with examples ranging from sharing HR services, collaboration on workforce strategies, co-development and delivery of training materials, and many more. Beyond this, we have seen little evidence of partnership working with other Councils. This is an opportunity for Aberdeenshire Council to explore as it continues to develop its transformation strategy. **See Recommendation 6.**

Partnership working and community engagement (2)

Below are details of two transformation projects identified by the Council.

Case Study – Big data, digital and technology

The Future Aberdeenshire Transformation Strategy describes the big data, digital and technology workstream as focusing ‘on how we can utilise new and existing technologies to better improve efficiencies within the Council and create savings.’

There are numerous individual transformation projects underneath the high-level theme. The council has adopted and implemented Microsoft Co-Pilot an artificial intelligence tool, that has been rolled out to all staff. A process automation project is in train, looking at a wide range of council processes to identify and create efficiencies – including the invoice automation project. Overall these projects aim to deliver savings in the form of time efficiencies, as well as improved service, through the automation and digitisation of service delivery.

The early stages of the digital transformation programme have been largely internally focussed. However, where there will be an impact on service users, for example through the move away from face-to-face service points in favour of telephone and online services, service users have been engaged in the development of those plans.

The Council has been engaging with private sector partners in the development and delivery of projects under the digital theme. Civiteq, a government partner, which provides digital & service transformation and ERP advisory & delivery to local and central government organisations, has been engaged in the early development work to help design the digital transformation strategy, adopt enterprise architecture, develop a business case for enterprise resource planning (ERP) and learn from others.

Microsoft, and one of their partners, Changing Social, have been engaged to support the Council with the adoption of Co-pilot and to maximise the benefits which can be gained from its use.

The Council see the main benefit of the programme being the staff time saved through transforming processes to make them more efficient, leading to less staff time being required to run key processes. The Council has estimated that the digital theme of the Transformation Strategy will generate £2.237 million of savings in the first tranche through a reduced FTE.

In addition, there are a number of non-financial benefits to the project, such as a reduction in mistakes caused by human error, the ability to run tasks through the night and over weekends, improving accessibility to services, protecting customer data, ensuring data is accurate and up-to-date enabling improved insights and more informed decision making.

Partnership working and community engagement (3)

Case Study – Investment in children’s home provision across Aberdeenshire

Aberdeenshire Council currently has four children’s homes which provide residential care within the region. These homes are operating at full capacity, and a significant number of children and young people have had to be placed in out-of-authority residential care. Around half of those placed in out-of-authority care could have been placed in Aberdeenshire had the capacity been available to do so.

Placing children in out-of-authority care present a number of issues;

- these placements are more expensive than providing the care within Aberdeenshire;
- children are often placed a long distance from their families, communities and friends;
- children often have to change schools when they are placed outwith the region;
- the Council has less control;
- it is more difficult to make good use of local partners, such as Child and Adolescent Mental Health Services and psychotherapists;
- travel costs are increase for both support workers and families

The Council have identified an opportunity to both save on costs and improve the service delivered by changing the proportion of children’s residential care which is provided out of authority vs the amount provided within Aberdeenshire.

The projects aims to deliver two new children’s homes in Aberdeenshire, allowing for eight new placements within the region.

The project is in the early stages, and properties have not yet been identified for purchase, but the Council envisages purchasing the properties in the 2025/26 year, opening the first home in April 2026 and the second 18 months later, in October 2027.

In the development of this plan, the Council has engaged with the children, young people, and their families who are currently using the existing service. Feedback from these groups is provided at looked after child reviews, engagement with advocacy services, and formal consultation processes with children and young people.

At present, the Council have not identified where in Aberdeenshire they would like to acquire the new children’s homes and therefore direct community engagement has not yet taken place but is scheduled to do so when locations are identified. In addition, there is regular engagement with communities and service providers around the existing facilities.

The Council has a budget of £1.5 million for the two properties. Running costs will increase over time as the two homes are made operational. The Council estimates that by the time both homes are up and running they will cost c. £1.570 million per annual, based on currently owned comparable homes. The cost of average purchased case only placements is £4,907 per week. For eight young people this costs over £2.041 million per annum.

Therefore, the Council estimates that the project will save the Council £0.471 million per annum. There is potential for the saving to be higher due to the decreased staff time and costs associated with travel.

Over and above financial savings, the project, when completed, will provide better outcomes for Aberdeenshire young people and their families.



Impact of transformation activity

Impact of transformation activity

To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

Transformation Strategy theme projects underway do not have success measures defined at the point of inception. It is therefore difficult to quantify the impact – financial and non-financial – these projects are having at the Council. The Council must define measures for defining process and success to enable them to document the success of their Transformation Strategy.

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.

During the initial stages of a project, the Council prepares Integrated Impact Assessments (IIAs) to support the business cases prepared for each transformation project during the initial phase. These IIAs follow a standard format, designed to identify the positive, neutral or negative impacts that the project may have on protected groups. Any negative impacts are required to have mitigations identified, and any actions identified from the IIA are included to an action plan with a lead officer identified and a planned start and finish date. We have not seen evidence of the identified mitigations being monitored for implementation, so we have been able to assess the effectiveness of this but consider the inclusion of this step to be good practice.

As set out previously, IIAs are only completed when a full business case is completed. Of those that had been completed and we reviewed, it was not always clear how the contents of the IIA and the business case linked and how the outcomes of the IIA had impacted on the business case design.

IIAs are an important tool to demonstrate community engagement and to identify and plan for any unintended consequences of change. As set out in **Recommendation 3**, the Council should consider increased use of IIAs as part of the transformation strategy and project governance process.

As highlighted earlier in this report, we have found that the Council is not identifying clear success measures for its transformation projects, whether that be financial or non-financial objectives. We have noted that the reporting through the Strategic Change Board and full Council also lacks details on progress against success measures. Therefore, with no projected measure of success, it is near to impossible to consider the impact separate projects have had.

Many of the Council's transformation projects are in their early stages so outcomes cannot yet be assessed, however for those projects which are complete we have observed that there does not appear to be a consistent approach to measuring the impact of projects against success measures, or the impact on communities and vulnerable groups. Furthermore, it appears that there are a number of projects ongoing, that are transformational but are not being considered as such.

That is not to say that completed projects have not been successful or that outcomes have not been measured. We are aware of projects which have been highly impactful, for example the Council's work in addressing homelessness, which has seen significant changes to the way the service is delivered, resulting in people spending less time in temporary accommodation. Which is a better outcome for the resident and a reduction in staff time and housing costs for the Council.

Appendices

A. Improvement action plan

We have set out below, based on our audit work undertaken on the transformation thematic, the key recommendations arising from our work:

Issue / risk	Recommendation	Agreed management response
<p>1. Transformation Strategy impact on Medium-Term Financial Strategy</p> <p>The Medium-Term Financial Strategy (MTFS) 2024-2029, approved in February 2024, identifies a £79.5m savings gap over the period of the strategy. The 2025/26 budget was balanced by including a savings target of £5.7m across council services. The 2025/26 budget also includes 'baked in' recurring savings of £6.2m, which were not fully identified in 2024/25.</p> <p>The Council has to make significant savings in the coming years. The Transformation Strategy is predicated on making efficiency savings across the Council. However, the savings envisaged by the Transformation Strategy are not clearly set out for each theme or project, nor the timeline for achieving them.</p> <p>Without this level of detail, it is not clear if the transformation strategy is far reaching enough to meet the funding gap predicted by the MTFS. However, the projects which are currently underway do not appear to be generating the level of savings which would be required.</p>	<p>The Council should develop a transformation programme that aligns with the Council Plan and its Medium-Term Financial Strategy. It should ensure that the transformation strategy is sufficient, when combined with other savings, to deliver the Medium-Term Financial Strategy.</p>	<p>Action Owner:</p> <p>Timescale for implementation:</p>

A. Improvement action plan

Issue / risk	Recommendation	Agreed management response
<p>2. Reporting outcomes of the Transformation Strategy</p> <p>The Transformation Strategy includes high-level information about the types of projects that might occur in each of the themes but does not identify projects. The Council has no central list of all the transformation projects being undertaken and while this may exist in services, there is no overarching view.</p> <p>This makes reporting difficult as while there is reporting to Service Committees, the Strategic Change Board and Council, there is no standardised reporting.</p> <p>In addition to not having a centralised list, we found that it was difficult to identify from the objectives of the projects reviewed, what they would cost, what they would save, whether there was a non-financial impact that should be measured. Without setting out these measures at the inception of a project, it is impossible to report progress and success.</p> <p>There is a risk that transformation projects are ongoing that are not creating savings, and conversely, transformation projects that are creating savings but are not being recorded.</p>	<p>The Council should set out clearly the expected costs, savings and outcomes of projects arising from the Transformation Strategy. For each project, the following should be considered and documented:</p> <ul style="list-style-type: none"> • What are the Council’s primary objectives for transformation? Objectives should be specific, measurable, achievable, relevant and time-bound. • What are the expected costs of delivering the programme and when are they expected to be incurred? • How will costs be funded? Will reserves be used and if so, how and when? • How much does the Council expect the programme to generate in savings, and when are those savings expected to be realised? • If savings are not directly realisable (for example, in the case of FTE reduction), how will savings be realised? • How will progress against the primary objectives be measured and monitored? 	<p>Action Owner:</p> <p>Timescale for implementation:</p>

A. Improvement action plan

Issue / risk	Recommendation	Agreed management response
<p>3. Approval of transformation projects</p> <p>A clear governance process is in place for the approval of projects arising from the Transformation Strategy, including an Integrated Impact Assessment (IIA) and full business case.</p> <p>However, where projects do not require funding from the Transformation Reserve, a business case and IIA does not require to be completed.</p> <p>The risk arising is two-fold – firstly, transformation savings may be taking place across the Council but are not being monitored and reported as such as they are not deemed to be transformation. Secondly, not completing IIAs for new projects may mean that unintended consequences of change arise that then cost the Council money and reduce the savings projected.</p>	<p>The Council should seek to apply a standard governance process for all transformation and savings projects to ensure that proper scrutiny and assessment is applied in all cases.</p>	<p>Action Owner:</p> <p>Timescale for implementation:</p>

A. Improvement action plan

Issue / risk	Recommendation	Agreed management response
<p>4. Project costing and savings identification</p> <p>Where costs of projects have been recorded and reported, we have noted inconsistencies in the way that costs and benefits from projects are being quantified, making comparison difficult.</p> <p>Many of the transformation projects, particularly in the ‘Big data, digital and technology’ workstream, aim to generate savings primarily by creating efficiencies, saving staff time and therefore reducing overall FTE.</p> <p>In order for a reduction in FTE to generate real cashable savings, the Council needs to either reduce its payroll or employ the saved time on further cost saving or income generating activities. Project information reviewed is not clear how the Council intends to convert these efficiencies into real cash savings or income, the value of the savings and the timeline for their achivement.</p> <p>Without accurate and standardised information on cost and projected savings for projects, comparison of projects is difficult. Furthermore, without this information, there is a risk that the savings plan identified to mitigate the funding gap identified in the MTFS is inaccurate in terms of value and timing of savings.</p>	<p>The Council should seek to standardise how costs and benefits are quantified for business cases, so that these can be appropriately compared and the value and timing of future savings can be accurately estimated and monitored.</p> <p>The Council should ensure that there is a mechanism for tracking how much of the time saved from efficiencies created by transformation projects is being realised as a reduction in overall FTE numbers or being used to generate other savings or income, so that progress and success can be measured.</p>	<p>Action Owner:</p> <p>Timescale for implementation:</p>

A. Improvement action plan

Issue / risk	Recommendation	Agreed management response
<p>5. Reporting progress from the Transformation Strategy</p> <p>Members must be given relevant and comparable information to allow for effective decision making.</p> <p>Progress reporting from transformation projects could stand to be improved and standardised to allow for meaningful comparison.</p> <p>We did not observe any key performance indicator data being presented in support of financial and non-financial targets. Projects should have measures of performance and financial savings identified at inception to enable easier reporting on progress and achievement. Linking to recommendation 2, if there is no clear data on what the projected cost and/or savings are, how can progress be tracked and monitored.</p> <p>Reporting did include Red, Amber, Green status tracking of projects, but the definition of these statuses is not clear. Without this information there is a risk that projects that are over budget / under saving / behind timescale are not appropriately identified and mitigating actions enacted.</p>	<p>The Council must seek to update their financial and non-financial performance reporting on transformation projects in order that oversight can be properly applied from the use of consistent performance information that is defined at project inception. This applies to reporting to SCB, Council and Service Committees.</p> <p>A dashboard of project reporting should be developed identifying costs projected, costs incurred, savings projected, savings achieved, timescale for achievement and key performance indicators. Where RAG status tracking is used, it should be clearly defined and where required, mitigating actions identified and reported on.</p>	<p>Action Owner:</p> <p>Timescale for implementation:</p>

A. Improvement action plan

Issue / risk	Recommendation	Agreed management response
<p>6. Development of partnership working</p> <p>At present the Council appears to be engaged in limited partnership working with other Councils, with the only notable project being a shared services function with two other Councils which is still in the very early stages of investigation. There is an opportunity for Aberdeenshire Council to explore this as it develops its transformation strategy.</p>	<p>The Council should expand their investigation of how partnership working with other Councils could provide opportunities for future transformation.</p>	<p>Action Owner:</p> <p>Timescale for implementation:</p>



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