

Delivering for the future

Transformation: How councils are redesigning and delivering more efficient services



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
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Accessibility

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Audit team

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

Key messages

- 1** Scotland's councils continue to face deepening financial challenges, with increasing demand, the cost of delivering services rising faster than available funding, mounting debt and falling reserves. The need for sustainable change is urgent. Transformational approaches to redesign services are an important part of the solution and delaying transformation could risk greater costs, tougher decisions and increased challenges in future years. However, our analysis highlights that the understanding of the anticipated financial and non-financial benefits of transformation projects varies across councils. Half of the councils in our sample still need to set out how transformation activity will support future financial sustainability. Integrating this information into council medium- and long-term financial plans is key to understanding whether the scale of transformation being delivered is sufficient to respond to the challenges facing local government.
- 2** Some councils have shown progress with articulating their approaches to transformation, but the picture is mixed across the sector. Those councils that have done this well are able to set out clear objectives and measurable outcomes, as well as clear alignment with strategic priorities and wider plans. In some councils, oversight of transformation activities is not always clear, and reporting to councillors is often not comprehensive enough to fully inform their leadership and scrutiny responsibilities. The timely and effective delivery of transformation plans requires appropriate workforce capacity and skills, in leadership,

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

- 3** It is essential that councils work with their partners in the public, private and third sectors to deliver transformation. Although there are some positive examples of effective partnership working, challenges persist in achieving real change for service users and delivery of clear cost savings. Barriers include funding, capacity and resource constraints, governance, and IT and data-sharing issues.
 - 4** While there are examples of consultation with communities on transformation projects, it is often not clear how this engagement has been reflected in service redesign proposals. Councils are also often unable to clearly report the financial impact and wider benefits of their transformation activities. As a result, it is difficult for communities to understand how transformation is contributing to strategic priorities, financial sustainability and service delivery.
 - 5** Not all councils are using Equality Impact Assessments in a consistent or effective manner to identify and monitor the effects of transformation activities on vulnerable and protected groups. This inconsistency can result in gaps in understanding how changes may disadvantage certain sections of the community. Where Equality Impact Assessments are not fully embedded in the planning and monitoring processes, there is a risk that the potential impacts on those most at risk are not adequately considered or addressed.
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Commission expectations

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

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

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

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

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

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

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

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

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

1. Introduction

About the audit work and this report

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

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

3. This report covers the following areas:

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

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



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

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

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

What is transformation?

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

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

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

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

Why is transformation important?

8. The Accounts Commission underlined in its [Local government in Scotland: Financial bulletin 2024/25](#) that the financial challenges

facing Scotland's councils continue to deepen. With increasing demand, the cost of delivering services is rising faster than available funding, together with mounting debt, falling reserves and a continued reliance on non-recurring measures to close significant budget gaps. This risks the financial sustainability of councils over the next three to five years. Meanwhile, national indicators show satisfaction with council services is decreasing.

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

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

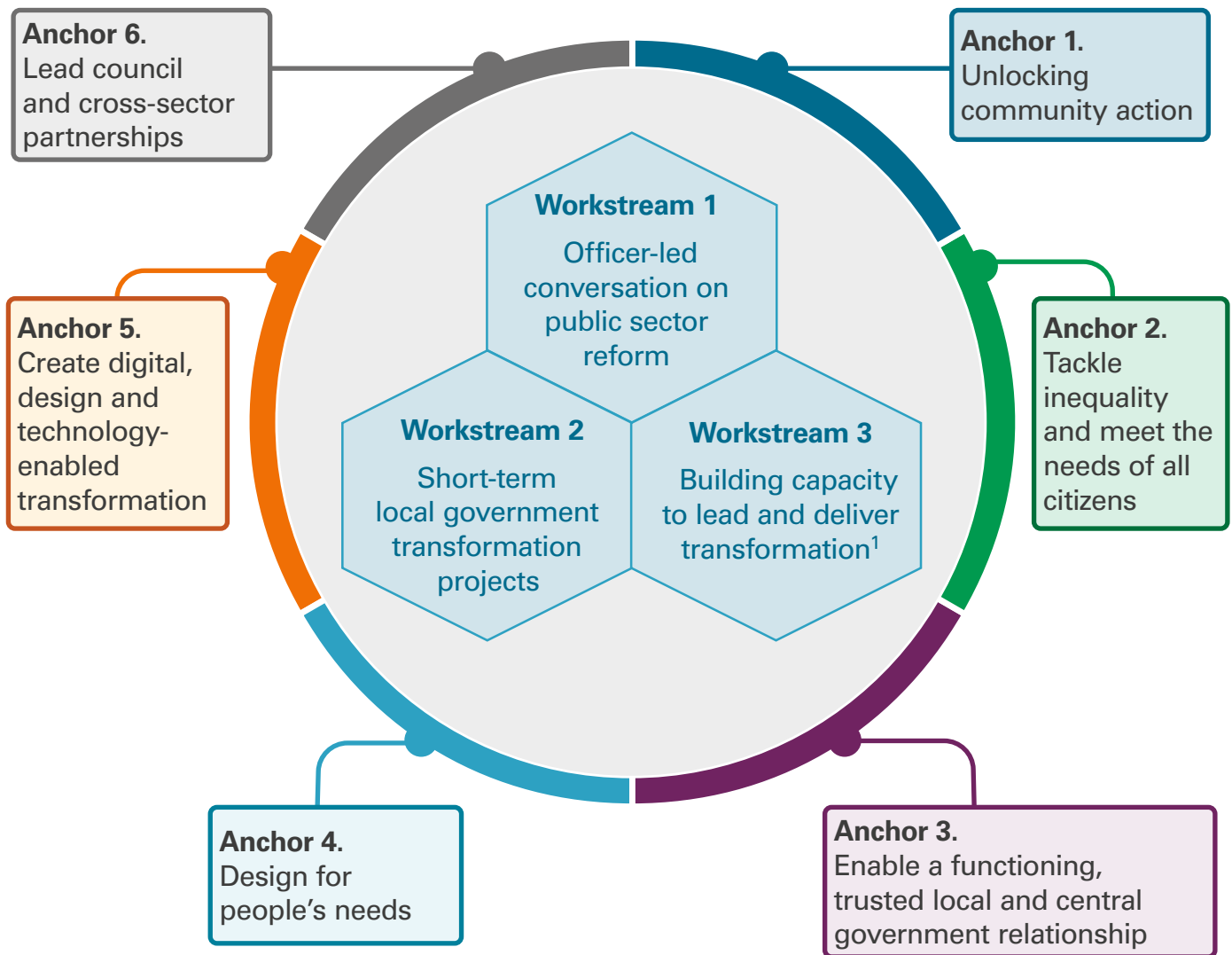
Progress with national approaches

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

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

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

Exhibit 1. SOLACE and Improvement Service Transformation Programme structure



Note 1: Including the Leadership Practitioner Forum.

Source: Audit Scotland

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

Exhibit 2.

Progress with the Transformation Programme

Workstream 1

Officer-led conversation on public sector reform

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

Workstream 2

Short-term local government transformation projects

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

Workstream 3

Building capacity to lead and deliver transformation

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

Note: Further information and progress updates are available on the [Improvement Service](#) website

Source: SOLACE and Improvement Service

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

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

2. Planning

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

Why it is important

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

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

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

What we found

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

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

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

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

Strategic planning

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

Strategic planning Case studies:

1. East Ayrshire Council – a service embedded approach that is well linked to wider corporate strategies.
2. North Lanarkshire Council's 'Programme of Work' and accompanying delivery plan – seeing transformation through a regional lens.
3. The Highland Council's '[Delivery Plan 2024–2027](#)' – a strong example of the transformation programme sitting within the corporate strategic plan.
4. West Lothian Council – an example of a stand-alone 'Performance and Transformation Strategy' with projects embedded in services.



All case studies are provided in a separate supplement.

[View case studies](#)

Financial planning

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

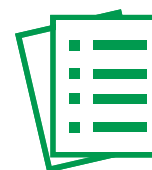
22. Auditors reported that just over half of the 22 councils in our sample identified savings from transformation initiatives. For just over a third of councils, savings were either identified for some projects or not at all. At four councils, auditors made recommendations around identifying transformation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

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

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

Financial planning Case study:

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



All case studies are provided in a separate supplement.

[View case studies](#)

Transformation funding

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

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

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

Transformation funding Case studies:

1. North Lanarkshire Council Community Investment Fund – supporting capital investment and economic regeneration by setting aside council tax income.
2. Renfrewshire Council Service Modernisation and Reform Fund – supporting transformation through a combination of reserves, short-term capacity within service budgets and external funding.
3. Scottish Borders Council Change Fund – a £20 million self-replenishing reserve to support transformation projects.
4. East Ayrshire Council Early Intervention and Prevention Fund – using funding generated on a one-off basis from financial flexibilities to support early intervention and prevention.



All case studies are provided in a separate supplement.

[View case studies](#)

Project plans

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

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

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

Project plans Case study:

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



All case studies are provided in a separate supplement.

[View case studies](#)

What needs to happen

30. Councils need to ensure transformation plans:

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

3. Programme management

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

Why it is important

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

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

What we found

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

Managing projects and programmes

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

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

Managing projects and programmes

Case studies:

1. Falkirk Council – strong arrangements for officer monitoring of transformation activity.
2. Highland Council, 3. North Lanarkshire Council and 4. Renfrewshire Council – operational governance arrangements align with arrangements for strategic and financial priorities.
5. Fife Council and 6. North Ayrshire Council – transformation/reform boards.
7. Dundee City and 8. Perth and Kinross councils – Programme Management Offices.



All case studies are provided in a separate supplement.

[View case studies](#)

Councillor engagement

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

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

Councillor engagement Case studies:

1. Midlothian Council – effective governance arrangements for reporting progress to the senior leadership team and councillors.
2. Scottish Borders Council – improving transformation visibility for councillors.



All case studies are provided in a separate supplement.

[View case studies](#)

Resourcing

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

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

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

Resourcing Case studies:

1. Midlothian Council – Programme Management Office provides coordination, skills and support.
2. West Lothian Council – Service Design Champions Group embedded in the workforce.



All case studies are provided in a separate supplement.

[View case studies](#)

What needs to happen

40. Councils need to ensure:

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

4. Partnership working, community engagement and impacts

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

Why it is important

Partnership working

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

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

Community engagement and impacts

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

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

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



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

What we found

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

Partnership working

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

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

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

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

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

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

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

Partnership working Case studies:

1. Pan-Ayrshire shared services.
2. Midlothian – Multi-Agency Transformation Management Group.



All case studies are provided in a separate supplement.

[View case studies](#)

Joint funding

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

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

Joint funding Case studies:

1. Aberdeen City, Aberdeenshire, Highland and Moray councils – expanding electric vehicle infrastructure supported by £7.5 million of Scottish Government funding.
2. Moray Council's m.connect project – developing a demand-responsive council-run bus service using funding provided by the Scottish Government.
3. Shetland and Orkney Islands councils – working with partners in the private and third sectors on rural energy hubs.
4. Midlothian Council's joint venture with private sector to deliver low-carbon energy projects across the area – Midlothian Energy Limited.



All case studies are provided in a separate supplement.

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Community engagement

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

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

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

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

Community engagement Case studies:

1. North Ayrshire Council – budget consultation.
2. Perth and Kinross Council – user-focused service design approach.
3. East Renfrewshire Council – use of data.



All case studies are provided in a separate supplement.

[View case studies](#)

Impacts

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

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

Impact Case studies:

1. Perth and Kinross Council – benefits realisation log.
2. Highland Council – incorporating success measures into Performance and Risk Management System.
3. Highland Council – in-house bus service delivering savings while improving service quality.
4. Angus Council – tracking the impacts of estate rationalisation.



All case studies are provided in a separate supplement.

[View case studies](#)

What needs to happen

59. Councils should ensure:

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

Delivering for the future

Transformation: How councils are redesigning
and delivering more efficient services



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