



RISK, AUDIT & PERFORMANCE COMMITTEE

Date of Meeting	3 December 2024
Report Title	Finance Update
Report Number	HSCP.24.112
Lead Officer	Alex Stephen, Interim Chief Finance Officer Fiona Mitchelhill, Chief Officer
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Consultation Checklist Completed	Yes
Directions Required	No
Exempt	No
Appendices	A. Recovery Plan
Terms of Reference	18 - <i>“Receive and review regular financial monitoring reports”</i>

1. Purpose of the Report

- a) To give an update on actions to address the Budget Recovery Plan and External Audit Recommendations as approved at the meeting of the Integration Joint Board (IJB) on 19 November 2024.

2. Recommendations

- 2.1. It is recommended that Risk, Audit & Performance Committee:



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- a) Notes the decision of the Integration Joint Board at its meeting on 19 November 2024 to approve a Budget Recovery Plan, the actions underway to implement the Recovery Plan, and the potential impact to performance;
- b) Notes the recommendations made by External Audit in their Annual Audit Report 23/24 and the actions underway to address those recommendation; and
- c) Notes that the Chief Finance Officer will report to the Risk, Audit and Performance Committee on 25 February 2025 with a further update on the Budget Recovery Plan, the Quarter 3 position, and progress towards addressing External Audit Recommendations.

3. Strategic Plan Context

- 3.1. Refreshing the IJB's Medium Term Financial Framework on an annual basis, together with regular reporting on financial performance to the IJB and the Audit, Risk and Performance Committee, are key priorities identified in the IJB's Strategic Plan. This helps to ensure that regular consideration is given to the affordability of the Strategic Plan.

4. Summary of Key Information

Quarter 2 Financial Performance & Recovery Plan

- 4.1. At its meeting on 19 November 2024, the IJB noted the [Quarter 2 Monitoring Report](#) that the IJB was forecasting an overspend of approximately £10.7m for financial year 24/25. The report acknowledged that the cause of the overspend was a shortfall of £2.1m in the delivery of savings targets and significant in-year pressures amounting to approximately £8.6m. To address the projected overspend, the IJB approved a Recovery Plan (see Appendix A to this report). The IJB also agreed the use of uncommitted reserves up to the value of £5.5m to account for different 24/25 financial scenarios.



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- 4.2. The Recovery Plan includes the reduction of spend on health and social care services through reducing spend on new care packages and on recruitment of staff. Such measures could have a significant impact through:
- Increased unmet need in the city;
 - Increased waiting list for assessment of care needs;
 - Reduction of service provision across health and care services;
 - Increased rate of delayed discharges from hospital settings;
 - Increase in complaints and potential regulatory intervention; and
 - Impact on the delivery of the IJB Strategic Plan and associated Delivery Plan.
- 4.3. As will be reported to the meeting of the Clinical and Care Governance Committee on 17 December 2024, Aberdeen City's performance against delayed discharges during 2024 has deteriorated in line with the national performance rate. This deterioration of performance both at local and national levels has continued notwithstanding significant efforts to improve performance. The graph below set out below sets out the delays per 100,000 Aberdeen adults in hospital since April 2024. As can be seen, there has been a 79% increase in the delayed discharge rate. This follows a reduction in social care capacity within Aberdeen to address known budget pressures whilst at the same time experiencing an increase in demand for social care services.



- 4.4. Whilst every effort is being made to mitigate the number of patients who are experiencing delays in discharge from hospital, it is likely that there will be a further increase in delayed discharge rates as the Recovery Plan is implemented. This will in turn have an impact on the wider system including



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unscheduled care services within NHS Grampian and the Scottish Ambulance Service who are bringing people to the Emergency Department.

- 4.5. Where a reduction to service level is required because of the pause to recruitment, integrated impact assessments will be carried out. This will help to identify the possible impact from a reduction to service level and relevant actions to mitigate that impact. The final decision will be made by the Chief Officer following consultation with relevant stakeholders.
- 4.6. A plan is being developed to help implement the Recovery Plan. Relevant measures will also be identified to monitor the effectiveness of the Recovery Plan. Throughout, due regard will be had to statutory duties. An update on progress against the Recovery Plan will be brought before the Risk, Audit and Performance Committee at its meeting on 25 February 2025.

National Context

- 4.7. In the summer of 2024, the Accounts Commission published their 2024 [report](#) on IJBs' Finance and Performance. The report noted that overall funding to IJBs in 2022/23 decreased by 9% in real terms or by 1% in real terms once Covid-19 funding is excluded. The total reserves held by IJBs almost halved in 2022/23, largely due to the use and return of Covid-related reserves. The projected funding gap for 2023/24 almost tripled in comparison to the previous year with over a third anticipated to bridge the gap through non-recurring savings, such as reserves. An initial analysis of 2024/25 budget setting revealed that the projected gap for IJBs increased again to £456m. This gap, together with an increase in demand for services, is recognised through the budget monitoring reports of some other IJBs across the country which are experience similar financial challenges. The Accounts Commission report underlined the importance of IJBs having clear and frank conversations not only at the board level, but with partners, providers, and the wider public, about decisions that will be required to achieve future savings and the likely implication these decisions will have on the services individuals currently receive.



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5. Budget Setting Process 2025/2026

5.1. Having regard to the Accounts Commission’s findings, and following the approval of the IJB Budget Protocol at the meeting of the IJB on 24 September 2024, the ACHSCP is currently consulting with the public on budget savings options. These include the potential for further significant reductions in service provision. Actions that are required in the Recovery Plan (Appendix A) may complement or replicate those in the budget consultation which means that further savings proposals may be required in order to address the budget gap for 2025/26. The anticipated financial gap will require to be kept under review having due regard to the projected outturn of 2024/25. The Chief Officer is actively engaging with the NHS Grampian Director of Finance and Aberdeen City Council Chief Officer – Finance on a regular basis to seek to quantify and address the 2025/26 implications and to promote a whole system approach to addressing the gap.

6. External Audit Recommendations

6.1. At its meeting on 19 November 2024, the IJB considered its [draft 23/24 Annual Audit Report](#). Within that report, the IJB’s external auditors, Audit Scotland, made eight recommendations. These are set out below. Officers will report on the progress against these recommendations at each meeting of the Risk, Audit and Performance Committee until such time as all actions have been satisfactorily addressed.

Issue/Risk	Recommendation	Agreed Action	Lead Officer	Target Date
<p>1.Completeness of expenditure:</p> <p>Accruals at 31 March 2024 were understated partly due to the £10,000 de minimus threshold used by the council and gaps in the social care manual accrual process</p>	<p>The year-end arrangements for accruing expenditure back into the previous year should be reviewed to ensure no significant amounts are omitted taking IJB materiality and the level of</p>	<p>Work has started to review and improve the arrangements, which will be fully implemented by 31st March 2025</p>	<p>IJB Chief Finance Officer and Aberdeen City Council Chief Officer - Finance</p>	<p>March 2025</p>



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	reserves into consideration			
<p>2. Management Commentary (also reported in 2022/23):</p> <p>While Guidance allows flexibility in terms of the level of performance information included in the management commentary, the initial version of the annual accounts being submitted for audit did not provide sufficient detail to allow a reader to fully assess the board's overall performance</p>	<p>The management commentary should provide a clear and balance narrative on the performance of the IJB during the year and be supported by financial and non-financial information.</p>	<p>The performance information will be reviewed for inclusion in the accounts. It is important to highlight that the IJB already produces a comprehensive performance report in the way of its Annual Report. Therefore, a balance does need to be struck in relation to how much detail is contained with the accounts and the annual report. A clearer narrative will be provided on the balances.</p>	<p>Chief Finance Officer</p>	<p>March 2025</p>
<p>3. Annual Governance Statement:</p> <p>Given some of the major findings identified by internal audit, there is scope to better demonstrate that systems and processes are operating as expected across services</p>	<p>A framework should be put in place that requires managers to reflect on their areas of responsibility with a view to undertaking self-assessment each year and providing the chief officer with a certified assurance statement. In turn, the chief officer should consider the level of assurance required to support the Risk, Audit and Performance Committee when they consider the annual governance statement for approval.</p>	<p>We will review and implement a self-assessment having regards to assurances provided through NHS Grampian and Aberdeen City Council arrangements</p>	<p>Chief Finance Officer</p>	<p>31st March 2025</p>



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<p>4. Previous year recommendations/working paper package:</p> <p>Limited improvements were made in response to our recommendations following the audit of the 2022/23 accounts. There were delays in receiving 2023/24 working papers and responses to subsequent queries raised. The departure of key staff adversely affected the audit and with limited spare capacity, there was little alternative for the chief officer but to delay the conclusion of the audit by two months</p>	<p>Improvement is required to the working paper package provided for audit alongside the unaudited accounts and associated support arrangements.</p>	<p>Agreed and will be taken forward</p>	<p>Chief Finance Officer</p>	<p>May 2025</p>
<p>5. Budget Monitoring:</p> <p>Improvement is needed to support increased scrutiny and accountability of financial performance.</p>	<p>The board should review the adequacy and frequency of the financial information it receives and consider the best forum in which to monitor and scrutinise expenditure incurred, performance against budget and progress on savings. For example, the IJB could consider the overall financial position at every meeting and delegate specific budget lines to the Risk, Audit and Performance Committee for deeper-dive scrutiny and reporting</p>	<p>We will work with partners to consider if there is scope for receipt of more financial information on a more frequent basis.</p> <p>We will review the reporting of financial information to the IJB and it's Risk, Audit and Performance Committee and adopt a more consistent approach through, e.g., reviewing meeting dates and their alignment to the production of quarterly monitoring reports.</p>	<p>Chief Operating Officer</p>	<p>March 2025</p>
<p>6. Reporting Progress against workforce plans (also reported in 2022/23)</p>	<p>Targets and measures should be agreed and reported to demonstrate the</p>	<p>We will consider how we can enhance current reporting on</p>	<p>People & Organisation Lead</p>	<p>May 2025</p>



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<p>Workforce planning arrangements set out clear aims and key actions. The recent update provides information and narrative on progress, but targets and measurable performance indicators have yet to be developed.</p>	<p>effectiveness of the workforce plan.</p>	<p>progress against the workforce plan with reference to targets and measures</p>		
<p>7. Arrangements for approving the annual accounts (also reported 2022/23)</p> <p>Consideration of the unaudited and audited annual accounts is currently split between the board and the Risk, Audit and Performance Committee. This is not in line with the terms of reference or standard audit practices.</p>	<p>Arrangements should be put in place for the Risk, Audit and Performance Committee, as the body charged with governance, to routinely consider and approve the board's annual accounts including the arrangements for producing the annual governance statement. This would be in line with the committee's existing terms of reference.</p>	<p>The Integration Joint Board will in November 2024, consider proposed dates for meetings of the Board and its committees in 2025/26. Due regard has been given to the availability of quarterly reports to allow those to be reported into Risk, Audit and Performance Committee in a timely manner.</p> <p>The Chief Officer reserves the power to report the accounts straight to the Integration Joint Board having regards to the level of risk.</p>		
<p>8.Strategic Plan- measuring impact (also reported 2022/23)</p> <p>It is not clear how the strategic planning actions relate to service delivery and improvement.</p>	<p>Consideration should be given to the use of success targets and outcomes when reporting on the impact of the delivery of the strategic plan.</p>	<p>We are currently working on how we can improve the visibility of the correlation of the successful delivery of our Delivery Plan project measures to the priorities within the Strategic Plan and the National Performance Indicators. We hope to be able</p>	<p>Strategy & Transformation Lead</p>	<p>March 2025</p>



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		to better demonstrate this for 2024/25. We are in the process of refreshing our Strategic Plan for 2025 onwards and this correlation is being built into the design of that.		
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7. Implications for IJB

7.1. Every organisation must manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by budget holders and corporately by the Board and the Risk Audit & Performance Committee. This report is part of that framework and has been produced to provide an overview of the financial operating position as at 30 September 2024.

7.2. **Equalities, Fairer Scotland and Health Inequality** – an Integrated Impact assessment (IIA) has been completed having regard to the potential implications of further restrictions on recruitment. This impact assessment will be kept under review as the proposal is implemented. A test of proportionality and relevance has been completed for the proposal to scope a threshold for care at National Care Home Contract rate, an option being considered as part of the 25/26 budget setting process. This will be updated and/or progressed to a full IIA pending the outcomes of the ongoing budget consultations. All other actions within the recovery plan relate to existing policies and practice and therefore do not amount to service change requiring an IIA.

7.3. **Financial** – the financial implications are contained throughout the report, however it is currently forecast that the IJB will have insufficient funds in the annual budget to pay for the current level of services.

7.4. **Workforce**



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A pause on recruitment and associated backfill, but for exceptional circumstances, will have an impact on staff and associated services. The wellbeing of staff is of paramount importance and every effort will be made to support staff through the necessary changes. Due regard will be given to ensuring compliance with safe staffing legislation that came into effect earlier in 2024. Careful consideration will also be given to managing a reduction in staffing levels in the context of changes to the Agenda for Change. It is anticipated that there will be a need to reduce service levels to accompany a reduction in staffing levels.

7.5. Legal

The Aberdeen City Integration Scheme states that the Chief Finance Officer of the IJB shall prepare financial reports for the IJB and shall do so at least on a quarterly basis. This report is compliant with that requirement. The Chief Officer is expected to deliver the agreed outcomes within the total delegated resources of the IJB. The Chief Officer is also operationally responsible for the delivery and management of delegated services as described in the Scheme. Where there is a forecast overspend, it is expected that the Chief Officer, in conjunction with the Chief Finance Officer, will agree corrective action with the IJB. Failing which, the Chief Officer, the Chief finance Officer of the IJB, the Director of Finance of NHS Grampian and the Chief Officer – Finance of the Council must agree a recovery plan to balance the overspending budget.

The IJB remains responsible for the strategic planning of delegated services. The proposals in the Recovery Plan are likely to have an impact on the delivery of services and the arrangements set out in the IJB's Strategic Plan.

Section 149 of the Equality Act 2010 requires public authorities, in the exercise of their public functions, to have due regard to 1) eliminating unlawful discrimination (both direct and indirect), harassment and victimisation, 2) advancing equality of opportunity between different groups and 3) fostering good relations between different groups. The IJB also has a legal obligation to balance its budget. The Recovery Plan prepared by the



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Chief Officer, Chief Finance Officer, NHSG and the Council is considered to be a reasonably necessary and proportionate means of achieving that aim.

- 7.6. **Unpaid Carers** – the in-year recovery plan may have an impact on unpaid carers. This is because there may be an increase in the time it takes for the cared for person's need to be assessed and subsequently met due to, for example, a reduction in spend on care and pause on recruitment.
- 7.7. **Information Governance** – there are no direct information governance implications arising from the recommendations of this report.
- 7.8. **Environmental Impacts** – there are no direct environmental implications arising from the recommendations of this report.
- 7.9. **Sustainability** – there are no other implications arising from this report.

8. Management of Risk

The IJB's Risk Appetite Statement identifies a low to medium appetite to financial risk. It sets out that the Board must make maximum use of resources available and acknowledge challenges regarding financial certainty. The Board identifies that it has no or low risk in relation to breaches of regulatory and statutory compliance. The Recovery Plan set out in Appendix A seeks to balance the IJB's risk appetite regarding financial and regulatory risks.

8.1. Identified risks

In year pressures impacting the IJB's 2024/25 budget are outlined in the report above. There is a risk that these issues could be further exacerbated through, e.g., a higher than budgeted for settlement on the National Care Home Contract Rate for residential care and/or lack of full funding to address the Council staff pay deal.

There is also a link to Strategic Risk 2 in the IJB's Strategic Risk Register: *a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.*



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The Recovery Plan attached as Appendix A seeks to mitigate the impact of the in-year pressures and the materialisation of any further risks that are realised.



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APPENDIX A

Plan	Target Saving
<p>Reduce Costs of Social Care:</p> <ul style="list-style-type: none"> • Focus capacity on reviewing existing care packages to ensure eligibility criteria is applied at high and urgent levels and reducing care packages as much as is safe to do so with a Technology Enabled Care (TEC) first approach being taken. • Explore option to accelerate option to implement a threshold for care at National Care Home Contract rate. Currently in consultation for 25-26. • Explore additional investment into Care at Home contract to maximise Service User choice and ability to access an option 3. This may mitigate self-directed support option 1, 2 & 4 costs, where people historically couldn't access an option 3. Further information on self-directed support is available here. 	£3.00m
Pause Recruitment (and associated backfill (overtime/agency/bank) but for Exceptional Circumstances).	£2.75m
Renew focus on continuing increase in social care income (800 cases).	£0.75m
<p>Further Reductions to Staff Costs</p> <ul style="list-style-type: none"> • Use of overtime in exceptional circumstances to be pre-authorised. • Review all fixed term contracts. • Explore option to allow staff to apply for reduction of working hours. • Allow ACC staff to purchase extra week of annual leave (not available for NHS staff). • Promote VSER for ACC employees within ACHSCP (not available for NHS staff). 	£0.25m
Stop all non-essential spend of stock.	£0.25m
Stop all non-essential spend on equipment (use up equipment already in stock/increase recycling).	£0.25m
Potential Additional In-Year Savings	£7.25m
Use of Reserves as set out in paragraph 4.9.	£3.45m
Total value of Recovery Plan	£10.7m