



RISK, AUDIT AND PERFORMANCE COMMITTEE

Date of Meeting	24 February 2026
Report Title	Q3 – 2025/2026 Updates on Budget and Savings Monitoring and Financial Risks Mitigations
Report Number	HSCP.26.008
Lead Officer	Fiona Mitchelhill Chief Officer - ACHSCP
Report Author Details	Bernadette Bularan Deputy Chief Finance Officer, ACC bbularan@aberdeencity.gov.uk
Consultation Checklist Completed	No
Directions Required	No
Exempt	No
Appendices	None
Terms of Reference	Clauses 15 – 19 of the Terms of Reference for the Aberdeen City IJB

1. Purpose of the Report

- 1.1. To summarise the financial performance, in reference to the budget approved for 2025/26 fiscal year, of the third quarter (Q3) ending 31 December 2025 for the services within the remit of the Integration Joint Board (IJB);
- 1.2. To present the indicative results up to the end of FY 2025/26; and
- 1.3. To advise on any areas of risk and management mitigating action.

2. Recommendations

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

- a) Notes the results herein shown for the following periods and the related risks and mitigating measures:



RISK, AUDIT AND PERFORMANCE COMMITTEE

- i. Updated funding (income) and cost of services (expenditure) for the fiscal year 2025/26 up to and including the end of Q3;
 - ii. Indicative costs of services / expenditure up to the end of the fiscal year, 31 March 2026.
- b) Notes that the Chief Officer and Chief Financial Officer will ensure that they maintain a focus on quantifying and managing the key risks identified, and responding to the recommendations, arising from the complex financial environment as evidenced in section 5 of the report, namely:
- i. Audit Scotland’s Annual Audit Report of 2024/25¹
 - ii. The Auditor General’s NHS Grampian s.22 Audit Report 2024/25²;
 - iii. The IJB Strategic Risk Register³; and
 - iv. Internal Audits relating to the financial planning of the IJB for the IJB’s Budget Setting and Monitoring of 2024.

3. Summary of Key Information

3.1. Funding (Income): Revisions up to end of Q3

Fiscal Year 2025 – 2026 commences with the IJB Budget 2025/26⁴, and Medium Term Financial Forecast (MTFF), approved last 18th March 2025 and 1st July 2025⁵, respectively, which included the funding for 2025/26 amounting to £439.094m, and savings of c.£14.353m.

The updated funding up to end of Q3 amounts to £465.554m as per the tables below (Figures 1 and 2), shows an increase of £26.460m from the initial funding. This additional funding resulted from further allocation tranches from the Scottish Government which were not initially awarded at the beginning of the fiscal year.

INCOME (Funding) as of Q3 / 2025 - 2026	ACC £'000	NHSG £'000	TOTAL £'000
Funding commitments 2025-2026	(137,197)	(255,207)	(392,404)
Set Asides	(1,771)	(59,238)	(61,009)
eNIC	(303)	(929)	(1,232)
Additional contribution	(4,200)	(6,709)	(10,909)
TOTAL INCOME (Funding)	(143,471)	(322,083)	(465,554)

Figure 1: Updated Funding as of Q3 / 2025 - 2026

¹ [Annual Audit Report 2024/25](#)

² [The 2024/25 audit of NHS Grampian](#)

³ [Strategic Risk Register 21102025.pdf](#)

⁴ [Budget 25-26 Report.pdf](#)

⁵ [HSCP.25.053 IJB MTFF paper.pdf](#)



RISK, AUDIT AND PERFORMANCE COMMITTEE

The changes in Funding from Partners is represented by the following:

PARTICULARS	ACC £'000	NHSG £'000	TOTAL £'000
As per MTFF reported in the IJB Committee meeting 01 July 2025	142,232	296,862	439,094
Adjustments from Q1 - Q3 / 2025 - 2026			
- Set Asides		3,738	3,738
- eNIC contribution		31	31
- Primary Care Improvement		7,958	7,958
- Various mental health & Substance Misuse		6,666	6,666
- Community Services		321	321
- City vaccinations		1,138	1,138
- Hosted Services		3,900	3,900
- Other minor adjustments		86	86
- Safe to Invest Digital	1,239		1,239
- City vaccinations tranche 2		1,138	1,138
- Long COVID		245	245
Total adjustments / funding change	1,239	25,221	26,460
Q3 funding level	143,471	322,083	465,554

Figure 2: Changes in Funding commencing from MTFF reference point to Q3 / 2025-2026

3.2. Cost of Services (Expenditure):

- a.) The indicative costs of services up to the year end 2025/26 in comparison to the annual budget values are as follows:



RISK, AUDIT AND PERFORMANCE COMMITTEE

PROJECTED GROSS EXPENDITURES COST OF SERVICES FY 25-26 (Following review of Q3 performance; Values in £'000)	Forecast Y/E 25-26	Annual Budget 25 - 26	Forecast vs Budget
Criminal Justice	281	172	109
Adult Social Care Directorate	1,703	2,093	(390)
Learning Disabilities	53,414	47,847	5,567
Mental Health & Subs Misuse	35,202	32,880	2,322
Adult Svcs OP & Physical Dis	107,121	112,972	(5,851)
Strategy & Transformation	3,406	3,628	(221)
Transformation Projects	985	1,048	(63)
Housing (Set Aside)	1,771	1,771	-
Community Health Services	50,695	50,084	611
Aberdeen City share of Hosted Services (health)	34,162	35,781	(1,619)
Primary Care Prescribing	47,023	44,503	2,520
Primary Care	60,748	62,064	(1,316)
Out of Area Treatments	3,516	2,750	766
Set aside Budget	59,238	59,238	-
City Vaccinations	2,320	2,634	(314)
Uplift Funding	2,837	6,090	(3,253)
TOTAL GROSS EXPENDITURES / COST OF SERVICES	464,423	465,554	(1,131)

Figure 3: Indicative year end costs against Annual Budget for FY 2025 - 2026

Some of the variances against budget shown in the table above are a result of:

1. Mental Health and Learning Disabilities (Unfavourable by £7.889m):
 - 1.1 Agency locums across the Older Adult Mental Health, Adult Mental Health and Substance Use pathways.
 - 1.2 Management of staffing requirements.
 - 1.3 Transitioning costs from child to adult learning disabilities coming in later during the year, with the number of transitions doubling from what was initially expected. Review of the "Transitioning Pathways" is ongoing which will allow for clearer understanding of the transition criteria (i.e. including but not limited to age, status of condition, timing of transition).
 - 1.4 Additional purchasing of care package line items (CPLIs) for clients which mean that new care requirements have been identified to existing clients, particularly the elderly.
2. Across service lines: Increased rates in commissioning costs brought about by an increased number of care package line items' (CPLIs) and corresponding weekly care costs. Based on real time⁶ data, the IJB has 4711 care packages with a weekly care costs of £2.281m equating to an annual costs of £118.612m spread across several providers.

⁶ Real time data changes on a regular basis following daily inputs and updates from the Social Care Team. Values given here are as of 11th Feb 2026.



RISK, AUDIT AND PERFORMANCE COMMITTEE

3. Primary Care Prescribing (Unfavourable by £2.520m): Though the Q3 result showed a lower number of prescription costs compared to what had been expected within the period, there is still on-going overspends projected towards year end resulting from higher prescription rates and volumes;
4. Community Health (Unfavourable by £0.611m): Additional nursing costs for clients on out of area placements;
5. Across service lines: Staffing costs brought on by long-term absences, where the costs of absent staff and bank or supply staff have to be employed;
6. Favourable variances: Primarily due to additional funding. Noting the current income level of £465.554m, and the forecast expenditure of £464.423m, an underspend of £1.131m is indicated at year end.

PARTICULARS			TOTAL £'000
PROJECTED GROSS EXPENDITURES COST OF SERVICES FY 25-26 (Following review of Q3 performance; Values in £'000)			Forecast Y/E 25-26
Criminal Justice			281
Adult Social Care Directorate			1,703
Learning Disabilities			53,414
Mental Health & Subs Misuse			35,202
Adult Svcs OP & Physical Dis			107,121
Strategy & Transformation			3,406
Transformation Projects			985
Housing (Set Aside)			1,771
Community Health Services			50,695
Aberdeen City share of Hosted Services (health)			34,162
Primary Care Prescribing			47,023
Primary Care			60,748
Out of Area Treatments			3,516
Set aside Budget			59,238
City Vaccinations			2,320
Uplift Funding			2,837
TOTAL GROSS EXPENDITURES / COST OF SERVICES			464,423
INCOME (Funding) as of Q3 / 2025 - 2026	ACC £'000	NHSG £'000	TOTAL £'000
Funding commitments 2025-2026	(137,197)	(255,207)	(392,404)
Set Asides	(1,771)	(59,238)	(61,009)
eNIC	(303)	(929)	(1,232)
Additional contribution	(4,200)	(6,709)	(10,909)
TOTAL INCOME (Funding)	(143,471)	(322,083)	(465,554)
(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			(1,131)

Figure 4: Indicative Costs of Services up to FY-end 2025-2026 against Funding



RISK, AUDIT AND PERFORMANCE COMMITTEE

In respect of the year to date position (YTD), as at the end of December 2025 (Q3), there is an underspend in the cost of providing services amounting to £0.524m noted in the table below. Per Service line's unfavourable / favourable variances of which is / are caused by the aforementioned causes from 3.2.a.i to 3.2.a.vi above.

PARTICULARS AS AT Q3 - 2025 / 2026	ACTUALS up to Q3 £'000	BUDGET up to Q3 £'000	Q3 ACTUALS vs Q3 BUDGET
Criminal Justice	(374)	129	(503)
Adult Social Care Directorate	1,698	1,570	128
Learning Disabilities	41,902	35,885	6,017
Mental Health & Subs Misuse	26,551	24,658	1,893
Adult Svcs OP & Physical Dis	81,193	84,729	(3,536)
Strategy & Transformation	2,609	2,720	(112)
Transformation Projects	807	786	21
Housing (Set Aside)	-	-	-
Community Health Services	37,662	37,541	121
Aberdeen City share of Hosted Services (health)	25,783	26,811	(1,028)
Primary Care Prescribing	34,838	33,847	991
Primary Care	45,110	46,550	(1,440)
Out of Area Treatments	2,439	2,079	360
Set aside Budget	44,429	44,429	-
City Vaccinations	1,755	1,976	(221)
Uplift Funding	-	3,216	(3,216)
TOTAL GROSS EXPENDITURES / COST OF SERVICES	346,401	346,925	(524)

Figure 5: Actual Costs of Services Q3 / 2025 - 2026 against Budget for the same period

4. Implications for the IJB

4.1. Equalities, Fairer Scotland and Health Inequality

There are no implications arising from this report.

4.2. Financial

The financial implications are contained within this report and financial risks are further analysed in section 5.

4.3. Workforce

The workforce implications are contained within this report and where appropriate further scrutinised in section 5.

4.4. Legal

There are no direct legal implications arising from this report.



RISK, AUDIT AND PERFORMANCE COMMITTEE

4.5. Unpaid Carers

Considering the results of the public consultation which ran from 14th November until 14th December 2025, no further direct implications on this area arose from this report.

4.6. Information Governance

Information governance implications are noted in section 5.1.B.

4.7. Environmental Impacts

There are no direct environmental implications arising from the recommendations of this report.

4.8. Sustainability

There are no direct sustainability implications arising from the recommendations of this report.

4.9. Other

There are no other direct implications arising from the recommendations of this report.

5. Management of Financial Risks

Despite the forecast results for FY 2025/26 being favourable (Net underspend against budget of £1.131m), the financial challenges of recent years means there has been greater scrutiny of the IJB's financial arrangements and sustainability and that continues in light of the additional oversight being applied to NHS Grampian. The IJB must take account of and, where possible, address these challenges beyond this current fiscal period.

The outcome of these recent reviews has been highlighted in several audits as specified hereunder:

5.1. Identified risks(s) in Audit Scotland's Annual Audit Report for 2024/25 and actions being taken:



RISK, AUDIT AND PERFORMANCE COMMITTEE

#	Risks	Audit Scotland Recommendations	IJB Actions
A	High CFO Turnover: Within FY 2024 – 2025, there had been 3 CFOs	IJB should implement an appropriate on-boarding plan for the Deputy CFO covering training and mentoring.	Extensive induction and handover checklist prepared by the IJB’s Interim CFO and Interim Deputy CFO. The IJB Deputy CFO joins the Council on 16 February 2026.
B	Out of date financial modelling assumptions	Budget financial model should be reviewed to bring assumptions up-to-date. These assumptions should be challenged by the Board & relevant committee.	Budget 2026/27 and latest Medium Term Financial Forecast assumptions are being reviewed and will be shared as part of the budget report in March 2026. Closer working and information sharing between Partners, alongside continuing analysis of each partners’ financial reports, with specifics on delegated services to be reviewed via a revisit to the Integration Scheme ⁷ document forming the basis of the IJB’s additional governance structure.
C	Quality of monitoring of financial performance, savings, and cost pressures needing focus to ensure delivery of financial sustainability	Formal monitoring of progress reports on planned savings delivery by the Senior Leadership Team (SLT) with onward reporting to the Risk, Audit and Performance committee a must.	The Budget Savings Oversight Group (BSOG) have been tasked to review performance (status, savings, costs pressures) on a bi-monthly basis with quarterly reporting to the Risk, Audit, and Performance Committee. As a preliminary support, an initial Finance for Non-Finance workshop had been provided to the IJB SLT aimed at augmenting financial data monitoring accountabilities’ awareness. This is planned to be cascaded to the Service Line Management Team recognising

⁷ [Integration Scheme](#)



RISK, AUDIT AND PERFORMANCE COMMITTEE

			their direct responsibilities over their relevant functional coverage.
D	Limited availability of robust and regular financial data	Systems need to be developed to enable the routine extraction of fundamental management data to assist health and social care management in reviewing priorities and decision-making.	<p>Council-sourced data: On-going development of D365 (Social Care data) and ContrOCC (Social Care financial assessment and provider data) prioritized. These source data gives the background to the financial data reported in Efinancials. This is particularly relevant considering that services delegated to the Council refer to Social Care costs that are then commissioned to contracted providers. 75 - 78% of the IJB's social care costs delegated to the Council pertain to commissioning costs.</p> <p>NHSG-sourced data: Kindly refer to section 5.2 below.</p>
E	Availability of good performance data as regards increasing demands enabling scrutiny to challenge and support decision-making	Challenging targets need to be set and measures put in place to provide the management team with real-time performance information.	Set up of monitoring metrics and continuous review of costs pressures, savings targets, and financial performance covered by the BSOG and SLT meetings.

Figure 6: IJB Actions following Audit Scotland Recommendations

5.2. Identified risks(s) in the Auditor General's NHS Grampian's Section 22 Audit Report for 2024/25 and its impacts on the IJB's financial performance going forward:



RISK, AUDIT AND PERFORMANCE COMMITTEE

a.) The Findings:

The report is unequivocal: NHS Grampian cannot return to financial balance without the IJBs fundamentally changing performance, financial management, and delivery models across delegated services.

Integration Joint Boards (in reference to the 3 IJBs partnered with the NHS Grampian) are described as follows in this Audit Report:

- A major contributor to NHSG's overspend, with £290m worth of funding pressure in the 5 years from 2025/26 to 2029/30;
- A key barrier to financial balance in the medium term;
- Facing their own significant demographic, demand and workforce pressures;
- In need of transformation and clearer financial grip.

b.) IJB Action:

Proposed actions noted in Section 5.1 aims to alleviate these concerns with the goal to meet service delivery within original funding budget and no need for additional fundings from the partners.

The IJB's NHS financial mix has staff costs which are 45% of the costs baseline. The IJB is looking at:

- i. Addressing recruitment challenges in community care & social care markets.
- ii. Reducing agency and bank reliance across HSCP services.
- iii. Introducing more flexible, productive skill-mix models.
- iv. Streamlining rota, absence, vacancy and workforce planning processes.

In addition, the IJBs participate in a monthly Finance Recovery / Resilience Board meeting steered by the NHS Grampian to openly discuss the IJB financial performance status and in-year progress, as well as effectively engaging in dialogue and collaboration across the Health and Local Authority sectors at the highest level.

5.3. Identified risks(s) in the Strategic Risk Register and its impacts on the IJB's financial performance going forward:

- a) Financial sustainability: The approved budget for 2025/26 includes additional funding from both Partners amounting to £10.909m. This has helped the IJB avoid implementing the full range of budget saving options



RISK, AUDIT AND PERFORMANCE COMMITTEE

this year which would have impacted citizens, service users and the Health and Social Care system.

The fact this funding is not recurring due to the partners' own financial challenges presents the IJB with a fiscal constraint in future years, hence further savings targets, reigning in of cost pressures, and regularised performance monitoring is being carried out to deliver, not just a balanced budget, but a contingency mechanism in the form of a resurgent reserve.

- b) Year on year costs pressures indicate rising demand and unavoidable cost increases from pay and contracts in particular. In the MTFF presented to the IJB, 1 July 2025, the following costs pressures were identified. Recurring areas of concern needing focus still within pay, commissioning, and primary care prescribing.

Estimated Budget Pressures	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Pay	4,122	4,127	4,233	4,360
Non pay inflation	606	646	666	686
Primary Care Prescribing	2,524	2,000	2,000	2,000
Commissioned Services	9,344	3,847	3,962	4,081
Additional service demand	1,485	1,997	2,082	2,169
Recurring deficit	16,786			
eNIC pressure	2,050			
	36,918	12,617	12,943	13,296

Figure 7: Costs Pressures identified as per MTFF Report dated 01 July 2025

- c) Savings targets in 2025 – 2026 will be echoed in FY 2026 – 2027:

As presented in the MTFF July 2025:



RISK, AUDIT AND PERFORMANCE COMMITTEE

Budget Saving Category	Budget Saving £'000
Managing staff vacancies	1,346
Anticipated savings from post reduction	884
Reducing bank nursing expenditure	999
Estates savings - consolidation of properties	153
Utility savings	50
Review of care provision older people and learning disability	3,328
Review of day care provision	1,449
Key commissioned service provider review	4,599
Reviewing mix of residential care provision	336
Review out of area care	174
Supplier review	1,035
TOTAL	14,353

Figure 8: Savings targets as per MTFF Report 01 July 2025



RISK, AUDIT AND PERFORMANCE COMMITTEE

Planned savings FY 2026 – 2027:

Service Area	2026/27 £'000 Staff	2026/27 £'000 Assets	2026/27 £'000 Spend	2026/27 £'000 Contracts	2026/27 £'000 Income
Corporate	(2,500)	0	(15)	0	0
Adult Social Work	(350)	0	(53)	(6,187)	(500)
Community Mental Health - Learning Disabilities	0	0	(667)	(400)	0
People & Property	(80)	(255)	(40)	0	0
Primary Care	(38)	(13)	(1,000)	(14)	0
Nursing	(356)	0	(1,374)	0	(39)
Allied Health Professions	(100)	0	(99)	0	(95)
Strategy and Transformation	0	0	(347)	0	0
Specialist Mental Health - Learning Disabilities	(869)	0	(80)	(95)	(29)
TOTAL	(3,424)	(268)	(3,595)	(6,601)	(634)
			(14,522)		

Figure 9: Planned savings for FY 2026 - 2027

- d) Currently, efforts are well in place to alleviate costs burdens via:
- Provider contract reviews and negotiations to reign in commissioning costs;
 - Manpower resource control as noted in Section 5.2.b;
 - Stringent budget holder discussions for purposes of monitoring Service Line performance;
 - Data availability enhancements through systems improvement evidenced by the work on Dynamics365 / ContrOCC.
- e) The updated Medium Term Financial Forecast and Budget for 2026/27 will be presented to a meeting of the IJB on 17 March 2026.

5.4. Identified risks(s) in Internal Audit's Budget Setting and Monitoring Report and the planned Internal Audit of IJB Financial Sustainability and its impacts on the IJB's financial performance going forward.

- Findings from the 2024 Internal Audit of the IJB's Budget Setting and Monitoring showed a "Moderate" risk rating which means the IJB has a generally sound system of governance, risk management, and control in place.
- The Internal Audit of IJB Financial Sustainability is in progress at the time of writing and recommendations will be presented to a future meeting of this Committee.



RISK, AUDIT AND PERFORMANCE COMMITTEE

Both Internal Audits are relevant and timely as the IJB strives to meet its financial performance improvement objectives and find answers to address the sustainability issues that the sector has. to gain back its reserve structure.

- 5.5 The Chief Officer and Chief Financial Officer will ensure that they maintain a focus on quantifying and managing the key risks identified and responding to the recommendations arising from this complex financial environment. The updated Medium Term Financial Forecast and Budget 2026/27 report will be the next opportunity to do this.