

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Full Council
<b>DATE</b>	10 <sup>th</sup> December 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Sustainable Social Care provision via Bon Accord Care
<b>REPORT NUMBER</b>	CORS/25/280
<b>EXECUTIVE DIRECTOR</b>	Andy MacDonald/Dr Louise Henderson
<b>CHIEF OFFICER</b>	Craig Innes
<b>REPORT AUTHOR</b>	David Leslie
<b>TERMS OF REFERENCE</b>	24.7

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### 1. PURPOSE OF REPORT

- 1.1 Bon Accord Care Ltd SC416826 (BAC), Bon Accord Support Services Ltd SC432814 (BASS), and City Home Helpers Ltd, SC520710 (here on in referred to collectively as BAC), are collectively an Arms-length External Organisation (ALEO) of Aberdeen City Council (ACC) and are 100% owned by ACC.
- 1.2 BAC continue to operate in a challenging environment in the health and social care sector (as outlined via annual ALEO reports) year-on-year and face persistent fiscal challenges and sector wide pressures. Proactive medium term financial forecasting activity with the Aberdeen City Health and Social Care Partnership (ACHSCP) and ACC has highlighted substantial risks to BAC's long-term financial sustainability. In the face of decreasing funding, BAC cannot continue to operate as it currently does.
- 1.3 This report reviews the strategic options for change to BAC's operational model to promote the future sustainability of their contribution to statutory social care provision in Aberdeen and presents evidence supporting the highest scoring option (herein, referred to as the preferred option) to transfer BAC back in-house to Aberdeen City Council.

### 2. RECOMMENDATION

That Council:-

- 2.1 Note the options appraisal appended to this report.
- 2.2 Approve the preferred option, Option B, as referenced at 1.3, that BAC transfer back into Aberdeen City Council in 2026/27.
- 2.3 Instruct the Executive Director Corporate Services to undertake all necessary arrangements in furtherance of recommendation 2.2 above, and as outlined in this report and its appendices.

### 3. CURRENT SITUATION

#### Financial Pressures and Uncertainty

- 3.1 BAC is a key provider of statutory social care in Aberdeen, responsible for delivering contracted health and social care across Aberdeen City, commissioned via the ACHSCP.
- 3.2 The Aberdeen City IJB Strategic Plan is committed to supporting people to stay at home or in a homely setting (e.g. Sheltered/Very Sheltered housing; in a community residence; Care Home), with maximum independence for as long as possible. There is a significant focus on how people can be supported to remain at home and be supported to live within the community, which is also in line with the IJB's market position statement, BAC's strategic objectives, and the ACC's recently approved Local Housing strategy. In addition, there has been a substantial rise in the number of people BAC are supporting, often with the complexity of their needs increasing, whilst a decreasing funding envelope and increasing cost pressures.
- 3.3 The impact of the annual pay award and a significantly reducing flat-cash funding envelope for BAC have compounded this position and BAC have been proactive in monitoring the impact of these factors. Forecasting based on recently agreed pay awards, the current model of delivery, and increasing need among service users, indicates that BAC's costs will rise by a further £2.0m in 2026/27. Further cost increases are anticipated year-on-year.
- 3.4 In its Medium-Term Financial Plan, the IJB has identified a funding gap of £14.2M for 2026/27, increasing further in future years. IJB's detailed budget for 2026/27 has not yet been set and the IJB are currently unable to give an indication to BAC as to what funding envelope will be available to BAC for 2026/27. However, given the savings that IJB needs to find, it appears unlikely that BAC's funding envelope will increase as quickly as BAC's costs.
- 3.5 It is therefore expected that BAC would have significant savings targets of its own for 2026/27 and future years, with limited options available to make those savings. For example, the largest proportion of BAC's costs are attributed to direct frontline staff who support citizens and the support staff who help them to do this as efficiently and effectively as possible. If staff costs cannot be reduced (protected Terms and Conditions), service provision will need to be reduced to meet the available funding envelope, resulting in the following risks:
  - Reduction in Commissioned Services
  - Policy or Strategic Shifts in the IJB
  - Increased Cost Pressures Without Funding Uplift
  - Reputational Risk from Service Reduction
- 3.6 The proposal for a single National Care Service, which was originally introduced as the National Care Service (Scotland) Bill, was scaled back after significant debate. While the ambition for a national approach remains, the Care Reform (Scotland) Act 2025 now focuses on care reform measures

rather than creating a fully centralised service immediately. BAC must ensure it is positioned to respond effectively to any future changes in NCS policy or structure given there was cross party support for a national care service in the Scottish Parliament, it was the particular model proposed by government that did not garner support. This context reinforces the need for decisive action to secure sustainability and continuity of care.

### Options Appraisal

- 3.7 Due to these risks the BAC Managing Director and Board instigated a review of options to ensure long term financial sustainability, security for the workforce, and the long term delivery of services to our citizens in Aberdeen. The option appraisal is appended to this report.
- 3.8 While partial amalgamation was considered as part of the options appraisal, it was discounted due to viability and limited ability to deliver the required scale of change.
- 3.9 Therefore, the two options that were considered were:
- Option A - Remain as an ALEO, recognising the fiscal position with the aim of embarking on a significant Transformation Programme to reduce costs.
  - Option B - Transfer staff and assets back to Aberdeen City Council, with services being delivered by the council.
- 3.10 The advantage of Option A, to remain as an ALEO (Arm's Length External Organisation), is that BAC retains their independent governance and flexibility. The disadvantage is BAC would require a significant transformation programme to reduce frontline costs, continued exposure to fiscal pressures, and ongoing risks to financial sustainability and workforce security.
- 3.11 The advantage of Option B, to transfer back to Aberdeen City Council, is financial resilience, immediate savings through governance and systems consolidation, and efficiency gains. The disadvantage is the loss of BAC's independent identity and governance flexibility.

### Preferred Option

- 3.12 Option B scored highest, and was therefore identified as the preferred option, as this option is most likely to ensure the long-term sustainability of the organisation, recognising the need for transformation but as part of a wider scale across the wider health and social care system in Aberdeen.
- 3.13 This will provide long term financial resilience and stability. There will be immediate savings as there will not be a requirement for separate

Governance Boards as the business will be transferred to the existing IJB governance structures including delivery, clinical care, audit, and finance.

- 3.14 Furthermore, by integrating these services with current ACC delivery it will offer greater efficiency and future consolidation of systems, processes, and procedures.
- 3.15 A unified governance and accountability structure would lead to streamlined decision-making and resource allocation. There would be opportunities for closer cross-organisational alignment and cost-sharing, enhanced partnership working arrangements, and improved digital transformation.
- 3.16 Integration would further support career progression and workforce planning, with ACC's larger HR infrastructure potentially further enhancing recruitment, retention, redeployment.
- 3.17 Whilst the loss of the unique ALEO approach and the perceived loss of Aberdeen's largest independent statutory Care provider would be significant; the recommended changes offer opportunities to usher in wider transformation of Aberdeen City's statutory Health and Social Care provision.
- 3.18 By considering these factors, BAC can ensure a smooth transition and continued contribution to promoting the health and wellbeing of citizens in Aberdeen.
- 3.19 In times of increasing integrated ways of working, the unified governance, operational efficiency, streamlined decision-making processes and financial sustainability suggest Option B is appropriate for recommendation. It offers opportunities for cross-organisational alignment and cost-sharing, enhancing service quality and operational efficiency.
- 3.20 If Option B is approved there are a number of steps to be taken, indicated below, to deliver the options and transfer BAC back into ACC:
  - Transfer of employees from BAC to the Council, complying with the requirements of the TUPE Regulations.
  - Process of winding up and dissolution BAC and BASS.
  - Termination of leases and transfer of equipment and assets back to the Council.
  - Restructuring of Council IT systems and transfer of data.
  - The determination of which services should be aligned to the ACHSCP and which should be retained by the Council.
  - Application or transfer of Care Inspectorate registrations, or other regulatory requirements, for facilities currently operated by BAC.
- 3.21 A comprehensive project plan has been developed and will be delivered by ACC's existing project management resources. All activities, including the transfer of employees, winding up of BAC and Bon Accord Support Services Limited, and the alignment of services, will be managed within the Council's current capacity. ACC will offer any necessary support to BAC throughout the transition, ensuring compliance with all relevant legislation and minimising

disruption to service delivery.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 As stated previously in the report, there will be savings arising from the decision, if the preferred option is approved, as there will not be a requirement for separate Governance Boards, as the business will be transferred to the existing IJB board structures including delivery, clinical care, and audit and finance. It also includes further long-term savings through rationalisation and shared resources, removing duplication, and to rationalise service provisions between BAC and ACC. Further to this, enhanced procurement efficiency may be achieved by leveraging ACC's buying power.
- 4.2 All ACC costs associated with the transition, including legal, financial, and project management activities, will be absorbed within ACC's existing resources. BAC's team will manage the transfer of employees to ACC. The Council's established teams will manage the transferor process, including staff integration, governance changes, and operational adjustments, without requiring additional budget allocation.
- 4.3 BAC will incur a one-off cost for independent legal advice specifically related to compliance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) and the Business Transfer Agreement. This is necessary to ensure BAC's legal obligations are met and to avoid any conflict of interest during the transfer process.

#### **5. LEGAL IMPLICATIONS**

- 5.1 The transfer of all BAC staff to ACC will require compliance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). ACC Payroll and North East Scotland Pension Fund will need to handle administrative tasks related to the transfer. External legal support will be required for BAC (as the outgoing employer) to avoid any direct conflict of interest. Services across ACC will be also required to support the transfer, by ensuring that any arrangements (contractual or otherwise) for assets, buildings, goods and service delivery are brought to an appropriate end, which will have an impact on the workforce. ACC will provide necessary support to ensure a smooth transition, this includes guidance and assistance throughout the process.
- 5.2 The winding up of Bon Accord Care Limited and Bon Accord Support Services Limited will require a detailed Business Transfer Agreement, transferring all operations assets and past and future liabilities to ACC, followed by voluntary strike off.

#### **6. ENVIRONMENTAL IMPLICATIONS**

- 6.1 The integration of BAC could lead to more efficient use of resources and facilities, potentially reducing the overall carbon footprint. By streamlining operations and reducing duplication, there may be fewer buildings in use, leading to lower energy consumption and reduced emissions.
- 6.2 The integration of BAC may accelerate the adoption of digital tools and technologies, reducing the need for physical travel and paper-based processes. This can contribute to lower carbon emissions and a smaller environmental footprint.
- 6.3 ACC's larger procurement power can be leveraged to source environmentally friendly products and services, further reducing the environmental impact.

## 7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	Risk that the objectives within the BAC Strategic Plan are not delivered within the transition	Alignment of strategic objectives to transformation plan and governance is in place to ensure robust oversight of delivery of the plan.	M	Yes
	Further to this, there is a risk the BAC Strategic Plan could become misaligned to the LOIP and IJB Strategic Delivery Plan.	Further embed integrated working practices between BAC, ACH&SCP, and ACC, during transition.	L	Yes
<b>Compliance</b>	Risk of not complying with TUPE and company legislation.	Project Plans would make allowance for the time needed to ensure compliance with such legislation	L	Yes
<b>Operational</b>	Risk of not complying with legislative	This risk is being mitigated by working to identify options	M	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
	duties concerning provision of adult social care services.	which will enable the provision of services to continue within the allocated funding envelope during transition.		
<b>Financial</b>	Risk that identified savings opportunities don't materialise in the short or long term.	Through careful management of process to deliver the transfer into ACC, this will control costs. In conjunction these services will be incorporated into the continuous budget planning processes as part of the Council/ACH&SCP transformation programmes.	L	Yes
<b>Reputational</b>	Risk that citizens perceive the delivery of adult social care services are compromised	Report is clear on reasons for required change and proactive nature of the response.  Robust comms and engagement plan in place.	M	Yes
<b>Environment / Climate</b>	Risk that decisions taken do not contribute to Net Zero targets.	Continue to engage ACC Corporate Landlord and Strategic Place Planning services.	L	Yes

## 8. OUTCOMES

### COUNCIL DELIVERY PLAN 2025-26

<b>Aberdeen City Council Policy Statement</b>	<b>Impact of Report</b>
<a href="#"><u>Working in Partnership for Aberdeen</u></a>	Option B enhances synergy and collaboration across ACC and the Aberdeen City Health and Social Care Partnership (ACH&SCP) by integrating BAC staff and services. This integration supports greater cross-organisational alignment and cost-sharing, improving service quality and operational efficiency. Additionally, it enhances partnerships and collaboration between BAC, ACC, and ACH&SCP, promoting coordinated and efficient service delivery.

### [Local Outcome Improvement Plan](#)

Prosperous Economy Stretch Outcomes	Option B contributes to the Prosperous Economy Stretch Outcomes of ACC by enhancing the longevity of BAC contribution to promoting health and wellbeing, aligning with ACC's strategic priorities. This full amalgamation allows for streamlined decision-making, clearer accountability, and unified governance, leading to more transparent and community-responsive services. Additionally, it offers opportunities for greater cross-organisational alignment and cost-sharing, which can improve service quality and operational efficiency.
Prosperous People Stretch Outcomes	Option B enhances the longevity of BAC contribution to promoting health and wellbeing by aligning with ACC strategic priorities. This full amalgamation allows for streamlined decision-making, clearer accountability, and unified governance, leading to more transparent and community-responsive services. Additionally, it offers opportunities for greater cross-organisational alignment and cost-sharing, which can improve service quality and operational efficiency.
Prosperous Place Stretch Outcomes	Option B contributes to the Prosperous Place Stretch Outcomes of ACC by supporting community wellbeing through place-based care, enabling people to live independently in their communities. The amalgamation aligns with the city's sustainability goals by promoting climate-conscious service delivery, such as efficient buildings and digital care solutions. Additionally, it enhances the synergy of ways of working across ACC and the Aberdeen City Health and Social Care Partnership (ACH&SCP), fostering workforce integration and development.
Community Empowerment Stretch Outcomes	Option B enhances community empowerment by fostering greater cross-organisational alignment and cost-sharing, which improves service quality and operational efficiency. It promotes more transparent and community-responsive services through streamlined decision-making and unified governance.



Additionally, it supports community wellbeing by enabling people to live independently in their communities.

<b>Regional and City Strategies</b>	Overall, Option B can contribute to the strategic goals of ACC by enhancing connectivity (in a care context), promoting sustainable development of social care services, and aligning with various regional, city, and council strategies; most notably, the housing strategy and the Local Outcome Improvement Plan.
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## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	New Integrated Impact Assessment has been completed
<b>Data Protection Impact Assessment</b>	Not required
<b>Other</b>	

## 10. BACKGROUND PAPERS

10.1 None

## 11. APPENDICES

11.1 Options Appraisal

## 12. REPORT AUTHOR CONTACT DETAILS

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