



REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD – 19 FEBRUARY 2025

REPORT ON: DUNDEE IJB 2025/26 BUDGET OUTLOOK UPDATE

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB10-2025

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this paper is to provide the Integration Joint Board (IJB) with an updated overview of the IJB's delegated budget 2025/26.

2.0 RECOMMENDATIONS

It is recommended that the IJB:

- 2.1 Notes the content of this report including the range of estimated cost pressures impacting on the IJB's delegated budget 2025/26 including anticipated funding levels from the partner bodies and resultant projected budget shortfall.
- 2.2 Notes the budget development process for the agreement of the IJB's 2025/26 Revenue Budget as outlined in section 4.8 of this report.

3.0 FINANCIAL IMPLICATIONS

- 3.1 The range of anticipated additional cost pressures likely to impact on the IJB's delegated budget for 2025/26 as well as the potential implications of new responsibilities and assumed associated Scottish Government funding is set out in sections 4.2 to 4.7 of this report and continue to be assessed and refined by IJB officers, and summarised in Appendix 1. Furthermore, the actual levels of funding to be received from the partner bodies and the detail of the additional Scottish Government funding for IJB's are subject to ongoing discussion and review. Once these are concluded, the Chief Finance Officer will be in a position to present a proposed budget to the IJB at its meeting on 26th March 2025 for consideration. At present, the 2025/26 financial deficit is anticipated to be around £19.7m.

4.0 MAIN TEXT

- 4.1.1 Dundee Integration Joint Board was presented with a 5-year financial outlook at the meeting on 21st August 2024 (DIJB32-2024 Article V of the minute of meeting refers). That report set out the range of potential financial gaps within the IJB's delegated budget over the coming years. Based on a range of assumptions at that time, it was reported that this could potentially result in savings totalling approximately £45m being required over the next five financial years (2024/25 to 2028/29), including a £13.3m gap in 2025/26.
- 4.1.2 The latest financial planning for 2025/26 has involved bringing these assumptions up to date with information that is now known as well as refreshed assumptions on other elements. These include the impact of agreed 2024/25 pay awards for both NHS and Council employed staff and relevant additional funding, emerging cost pressures experienced in 2024/25 and any ongoing impact, information and assumptions regarding national policy developments such as Adult Social Care workforce uplift to an hourly pay rate of at least £12.60, implications of UK-wide employer National Insurance Contribution (eNIC) changes, anticipated pay awards for 2025/26,

anticipated increased costs relating to National Care Home Contract rates, prescribing cost pressures (activity volumes and pricing), and any other new commitments.

- 4.1.3 Planning assumptions for 2025/26 currently include a 3% uplift on baseline budgets from NHS Tayside and a 'flat cash' settlement from Dundee City Council. At present, NHS assumptions exclude the impact of eNIC on NHS-employed staff, while an assumption of additional funding to cover 60% of eNIC cost for DCC-employed staff has been included.
- 4.1.4 As part of the 2024/25 IJB Budget, the IJB agreed to a number of non-recurring savings in addition to the use of reserves to support the financial position. Given the non-recurring nature of these interventions, there is a need to reinstate these in 2025/26 thereby creating a further in-year pressure of £5.8m.
- 4.1.5 Additional funding from Scottish Government's draft Budget to support Adult Social Care pay pressures (share of £125m) and Free Personal and Nursing Care (share of £10m) - the Dundee share of this funding is expected to be £3.55m.

4.2 Financial Outlook

- 4.2.1 The combined impact of the revision of the assumptions and adjustments for known pressures for 2025/26 results in estimated cost pressure of £28.1m, which will be reduced through additional uplift funding expected to equate to £8.4m, leaving a cost pressure gap of £19.7m. While this is still an estimated position at this stage, the IJB will need to consider a range of options to ensure it sets a balanced budget by the end of March 2025. The overall position also reflects current years financial pressures which may not be able to be contained due to the demand-led nature of the expenditure.

4.3 Pay Costs

- 4.3.1 The financial outlook makes the same assumptions as the partner bodies in relation to possible pay uplifts for 2025/26, with Dundee City Council assuming a 3.0% uplift and a 3.0% uplift applied for financial planning purposes for NHS services. The reported cost pressure from assumed 2025/26 Council pay awards is £1.3m and £2.1m for NHS pay awards.
- 4.3.2 As a result of planned UK-wide changes to employer National Insurance Contributions, a new cost pressure of £1.0m has been included for Dundee City Council employed staff. National NHS planning assumptions advise that the cost implications on NHS employed staff should not be included at this stage.

4.4 External Care Provider Costs

- 4.4.1 The IJB commissions a significant number of services from the independent and third sector. A number of cost pressures are anticipated to impact on the budget required to sustain these services over 2025/26. A main driving factor will be the Scottish Government's continued implementation of Fair Work in adult social care, with minimum adult social care pay rate increasing from £12.00 to £12.60 from April 2025 (with funding provided in the Scottish Government draft budget to support this cost), as well as the significant impact of increased employers National Insurance Contributions (with no national funding being provided).
- 4.4.2 The expected increase in Adult Social Care pay rate and eNIC costs will also drive an increase in the costs of the National Care Home Contract weekly fee rate, which will also consider other inflationary pressures facing the care home sector. This new rate has not been agreed yet for 2025/26, but a provisional assumption has been included in the cost pressure calculation.
- 4.4.3 A significant demand-led cost pressure has emerged during 2024/25 within community health and social care activity, principally due to whole-system working to support Unscheduled Care pathways, minimise Delayed Discharge and avoid unnecessary hospital admissions. Collectively, the commissioned Care at Home services are providing around 5000 additional hours each week above budgeted provision. The resulting cost pressure of around £6.5m has been included in the reported position.
- 4.4.4 It is acknowledged that the increase to employer National Insurance Contributions will also impact on external providers, with no additional national funding provided to the IJB to fund this.

At present, a high-level potential cost pressure has been included in the overall Cost Pressure total to reflect the scale of the cost pressure facing the sector.

4.5 Prescribing

- 4.5.1 Primary care prescribing costs have continued to increase significantly during 2024/25 across Scotland and this is expected to continue over 2025/26 with price and volume increases a major factor in this rise. The national picture suggests a cost pressure of 10% for prescribing should be anticipated in 2025/26, which would equate to around £3.4m. However local work has assessed local trends, pressures and implications of growth alongside ongoing initiatives has resulted in an adjusted cost pressure of £1.8m currently being included. Further work continues to be undertaken with Tayside colleagues to evaluate local implications and opportunities.

4.6 Demographic Pressures

- 4.6.1 Making provision for demographic growth pressures across older people and adult services has been a feature of the IJB's budget for a number of years given the age profile and needs the city's population faces. Funding for demographic pressures is not provided by either of the partner bodies therefore the IJB has to manage this increasing demand within its existing delegated budget. A provision of over £2m has been made to fund such growth pressure for 2025/26.

4.7 Financial Recovery 2024/25

- 4.7.1 As a result of the significant increase in projected spend during 2024/25, and resulting unplanned overspend, the IJB had entered into Financial Recovery with an aim to contain spend and return the position to within the agreed financial plan.
- 4.7.2 Latest projections show some signs of progress (albeit partially offset by other emerging issues), and therefore it is likely that the majority of the IJB's remaining General Reserves will need to be utilised during 2024/25 to fund the gap. This will mean the IJB can no longer rely on planned utilisation of the remaining Reserves to support the budget planning process for 2025/26.

4.8 Provisional Review of Options to Close Gap

- 4.8.1 A number of potential savings, efficiencies and options have been discussed by Senior Management and provisionally shared with IJB members during the development sessions. A summary of these are included in Appendix 1.
- 4.8.2 The options and implications of implementing each proposal continues to be assessed by budget holders and management, and further details of proposals to be taken forward will be presented to the next meeting on 26th March 2025 as part of the formal budget setting process.
- 4.8.3 At this stage, there remains a residual gap and work is ongoing to address this.
- 4.8.4 It is acknowledged that the scale of the cost pressures and current gap will likely result in reductions to service activity, capacity and performance across the adult health and social care pathways in Dundee, and will impact on the scale and pace of shifts within the IJB's strategic priorities.

4.9 IJB's Budget Development Process 2025/26

- 4.9.1 Given the scale of the financial challenge faced by the IJB for 2025/26, a significant amount of work is still required over the remaining period to enable the IJB to set a balanced budget by the end of March 2025.
- 4.9.2 Five IJB development sessions have been arranged between November and early March to explore the implications of the Scottish Government's Budget, the proposed funding settlements from the partner bodies and the range of interventions the IJB will need to take to achieve financial balance. It is planned that the IJB will meet on the 26th March 2025 to agree its 2025/26 revenue budget

5.0 POLICY IMPLICATIONS

- 5.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6.0 RISK ASSESSMENT

Risk 1 Description	There is a risk that the IJB will not be able to balance its resources and achieve its strategic objectives should the combination of the level of funding provided through the delegated budget and the impact of the IJB's Transformation Efficiency Programme be insufficient.
Risk Category	Financial
Inherent Risk Level	Likelihood 5 x Impact 5 = 25 (Extreme)
Mitigating Actions (including timescales and resources)	Developing a robust and deliverable Transformation Programme Negotiations with Dundee City Council and NHS Tayside to agree the most advantageous funding package as part of the development of the IJB's delegated budget.
Residual Risk Level	Likelihood 3 x Impact 4 = 12 (High)
Planned Risk Level	Likelihood 3 x Impact 4 = 12 (High)
Approval recommendation	Despite the high level of risk, it is recommended that this should be accepted at this stage of the budget process with a reviewed position set out as the proposed budget is set out to the IJB in March 2023.

7.0 CONSULTATION

- 7.1 The Chief Officer, Director of Finance of NHS Tayside, Executive Director (Corporate Services) of Dundee City Council and the Clerk have been consulted on the content of this paper.

8.0 DIRECTIONS

- 8.1 The Integration Joint Board requires a mechanism to action its strategic commissioning plans and this is provided for in sections 26 to 28 of the Public Bodies (Joint Working) (Scotland) Act 2014. This mechanism takes the form of binding directions from the Integration Joint Board to one or both of Dundee City Council and NHS Tayside.

Direction Required to Dundee City Council, NHS Tayside or Both	Direction to:	
	1. No Direction Required	✓
	2. Dundee City Council	
	3. NHS Tayside	
	4. Dundee City Council and NHS Tayside	

9.0 BACKGROUND PAPERS

9.1 None.

Christine Jones
Acting Chief Finance Officer

DATE: 23 January 2025

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DUNDEE HEALTH AND SOCIAL CARE PARTNERSHIP			Appendix 1
PROVISIONAL REVENUE BUDGET 2025/26			
Anticipated Cost Pressures:		2025/26 Total Delegated Budget Cost Pressures £000	
Non-Recurring Savings 2024/25		5,793	
Current Year Emerging Budget Pressures		6,500	
Total Current Years Funding Requirements		12,293	
New Pressures 2025/26 - Inflationary & National Policy Pressures			
Staff Pay Increases		3,438	
eNIC cost pressure (directly employed staff - DCC only)		972	
Increased Costs of Externally Provided Services		6,437	
Free Personal & Nursing Care Rate Increases		85	
Prescribing		1,820	
Total Inflationary Pressures		12,752	
Demographic Pressures		3,046	
Total Anticipated Cost Pressures 2025/26		28,091	
Less: Implications of Scottish Government Draft Budget & Partner Body Funding			
DCC Pay / Inflationary Uplift		0	
DCC eNIC funding		(583)	
NHS Tayside Pay / Inflationary Uplift		(4,244)	
Share of Additional SG Funding	<i>National</i>		
Free Personal & Nursing Care	<i>10m</i>	(50)	
£12.60 per hour Adult Social Care pay Uplift	<i>125m</i>	(3,500)	
Total Additional Funding		(8,378)	
Net Anticipated Cost Pressures 2025/26		19,713	
Provisional Proposals to close Cost Pressure Gap			
Recurring			
Removal of Unfunded Cost Pressures		(3,650)	
Reduction in Service Provision Capacity		(4,757)	
Removal of vacant posts (staff slippage / vacancy factor)		(1,300)	
Additional chargeable income		(408)	
Non-recurring			
Realign budget from Transformation to support 25/26 pressures		(1,000)	
		(11,115)	
Remaining Shortfall / (surplus)		8,600	

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