

REPORT TO: **HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
20TH AUGUST 2025**

REPORT ON: **5 YEAR FINANCIAL OUTLOOK 2025/26-2029/30**

REPORT BY: **CHIEF FINANCE OFFICER**

REPORT NO: **DIJB47-2025**

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to provide the Integration Joint Board (IJB) with a forecast of the medium to longer term financial challenges which are likely to impact on the IJB's future delegated budget and sets out the framework within which these challenges will be mitigated to enable the IJB's strategic priorities to be delivered within a balanced budget.

2.0 RECOMMENDATIONS

It is recommended that the Integration Joint Board (IJB):

- 2.1 Notes the potential financial challenges which may impact on the IJB's delegated budget over the medium to longer term as set out in sections 4.1.1 to 4.1.9 and Appendix 1 to this report.
- 2.2 Approves the framework and range of principles under which the IJB will approach these challenges to ensure the IJB is able to deliver its strategic and commissioning priorities while delivering a balanced budget as set out in sections 4.1.10 and 4.1.11 of this report.

3.0 FINANCIAL IMPLICATIONS

- 3.1 This report sets out the potential financial gaps within the IJB's delegated budget over the coming years. Based on a range of current assumptions, this could potentially result in savings totalling approximately £52.5m being required over the next five financial years.

4.0 MAIN TEXT

4.1 Background

- 4.1.1 Since the establishment of Integration Joint Boards, the delivery of integrated health and social care services have been set within a context of severe financial restrictions to the Scottish Government's public spending and continued increases in demographic demand.
- 4.1.2 The financial position of the IJB had seen an improvement in financial years 2021/22 & 2022/23 despite these challenges, largely due to the impact of additional funding provided by the Scottish Government to invest in health and social care services to support demand pressures as well as to mitigate the financial impact of the Covid19 pandemic. This had enabled the IJB to deliver financial underspends over those years and therefore replenish its reserves to support the IJB's financial position. The effective future investment of these reserves will be critical to the longer-term financial sustainability of health and social care services within Dundee.

4.1.3 However the more recent financial years (2023/24 and 2024/25) has returned to a deficit position as a result of known and unplanned cost pressures that had evolved throughout each year. The budget planning process for 2024/25 recognised this pressure at the start of the financial year and identified £4m from Reserves to support the anticipated spend, however the operational overspend for 2024/25 totalled £7.2m resulting in a further eroding of reserves balances held.

4.1.4 The short-term reliance on non-recurring savings and use of Reserves during 2023/24 and 2024/25 enabled the IJB time to evaluate and understand the service demands and new ways of working following a period of stability post-Covid19 recovery. It was anticipated this period would be used to refresh and develop Transformation and Prioritisation plans to ensure the funding available to be used effectively and efficiently to best meets the demands and strategic priorities of the local patients and service users. It is recognised that use of Reserves is time-limited and achieving ongoing financial sustainability is critical. A summary of the IJB's Reserves balances in noted in the table below

Table 1 – Annual Year End Reserves

Reserve Purpose	Closing Reserves @ 31/3/20	Closing Reserves @ 31/3/21	Closing Reserves @ 31/3/22	Closing Reserves @ 31/3/23	Closing Reserves @ 31/3/24	Closing Reserves @ 31/3/25
	£k	£k	£k	£k	£k	£k
Mental Health	36	527	1,825	635	1,036	240
Primary Care	176	2,424	5,277	1,535	1,859	1,933
Community Living Fund	0	613	613	613	0	0
NHST - Shifting Balance of Care	0	1,600	1,600	1,600	0	0
Drug & Alcohol	280	358	1,220	925	559	926
Covid-19	0	6,084	15,595	0	0	0
Strategic Developments	0	0	2,500	2,500	3,756	1,998
Revenue Budget Support	0	0	3,000	3,000	4,000	2,429
Interim Care	0	0	893	0	0	0
Service Specific	0	129	2,823	1,995	1,452	449
NHST - System pressures funding	0	0	0	0	0	2,959
Other Staffing	0	0	394	377	362	155
Total committed	492	11,735	35,740	13,179	13,024	11,091
General	0	2,094	3,258	10,789	4,789	644
TOTAL RESERVES	492	13,829	38,998	23,968	17,813	11,734

4.1.5 During the latter part of 2023/24 and throughout 2024/25, national priorities focussed on further progress to address hospital delayed discharge positions through supporting individuals to return home (or appropriate community setting) as soon as possible after being declared clinically fit to do so. This has placed increasing financial pressure on the IJB's delegated budgets through both demand volume and increasing complexity of individuals being cared for.

4.1.6 The scale of the budgetary challenges faced by the IJB since it was established in terms of budgeted cost pressures and the level of funding received from partner bodies can be illustrated by the level of annual savings the IJB has been required to make to balance the delegated budget as follows:

Table 2

Financial Year	Level of Savings Required to Balance Delegated Budget £000
2016/17 (baseline budget)	6,578

2017/18	2,840
2018/19	4,787
2019/20	5,936
2020/21	2,341
2021/22	2,042
2022/23	Nil
2023/24	5,137
2024/25	10,686
2025/26	17,548
Total	57,895

This position is net of any additional funding provided by the Scottish Government over that time and has clearly had a significant impact on the ability of the IJB to continue its aim of transforming health and social care services from within the delegated budget which is around £331m per annum.

4.1.7 The Scottish Government published its ‘Medium Term Financial Strategy’ and accompanying ‘Fiscal Sustainability Delivery Plan’ in June 2025. With regards to the economic and fiscal outlook, the report highlights *‘rising energy prices, inflation, and growing geopolitical instability contribute to an uncertain outlook’* and *‘the fiscal and economic environment poses considerable challenges to Scotland’s public finance’*. It goes on to state *‘growth in overall funding for Scottish Government from the total UK Block Grant is only set to increase by 0.8 per cent per annum in real terms over the outlook period, with overall resource (day-to-day) funding growth of only 1 per cent per annum in real terms’* and *‘day-to-day government spending, however, continues to face pressures from growing demand for public services and the cost of achieving statutory net zero and child poverty targets’*. It further recognises that *‘spending pressures in health and social care are particularly acute’* and *‘measures to achieve efficiency savings and reforms will be essential to constrain this growth in spending to affordable levels while protecting the public services and social security’*. Without action, the national resource fiscal gap is projected to be £0.96 billion in 2026/27, rising to £2.62 billion in 2029/30. The Medium-Term Financial Strategy identifies 4 measures for overall Public Sector spend: increasing public value, efficiencies and productivity, service reform and prevention with an objective to *‘ensure high quality public services, underpinned by reform and prioritisation to maximum effect’*, and in particular health and social care will *‘continue to focus of delivering efficiencies and service reform, through the NHS Operational Improvement Plan, the Population Health Framework and the Health and Social Care Service Renewal Framework’*.

4.1.8 It is therefore within this challenging financial constraint that public services in Scotland will be required to operate within over the medium term.

4.1.9 In March 2025, the Accounts Commission published their report ‘Integration Joint Boards’ Finance Bulletin 2023/24’, as reported to the IJB on 26 March 2025 (Article III of the minute of meeting of 26 March 2025 refers). The report highlights that despite real term increase in funding, IJBs continue to face precarious financial conditions characterised by overspending, depletion of reserves, and reliance on one-off savings. The report also notes significant challenges, including widespread deficits, reduced reserves, and a projected funding gap of £457 million for 2024/25. The report underscores the need for collaborative efforts among IJBs, NHS, and council partners to transform services, invest in prevention, and improve outcomes.

4.1.10 Dundee Health & Social Care Partnership’s (DHSCP) own financial modelling to establish the potential financial impact of both the range of cost pressures and the estimated funding from partners and the Scottish Government is set out in Appendix 1 to this report. This model makes a range of assumptions which are subject to change however represents the most up to date information DHSCP has in terms of future financial planning, including those from its statutory partner bodies. This includes known and assumed uplifts for staff pay awards, increases in demographic demand and increases in costs experienced by external care providers such as through the National Care Home Contract, again through the impact of high inflation levels. Further information on population health, including an updated population needs assessment is required to provide a basis for potential cost estimation for these factors.

4.1.11 Appendix 1 sets out an early indication of the scale of the financial challenge facing the IJB over the coming years. It is anticipated this information will support the IJB to focus on the need to continue to change and transform services and not rely on short term measures to balance the budget. The following range of principles set within an overarching financial framework should continue to drive the direction of travel and support the IJB to strategically plan to manage demand and improve health and social care outcomes for Dundee citizens while delivering a balanced budget.

- Ensure the delegated budget is targeted towards areas of spend which contribute to delivering the IJB's strategic priorities, specifically -
 - o Continue to shift the balance of care from bed-based models of care to community-based health and social care services.
 - o Prioritise investment in early intervention and prevention for longer term impact on demand for health and social care services.
- Maintain investment in services which contribute to the continued good local performance around delayed discharge and other national policy priorities.
- Ensure community-based health and social care services are as efficient and effective as possible while continuing to deliver care within expected quality standards, focussing on best value approach to minimise waste and inefficiency.
- Maximise use of the IJB's earmarked and non-earmarked reserves to provide short term investment which will develop longer term sustainability of service including the transformation programme reserve.
- Continue to work with statutory partners to develop the use of technology to enhance direct service user/patient contact and to support staff in the community to work in a more mobile way.
- Set out clearly the eligibility criteria under which the local population can access the range of health and social care services available, including signposting to the most appropriate services where applicable.
- Identify further partnering opportunities with the 3rd and independent sector.
- Increase the pace of major transformation programmes, ensuring these are properly resourced with supporting infrastructure.
- Pursue opportunities to access external funding to support specific initiatives (e.g. private, public and charitable funding).
- Continue to develop the IJB's workforce plan to set out clearly the future shape of the required workforce to ensure that staffing standards are met and to reduce the risk of incurring more expensive staff costs (e.g. use of agency staff).
- Continue to ensure the implementation of fair work practices in social care provider contracts.
- Work with statutory partners, including neighbouring IJB's to identify wider transformation programmes within which health and social care services can benefit.

4.1.12 The IJB's transformation programme currently consists of the following established projects:

- Mental Health and Learning Disability Whole System Change Programme
- ADP Strategic Framework and Delivery Plan
- Urgent and Unscheduled Care Board
- Planned Care
- Integrated Community Teams
- Primary Care Improvement Plan
- Digital Transformation (with NHS Tayside and Dundee City Council)

The progression of these remains critical to the IJB in terms of improving services, reducing risk (reflected in the current Strategic Risk Register), providing assurance to stakeholders and ensuring best value is achieved in the allocation of resources. Further areas of service transformation will be identified and reported throughout the year.

4.1.13 In addition, both of the IJB's statutory partners are progressing their own transformation and service change plans to secure future financial sustainability and it is likely that the implications of some of these workstreams will also positively impact on delegated health and social care services.

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)	Develop programme of budget development sessions to fully engage and inform the IJB with the implications of each years budget position and funding settlement Developing a robust Transformation Programme through the IJB's annual delivery plan. 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. Application of IJB's reserves.
Residual Risk Level	Likelihood 3 x Impact 4 = 12 (High)
Planned Risk Level	Likelihood 3 x Impact 4 = 12 (High)
Approval recommendation	Given the mitigating factors and the

7.0 CONSULTATIONS

7.1 The Chief Officer and the Clerk were consulted in the preparation of this report.

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.

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5 Year Financial Outlook 2025/26-2029/30

	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Estimated Baseline Budget	331,541	342,486	345,342	347,140	350,307
Estimated additional Cost Pressures	28,493	16,478	9,497	9,902	10,130
Estimated Funding Required	360,034	358,964	354,839	357,042	360,437
Estimated Funding Provided	342,486	345,342	347,140	350,307	353,537
Estimated Funding Gap	17,548	13,621	7,699	6,735	6,900
Total Funding Gap Over 5 Years					52,504

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