



**REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
18 FEBRUARY 2026**

REPORT ON: DUNDEE IJB 2026/27 BUDGET OUTLOOK UPDATE

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB6-2026

1.0 PURPOSE OF REPORT

1.1 The purpose of this paper is to provide the Integration Joint Board (IJB) with an update of the IJB's delegated budget 2026/27.

2.0 RECOMMENDATIONS

It is recommended that the IJB:

2.1 Notes the content of this report including the range of anticipated cost pressures impacting on the IJB's delegated budget 2026/27 including implications from the Scottish Government draft Budget statement, assumed funding levels from the partner bodies and resultant projected budget shortfall.

2.2 Notes the budget development progress including provisional savings actions and consultation process as detailed in sections 4.7 & 4.8.

3.0 FINANCIAL IMPLICATIONS

3.1 The range of anticipated additional cost pressures likely to impact on the IJB's delegated budget for 2026/27 as well as the potential implications of new responsibilities and assumed associated Scottish Government funding is set out in sections 4.2 to 4.6 of this report and continue to be assessed and refined by Officers. 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 in March 2026 for consideration. At this stage, the additional cost pressures are anticipated to be around £12.6m.

3.2 To address this anticipated gap, a range of operational efficiencies, management actions, ongoing initiatives and new savings proposals have been collated and are summarised in section 4.7,

4.0 MAIN TEXT

4.1.1 Dundee Integration Joint Board was presented with a 5-year Financial Outlook at the meeting on 20 August 2025 (DIJB47-2025, Article VI 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 £52m being required over the next five financial years (2025/26 to 2029/30), including a provisional £13.6m gap in 2026/27.

4.1.2 The initial financial planning for 2026/27 was presented to IJB in October (DIJB72-2025, Article XIII of the minute of 22 October 2025 refers) and involved bringing these assumptions up to date with information that was known at that point as well as assumptions on other elements.

These include the impact of agreed 2025/26 pay awards for both NHS and Council employed staff and relevant additional funding, emerging cost pressures experienced in 2025/26 and any ongoing impact, assumptions regarding national policy developments such as the potential for Adult Social Care workforce uplift to minimal hourly pay rate, agreed pay awards for 2026/27, prescribing cost pressures (activity volumes and pricing), and any other new commitments.

- 4.1.3 Work has continued during the intervening months with Officers and Senior Leadership team working with services and budget holders to understand and quantify opportunities, as well as consider the potential impact and risk of suggested actions; further refine anticipated and assumed cost pressures; and clarify the impact of announcements from the Scottish Government's draft Budget 2026/27 statement. IJB members have also been kept up to date with progress through additional development sessions.
- 4.1.4 The UK Government's Autumn Budget Statement was delivered on 26th November 2025 and the subsequent Scottish Government's Budget Statement was delivered on 13th January 2026, with this currently working its way through the parliamentary process to become statute. Additional funding is to be provided to both NHS Health Boards and to Local Government, however significant portions of this are already associated with planned additional expenditure and commitments. It should be noted that although Scottish Government recognised the additional demand pressures in Health and Social Care, no additional funding was explicitly identified to help manage these pressures. It should also be noted that the national budget announcements this year were around 1 month later than the previously assumed timetable, which has resulted in a tighter timetable for IJB's budget setting process.

4.2 Scottish Government budget – Anticipated NHS funding and implications

- 4.2.1 NHS Boards are to receive 2% uplift on baseline funding, plus additional funding towards the costs of 2026/27 pay deals. Additional funding to support the continued implementation of Agenda for Change pay reform will also be distributed. It is currently assumed that a fair share of this uplift funding will be passed to Dundee IJB.
- 4.2.2 NHS Boards must work towards financial balance and have been advised that brokerage funding will not be available to support overspends. Some non-recurring sustainability funding is to be provided to reduce pressures and support actions towards delivering financial sustainability in their three-year financial plans. It is not currently assumed that any of this funding will flow to Dundee IJB.
- 4.2.3 The budget announcements are aimed at aligning to and supporting national improvement and reform priorities across the Operational Improvement Plan, Service Renewal Framework and Population Health Framework – where relevant costs are incurred within IJB delegated budgets to support this work (and where additional funding is being provided), it is assumed that appropriate additional funding will be passed through.
- 4.2.4 The Health and Social Care Portfolio is to transfer £167m to Local Government to support social care and integration, with uplifts towards adult social care workers pay to Real Living Wage and inflationary uplifts on Free Personal Social Care rates.

4.3 Scottish Government budget – Anticipated DCC settlement and IJB implications

- 4.3.1 The Local Government Settlement includes additional £650m uplift from the last Budget publication. This includes baselining additional funding for employer National Insurance Contributions which was previously made available in 2025/26. A number of existing and planned commitments will need to be met from this increased funding settlement, including pay award, inflationary pressures, Real Living Wage in Social Care, Free Personal Nursing Care, free school meals and additional discretionary housing benefit. As noted above, the additional funding transferred for Adult Social Care Real Living Wage (£160m) and Free Personal Nursing Care (£7m) is incorporated into this uplift value, and it is assumed that a fair share of this funding will be passed through to Dundee IJB.
- 4.3.2 The Settlement provides council with full discretion over decisions on council tax, with no freeze and no cap – however councils are being asked to consider minimising any proposed increases.

- 4.3.3 While there had been a desire to support social care pressures, no additional funding has been explicitly ring-fenced for allocation towards this in the national budget statement, in line with the Verity House commitment to maximise fully flexible funding, with Councils being able to allocate revenue funding as they see fit.
- 4.3.4 To support external commissioned providers to pay at least Real Living Wage of £13.45 per hour from April 2026, an additional £160m is available for adult services (plus £22m for children services). Current funded Real Living Wage rates are £12.60 per hour and this will represent an increase in pay rates of 6.75% for employees working in the sector. However it is noted that the additional funding is provided to represent the increased cost from National Living Wage of at least £12.71 which employers would need to meet from April 2026 under statutory duties. Clarification of local share of this uplift funding and how this will be distributed to commissioned services will be confirmed in the Budget report to the IJB in March 2026.
- 4.3.5 IJB should also note that technical changes to the calculation methodology of Adult Social Care GAE (Grant Aided Expenditure) are also being implemented for 2026/27. The specific implications for Dundee City Council and therefore the pass-through of funding to Dundee IJB are still being clarified, but at present, it is assumed a similar share of national funding to previous years.
- 4.3.6 Following publication of the Scottish Government Budget, COSLA published its annual Budget Reality Statement. While it acknowledged the significant cash increase in Local Government funding, it identifies a number of existing and confirmed commitments against this funding. The statement then quantifies the additional uncommitted funding is £234.9m, albeit this is expected to cover 3.5% pay uplift, plus inflation and demand pressures. The financial implication for Dundee City Council is still be determined.

4.4 **Audit Scotland report**

- 4.4.1 A joint report by Auditor General for Scotland and the Accounts Commission was published on 8th January 2026, titled “Delayed Discharges: A symptom of the challenges facing health and social care”. The full report can be obtained via the following link [Delayed discharges, a sign of wider challenges in health and social care | Audit Scotland](#)
- 4.4.2 The report acknowledges that delayed discharges from hospital can have ‘far-reaching impacts on people’s health and well-being’ and reducing delayed discharge is a ‘priority for the Scottish Government and their partners in health and social care’.
- 4.4.3 The report highlights the impact to individuals and whole-system functionality as a result of delayed discharges, and well as the financial consequences. It also details the underlying reasons for delayed discharges can be complex and varied, including rising demand and capacity constraints, financial pressures, recruitment and retention challenges and for some, not having Power of Attorney in place.
- 4.4.4 It recognises that significant activity is underway across the country with active targeting of delayed discharge pressures, however the limited progress in addressing the wider challenges in health and social care sector restricts further progress to reduce delays.
- 4.4.5 The report makes a number of recommendations including working collaboratively and sharing best practice, areas for improvement and assessment of effectiveness and value for money. The report also notes the long-term recognition of the need for extensive change to health and social care sector to improve outcomes, including a focus on prevention, shifting the balance of funding and better collaborative working across sectors and organisations.
- 4.4.6 The work undertaken in Dundee (and wider across Tayside) to target delayed discharges over the last two years has clearly had a significant and sustained improvement to local discharge without delay pathways, however the financial impact of this increased demand for social care continues to result in significant financial pressures for the IJB.

4.5 **Anticipated Cost Pressures and Funding Gap**

- 4.5.1 A summary of the current pressures and assumed funding is noted in the table 1 below, with further context provided in the following sections.

Table 1

	Assumed value £m
Pay and Inflationary Uplifts	10.4
Demand and Demographic Growth	5.7
Additional Cost Pressures	16.1
Non-recurring 2025/26	5.8
Total Cost Pressures	21.9
Anticipated additional funding	(9.3)
Funding Gap	12.6

4.6 Financial Outlook – Cost pressures

- 4.6.1 The combined impact of the revision of the assumptions and adjustments for known pressures for 2026/27 results in an updated estimated additional cost pressure of £21.9m, which is expected to be partially offset by the anticipated additional funding for NHS Tayside and Dundee City Council. The resulting Funding Gap is currently quantified at £12.6m. 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 2026. The overall position also reflects current year's financial pressures which may not be able to be contained due to the demand lead nature of the expenditure.
- 4.6.2 The financial outlook makes the same assumptions as the partner bodies in relation to agreed pay uplifts for 2026/27, with Dundee City Council noting a 3.5% pay award and a 3.75% pay award applied for financial planning purposes for NHS services. The reported additional cost from 2026/27 pay awards is £4.4m.
- 4.6.3 The IJB commissions a significant amount of services from the independent and third sector, who continue to face similar cost pressures as the wider public sector. A main driving factor will be the Scottish Government's continued implementation of Fair Work in adult social care, with hourly pay rates to be increased from at least £12.60 to at least £13.45. As detailed in section 4.3.4, this has been partially funded from Scottish Government uplift funding. The increased cost associated with this is £2.0m
- 4.6.4 Any increase in Adult Social Care pay rate 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 2026/27, but a provisional assumption of £3.5m has been included in the cost pressure calculation.
- 4.6.5 Primary care prescribing costs have continued to increase during 2025/26 across Scotland and this is expected to continue over 2026/27 with price and volume increases a major factor in this rise. Further work has been undertaken with Tayside colleagues to evaluate local implications and opportunities and an updated cost increase of £0.5m has been incorporated into the plan.
- 4.6.6 The current year cost pressures (particularly in relation to care at home demand) continue to be reviewed, with the option to recognise these pressures as strategic shifts and prioritise investment to sustain current (or increased) levels of demand and activity. The current projected cost pressures include the ongoing impact of £3.5m community and care at home demand pressure.
- 4.6.7 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 within its delegated budget. A provision of over £2.2m has been incorporated to fund such pressures for 2026/27.
- 4.6.8 The IJB's financial plan and budget for 2025/26 included reliance on various non-recurring savings, one-off funding from Reserves and additional one-off funding from NHS Tayside to support the position. This totalled £5.8m and alternative funding now needs to be identified to manage this gap in 2026/27.

4.7 Savings Proposals

4.7.1 In recognition of the anticipated significant financial gap for 2026/27, budget holders across the extended management team had been asked to review their service position and identify opportunities and implications that could be delivered if they faced a 5% reduction in funding, and also the impact if they had to deliver with a 10% reduction. Managers were encouraged to consider efficiencies, collaborative working, prioritisation and whole-system impact. Returns were collated and reviewed by senior management to consider options that should be progressed.

4.7.2 Following this evaluation, the following options and opportunities are proposed to be taken forward

	2026/27 Part Year Impact £m	Recurring benefit £m
Operational Efficiencies / Management Actions	4.85	4.43
Continuation of approved savings and actions from 2025/26	2.22	4.68
Anticipated impact of decisions taken by other bodies	0.6	0.6
New Proposals – for Consultation	3.92	5.44
Further actions to be identified	1.00	tbc
Total	12.64	15.19

4.7.3 These figures still include a degree of assumptions and continue to be refined. As a result the figures may require adjustment prior to the Budget meeting in March where the IJB will be asked to review and approve proposed actions.

4.8 Consultation

4.8.1 The public consultation for the 2026/27 budget launched on 03 February 2026 and will close on 03 March 2026 (available at: [Dundee IJB Budget Consultation | Dundee Health and Social Care Partnership](#)). The consultation process has been amended based on feedback received from stakeholders during the 2025/26 budget consultation. The main changes are:

- Further review of all consultation materials to shorten length and use accessible language. Online consultation webpages have also been revised and redesigned to improve accessibility.
- A facilitators pack has been developed and included in the consultation resources to support the development and submission of group responses (for example, from community groups or interest groups).
- A number of budget consultation sessions are being offered: five public drop-in sessions at community venues across the city, three online sessions for service providers and three online sessions for the health and social care workforce.

4.8.2 The public consultation includes seven proposals:

1. Funding for specific organisations – the IJB could stop funding Food Train and Bharatiya Ashram Lunch Club from April 2026.
2. Reduction in funding for services delivered by the third and independent sector – the IJB could reduce funding by up to 10% of the total value of current contracts (excluding Care at Home and Care Homes).
3. Tayside Nutrition and Dietetics Service – the IJB could reduce funding for the Tayside Nutrition and Dietetics Service.

4. Review of Physiotherapy and Occupational Therapy – the IJB could change how it funds Physiotherapy and Occupational Therapy services, following a review to identify efficiency savings or service reductions.
5. Provision of Equipment – Occupational Therapy – the IJB could stop funding for the provision of certain items of equipment.
6. Older People’s Mental Health Services – Weekend Services – the IJB could reduce funding for Mental Health Nurses who provide weekend cover.
7. Review of The Corner – the IJB could change how it funds The Corner, following a review to find ways to reduce costs or increase funding from sources outwith the IJB.

4.8.3 The main purpose of the consultation is to identify the potential impacts of savings proposals on individuals and groups of people (both positive and negative), as well as potential mitigating actions. The information gathered via the process will be analysed and reported to the IJB at the budget setting meeting on 31 March 2026. It will also, alongside other sources of information, inform the development of Integrated Impact Assessments for any proposals that progress to submission to the IJB for approval. Separate processes are in place to support the clinical risk assessment of savings options.

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 Program 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 Program 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 2026.

7.0 CONSULTATION

7.1 The Chief Officer 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: 29th January 2026

This page is intentionally left blank