



REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
21ST AUGUST 2024

REPORT ON: 5 YEAR FINANCIAL OUTLOOK 2024/25-2028/29

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB32-2024

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 £45m 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 Governments public spending and continued increases in demographic demand.
- 4.1.2 The financial position of the IJB has seen an improvement in recent 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 and 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 most recent financial year (2023/24) has returned to a deficit position as a result of known and unplanned cost pressures that had evolved throughout the year. The budget planning process for 2023/24 recognised this pressure at the start of the financial year and identified £3m from Reserves to support the anticipated spend.
- 4.1.4 The short-term reliance on non-recurring savings and use of Reserves during 2023/24 and 2024/25 enables the IJB time to evaluate and understand the service demands and new ways of working following a period of stability post-Covid19 recovery. This period is being used to refresh and develop Transformation and Prioritisation plans to ensure the funding available to 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.
- 4.1.5 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:

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
Total	37,791

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 £321m per annum.

- 4.1.6 The Scottish Government published its Proposed Budget 2024-25 document in December 2023. Chapter 2 of that document provided details of Economic and Fiscal Context, stating *“The economy has faced a succession of significant shocks in recent years, with the inflation shock arising from the war in Ukraine following on from those from Brexit and the pandemic. Collectively, they have led to a range of economic and fiscal risks which have evolved over the past couple of years as the economy has continued to recover, adjust and adapt to these persistent challenging conditions and elevated levels of uncertainty.”* Furthermore *“the Scottish Government has been fully exposed to inflationary risks on devolved expenditure but, instead of protecting our budget from inflation, the UK Government is instead focused on cutting public services to pay for UK-wide tax cuts. This means that our block grant funding from the UK Government is falling in real terms.”* Commenting on the impact of this *“expectations are that economic growth will remain weak, with the Scottish Fiscal Commission now forecasting growth of 0.7 per cent in 2024. The rise in interest rates is playing an increasing role in slowing economic activity as cost challenges continue to impact on household budgets and business investment decisions. This reflects a stalling in the recovery from the pandemic as the economic output has remained broadly unchanged at 0.9 per cent above its pre-pandemic level since the start of 2022.”* And *“the medium-term period is still forecast to remain challenging, with relatively subdued growth in 2024 and households still facing record falls in living standards which are not forecast to recover to pre-pandemic levels until 2026-27.”*
- 4.1.7 It is therefore within this challenging financial constraint that public services in Scotland will be required to operate within over the medium term.
- 4.1.8 In July 2024, the Accounts Commission published a report titled “Integration Joint Boards’ Finance and Performance 2024”. This report highlights the unprecedented pressures and financial uncertainty faced by community health and social care in Scotland. The report states that, nationally, IJB funding has decreased by 9% (£1.1 billion) in real terms in 2022/23 and the funding gap was set to triple in 2023/24, while at the same time the health inequality gap is widening, there is an increased demand for services and a growing level of unmet and more complex needs, along with difficulties in recruiting and retaining a skilled workforce. The report also sets out a number of recommendations for IJBs through local and collaborative working to share learning to develop

service redesign focussing on early intervention and prevention, workforce recruitment and retention improvements, data improvements, commissioning approaches to improve outcomes and medium-term financial planning. The report also highlighted the need for IJBs to work with other stakeholders to ensure annual budgets and proposed savings are achievable and sustainable.

4.1.9 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 assumptions around staff pay awards following the cost of living rises which may still be higher than recent years, 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.

4.1.10 Appendix 1 sets out an early indication of the scale of the financial challenge facing the IJB over the coming years. By setting this out now, the IJB can start to consider how it can mitigate the effect of the difficult projected funding position in terms of its forward planning. This will require the IJB to focus on the need 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 is recommended to be adopted which will support the IJB in balancing demand and improving 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.
- Continue to shift the balance of care from bed-based models of care to community-based health and social care services.
- 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.
- Ensure community-based health and social care services are as efficient and effective as possible without compromising on the quality of services.
- Maximise use of the IJB's earmarked and non-earmarked reserves to provide short term investment which will support 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.
- Ensure a best value approach to service provision at all times and identify and eliminate waste and inefficiency.
- 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 there are no gaps, reducing 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.

4.1.11 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
- Integrated Community Teams
- Transforming Public Protection (Dundee Partnership)
- Primary Care Improvement Plan
- Digital Transformation (with NHS Tayside and Dundee City Council)

The progression of these are 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. While progress on these issues are reported to the IJB on a regular basis, consolidated Transformation Programme progress reports will be provided to the IJB during 2024/25. Further areas of service transformation will be identified and reported throughout the year.

4.1.12 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 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 4 x Impact 4 = 16 (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.

Christine Jones
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DATE: 24/07/24

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5 Year Financial Outlook 2024/25 – 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Estimated Baseline Budget	314,066	321,983	323,408	324,862	327,667
Estimated additional Cost Pressures	18,603	14,683	9,205	9,602	9,871
Estimated Funding Required	332,669	336,666	332,614	334,464	337,548
Estimated Funding Provided	321,983	323,408	324,862	327,677	330,548
Estimated Funding Gap	10,686	13,257	7,751	6,787	7,000
Total Funding Gap Over 5 Years					45,482

Note: Assumes all staff costs uplifts for NHS services will continue to be funded by the Scottish Government

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