



REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD – 11 DECEMBER 2024

REPORT ON: DUNDEE IJB 2025/26 BUDGET OUTLOOK

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB69-2024

1.0 PURPOSE OF REPORT

1.1 The purpose of this paper is to provide the Integration Joint Board (IJB) with an 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. 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 additional cost pressures are anticipated to be around £22.8m.

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). 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 revised 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, assumptions regarding national policy developments such as the potential for Adult Social Care workforce uplift to minimal hourly pay rate, implications of UK-wide employer

National Insurance changes, anticipated pay awards for 2025/26, prescribing cost pressures (activity volumes and pricing), and any other new commitments.

- 4.1.3 Planning assumptions for 2025/26 currently include a 'flat cash' settlement on both baseline budgets from NHS Tayside and funding from Dundee City Council.
- 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 remove these from the 2025/26 budget thereby creating a further in-year pressure of £5.8m.
- 4.1.5 Further details will be forthcoming following the Scottish Government's Budget Statement, which is planned for 4th December 2024. Any further funding announcements as a result of the statement will be incorporated into the development of the 2025/26 Financial Plan and will be subject to discussion at IJB Budget Development Sessions and update reports.

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 pressures of £22.8m, which is hoped will be reduced once funding uplifts and any additional funding for new policies are applied. 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 lead 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 2.5% uplift and a 0% uplift applied for financial planning purposes for NHS services. It should be noted that Scottish Government has previously given a commitment to fully fund NHS pay increases therefore a breakeven impact is anticipated as a result in a corresponding increase in funding. The reported cost pressure from assumed 2025/26 Council pay awards is £1.1m.
- 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. It is currently assumed that additional funding will be forthcoming from Scottish Government to fully fund the additional cost impact for NHS-employed staff. It is hoped that further funding will be announced as part of the Scottish Government Budget statement to off-set this reported cost pressure.

4.4 **External Care Provider Costs**

- 4.4.1 The IJB commissions a significant amount 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, however we await any announcement regarding an increase in the minimum adult social care rate from current £12 per hour. Again, this is expected to be fully funded by the Scottish Government.
- 4.4.2 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 2025/26, but a high-level assumption has been included in the cost pressure calculation.
- 4.4.3 A significant demand-led cost pressure has emerged during 2024/25 within Care at Home activity, principally due to whole-system working to support Unscheduled Care pathways and minimise Delayed Discharge and unnecessary hospital admissions. Collectively, the commissioned 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. At present, this potential cost pressure has not been quantified and has not been included in the overall Cost Pressure total.

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 equates to around £3.4m. Further work continues to be undertaken with Tayside colleagues to evaluate local implications and opportunities, which will hopefully reduce this figure.

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 find funding for these within its delegated budget. A provision of over £2m has been made to fund such pressures 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 has entered into Financial Recovery while will 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 a significant portion 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 IJB's Budget Development Process 2025/26

4.8.1 Given the scale of the financial challenge faced by the IJB for 2025/26, a significant amount of work is required over the coming months to enable the IJB to set a balanced budget by the end of March 2025.

4.8.2 Five IJB development sessions have been arranged through November to 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. Furthermore, an updated budget report will be presented to the IJB meeting in February for consideration. It is anticipated 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-11A 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.

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DATE: 27 November 2024