



**REPORT TO:** **HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD – 22 OCTOBER 2025**

**REPORT ON:** **DUNDEE IJB 2026/27 BUDGET OUTLOOK**

**REPORT BY:** **CHIEF FINANCE OFFICER**

**REPORT NO:** **DIJB72-2025**

## **1.0 PURPOSE OF REPORT**

1.1 The purpose of this paper is to provide the Integration Joint Board (IJB) with an early overview 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 estimated cost pressures impacting on the IJB's delegated budget 2026/27 including anticipated funding levels from the partner bodies and resultant projected budget shortfall.

2.2 Notes the budget development process and indicative timetable (Appendix 1) for the agreement of the IJB's 2026/27 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 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 4.7 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 in March 2026 for consideration. At this early stage, the additional cost pressures are anticipated to be around £14.7m.

## **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 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 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. At

this stage, the financial gap assumes that savings agreed in previous years have been delivered in full.

- 4.1.3 Planning assumptions for 2026/27 currently include a ‘flat cash’ settlement on funding from Dundee City Council, and a 3% uplift on baseline budget from NHS Tayside. An additional allowance is assumed of 0.5% to support Council employed staff costs in 2026/27 reflecting the outcome of the recent local government pay negotiation (where 3.5% pay award has been agreed for 2026/27), and an additional allowance of 0.75% to support NHS employed Agenda for Change staff costs (where 3.75% pay award has been agreed).
- 4.1.4 As part of the 2025/26 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 reflect these from the 2026/27 budget setting process thereby creating a further in-year pressure of £5.8m.
- 4.1.5 Further details will be forthcoming following the UK Government’s Autumn Budget Statement which is planned to be delivered on 26<sup>th</sup> November 2025 and the subsequent Scottish Government’s Budget Statement, which is anticipated early January 2026. Any further funding announcements as a result of the statement will be incorporated into the development of the 2026/27 Financial Plan and will be subject to discussion at IJB Budget Development Sessions and update reports. It should be noted that the national budget announcements this year are around 1 month later than the previously assumed timetable, which will result in a tighter timetable for IJB’s budget setting process.
- 4.1.6 A summary of the current pressures and assumed funding is noted in the table below

Table 1

	Assumed value £m
Pay and Inflationary Uplifts	8.0
Demand and Demographic Growth	6.7
<b>Additional Cost Pressures</b>	<b>14.7</b>
Non-recurring 2025/26	5.8
<b>Total Cost Pressures</b>	<b>20.5</b>
Anticipated additional funding	6.9
<b>Funding Gap</b>	<b>13.6</b>

#### 4.2 Financial Outlook

- 4.2.1 The combined impact of the revision of the assumptions and adjustments for known pressures for 2026/27 results in estimated additional cost pressures of £20.5m, which is expected to reduce 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 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.
- 4.2.2 The current year cost pressures (particularly in relation to care at home demand) will need 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 includes the ongoing impact of £3.5m care at home demand pressure.
- 4.2.3 Any planned savings from 2025/26 Budget Plan that are looking unlikely to be achieved may also need to be reconsidered with the possibility that alternative savings proposals should now be pursued. At present, it has been assumed that all existing savings plans will be achieved in full before the start of 2026/27.

#### 4.3 Pay Costs

- 4.3.1 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. As previously noted, additional

funding is assumed for pay cost pressures above 3.0% in each area. The reported cost pressure from 2026/27 pay awards is £4.4m.

- 4.3.2 NHS Scotland Agenda for Change Pay Reform continues to be progressed nationally. One of the final stages of the agreement is a reduction in standard weekly working hours from 37 to 36 with effect from 1<sup>st</sup> April 2026. While this is positive change for staff to support work/life balance and wellbeing, there is a potential impact on operational service delivery and clinical / patient-facing time. Teams continue to review local options and potential transformation opportunities to mitigate the impact of the reduced working week – however this change alongside the financial environment and requests for savings opportunities exacerbates the challenge and further impacts to deliver current levels of performance within an increasingly reduced resource.
- 4.3.3 Following the uplift to employers National Insurance Contributions rates in 2025/26, it was previously highlighted that insufficient funding was provided to Scottish Government to pass on to public sector organisations to fully fund this cost pressure. The funding passed to Dundee IJB reflected the funding received by partner bodies (55% from Dundee City Council and 60% from NHS Tayside, with additional one-off funding from NHS Tayside to support the 25/26 shortfall). As a result the impact of this recurring shortfall is incorporated into the 2026/27 gap.

#### **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 2026/27. 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 £12.60 per hour. Again, this is expected to be funded by the Scottish Government. As present, a provisional uplift has been incorporated into the plan, along with comparable assumed funding uplift.
- 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 2026/27, but a high-level assumption has been included in the cost pressure calculation.
- 4.4.3 A significant demand-led cost pressure emerged during 2025/26 within Care at Home activity with an element of this continuing through 2025/26, principally due to whole-system working to support Unscheduled Care pathways and minimise Delayed Discharge and unnecessary hospital admissions. The resulting cost pressure of around £3.5m has been included in the reported position.
- 4.4.4 It is acknowledged that the increase to employer National Insurance contributions in 2025/26 has had an impact on External Providers. No additional national funding was provided to allow the IJB to support external providers with this increased cost, and therefore any associated cost pressure has had to be managed by Providers.

#### **4.5 Prescribing**

- 4.5.1 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 is to be undertaken with Tayside colleagues to evaluate local implications and opportunities, however at present, a provisional cost increase has been incorporated into the plan.

#### **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 £2.2m has been made to fund such pressures for 2026/27.

#### **4.7 Financial Recovery 2025/26**

4.7.1 As a result of the significant increase in projected spend during 2025/26 in the challenging financial environment, and resulting unplanned overspend, the IJB has entered into Financial Recovery which will aim to contain spend and return the position to within the agreed financial plan.

4.7.2 Despite the strong performance towards delivering the 2025/26 savings, it remains exceedingly likely that the IJB's remaining General Reserves will need to be utilised during 2025/26 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 2026/27.

#### **IJB's Budget Development Process and Timetable 2026/27**

4.8.1 Given the scale of the financial challenge faced by the IJB for 2026/27, 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 2026.

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 December and in February for consideration. It is anticipated that the IJB will meet on or around the 25 March 2026 to agree its 2026/27 revenue budget.

4.8.3 An indicative timetable detailing the key meetings and tasks that will be required to deliver the budget process, including stages of formal or direct IJB involvement along with other pieces of work from Officers, budget managers and supporting groups to identify areas of strategic prioritisation and savings opportunities. This timetable is included in Appendix 1.

#### **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**

<b>Risk 1 Description</b>	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.
<b>Risk Category</b>	Financial
<b>Inherent Risk Level</b>	Likelihood 5 x Impact 5 = 25 (Extreme)
<b>Mitigating Actions (including timescales and resources)</b>	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.
<b>Residual Risk Level</b>	Likelihood 3 x Impact 4 = 12 (High)
<b>Planned Risk Level</b>	Likelihood 3 x Impact 4 = 12 (High)
<b>Approval recommendation</b>	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, 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.

<b>Direction Required to Dundee City Council, NHS Tayside or Both</b>	<b>Direction to:</b>	
	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:** 24/09/25

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## Indicative IJB Budget Timetable for 2026/27

Date	Detail	Description
<b>2025</b>		
w/c 29-Sep	Strategic Plan – Consultation	Launch of consultation period regarding statutory review of strategic commissioning framework (6-week period, ending 7 November)
23-Sep	HSCP Budget Delivery Group	Review of 25/26 recovery plan and forward plan for 26/27 budget
w/c 29-Sep	HSCP Savings Proposals	HSCP Budget managers to submit potential savings proposals options – templates to be issued
10-Oct	HSCP Savings Proposals	Templates to be returned
22-Oct	<b>Dundee IJB Meeting</b>	Finance Reports <ul style="list-style-type: none"> <li>• Financial Monitoring</li> <li>• Financial Recovery</li> <li>• <u>26/27 Budget Update</u></li> </ul>
28-Oct	HSCP Budget Delivery Group	Review of 25/26 recovery plan and forward plan for 26/27 budget
29-Oct	<b>IJB Development Session</b>	First IJB development session to support 2026/27 budget
07-Nov	Strategic Plan - consultation	End of consultation period
11-Nov	Strategic Plan – Strategic Planning Advisory Group meeting	Consideration of consultation feedback and analysis
25-Nov	Budget Delivery Group	Review of 25/26 recovery plan and forward plan for 26/27 budget
26-Nov	UK Budget Announcement	UK Budget plans announcement expected
09-Dec	Strategic Plan – SPAG Meeting	Agreement of recommendation to IJB regarding outcomes of statutory review
10-Dec	<b>Dundee IJB Meeting</b>	Financial reports: <ul style="list-style-type: none"> <li>• Financial Monitoring</li> <li>• Financial Recovery Update</li> <li>• 2025/26 Savings proposals – progress update</li> <li>• <u>2026/27 Budget Update</u></li> </ul>
w/c 15-Dec	Budget Consultation	Draft budget consultation materials available and shared with partners for review
17-Dec	<b>IJB Development Session</b>	Second IJB development session to support 2026/27 budget
23-Dec	HSCP Budget Delivery Group	Review of 25/26 recovery plan and forward plan for 26/27 budget
<b>2026</b>		
13-Jan	Scottish Budget	Confirmed date of Scottish Budget announcement
Early Jan	Local Government and NHS Scotland Finance Settlement	Provisional date Local Government Finance Settlement 2026/27 and NHS Scotland indicative funding
w/b 05-Jan	Budget Consultation	Budget consultation materials finalised and agreed with partner bodies (NHST, DCC and other IJBs)
??-Jan	<b>IJB Development Session</b>	Third IJB development session to support 2026/27 budget
??-Jan	Budget Consultation	Start of consultation period
??-Feb	<b>IJB Meeting</b>	Financial reports: <ul style="list-style-type: none"> <li>• Financial Monitoring</li> <li>• Financial Recovery – progress update</li> <li>• <u>2026/27 Budget Update</u></li> </ul> Report detailing findings of statutory review of the strategic commissioning framework
??-Feb	<b>IJB Development Session</b>	Fourth IJB development session to support 2026/27 budget
27-Feb	Budget Consultation	Budget consultation closes
??-Mar	Budget Consultation	Budget consultation findings report available in draft
??-Mar	IJB Budget Meeting Preparation	Draft budget report due
??-Mar	<b>IJB Development Session</b>	Fifth IJB development session to support 2026/27 budget
??-Mar	IJB Budget Meeting Preparation	Final budget report due
??-Mar	IJB Budget Meeting Preparation	Budget reports issued to IJB members
??- Mar	<b>Dundee IJB Budget Meeting</b>	2026/27 budget set by DIJB. Report will also include feedback from the outcome of the budget consultation.

2026 IJB Meeting dates and Development session dates have not yet been finalised

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