



Dumfries and Galloway
Integration Joint Board

15th April 2025

This Report relates to
Item 6 on the Agenda

IJB Financial Plan and Budget for 2025/26

Paper presented by Katy Kerr

For Approval

Author:	Katy Kerr, Chief Finance Officer IJB - katy.kerr@nhs.scot
List of Background Papers:	Not required
Appendices:	N/A

Direction Required to Council, Health Board or Both	Direction to:	
	1. No Direction Required	X
	2. Dumfries and Galloway Council	
	3. NHS Dumfries and Galloway	
	4. Dumfries and Galloway Council and NHS Dumfries and Galloway	

1. Introduction

- 1.1 This report outlines the revenue budget for Dumfries and Galloway Integration Joint Board (IJB) for 2025/26 and the budget available for services commissioned from NHS Dumfries and Galloway and Dumfries and Galloway Council. This paper is being presented as an interim budget pending further development of the detailed savings plans.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- **Note the risk in the projected 2024/25 position given the Quarter three forecast position for the delegated social work services budget.**
- **Note the financial estimates and savings plan as set out in the draft Plan.**
- **Approve the Interim Financial Plan for 2025/26 as set out in this report and the current projected shortfall on the delegated budget of £33m.**
- **Note the development of the savings proposals through the Health and Social Care Partnership and the requirement to deliver savings to reduce the in-year deficit position and support the delivery of the Financial Plan and the significant risks associated with delivery of the savings targets.**
- **Agree to receive a further update at the Integration Joint Board meeting on 3rd June 2025 with an update on the financial plan and provide more details on the proposed savings plans and decisions required.**
- **Note that no directions are planned to be issued until the final budget is presented.**

3. Background and Main Report

Background

- 3.1 This paper presents the interim budget position for the IJB for 2025/26 and reflects the allocation of resources from the partner agencies to the IJB in the context of the agreed Scottish Government budget for 2025/26, and the respective financial settlements to Local Authorities and NHS Board. This paper represents an interim budget and was presented to the IJB in a workshop session on the 8 April 2025 in advance of this final draft being presented to the IJB on the 15 April 2025.
- 3.2 The year end financial position for 2024/25 is in the process of being concluded and a further update with the final position will be presented to the June IJB meeting. There are risks associated with delivery of a break-even position give the risks within the projected social work budget of £0.5m overspend (as reported at quarter 3). The NHS element is expected to balance using additional non-recurring support (brokerage) projected to be received from Scottish Government for the NHS overspend.
- 3.3 The year end position is subject to external audit review which will be reported

through the IJB's Audit, Risk and Governance Committee.

3.4 The budget is set in the context of a recently issued Accounts Commission report on the financial position of Integration Joint Board's where there is a concerning picture of continued overspending, depletion of reserves and savings being met through one-off rather than recurring savings with the overall national financial position set to worsen with a projected funding gap of £457 million in 2024/25.

3.5 It recognises that the budget process needs collaboration and candid conversations around the difficult choices to be made to reduce overspends and to balance budgets with the IJBs need to be working collaboratively with each other and with their NHS and council partners to find ways to transform services on a longer-term basis so that they are affordable. Investment in prevention and early intervention is needed to help slow the ever-increasing demand for services, the cost of more complex care and, improve the experience and outcomes for people.

Main Body of the Report

Summary Financial Plan

3.6 This report details the opening interim Financial Plan position for Dumfries and Galloway IJB for 2025/26.

3.7 The table below summarises the overall position presented by the Chief Financial Officer. This confirms the overall assessment of the financial position, pressures, allocations and savings requirement for the financial year 2025/26. It sets out an exceptionally challenging position given the scale of underlying deficit and the level of savings required to be delivered to achieve the plan as set out.

Table 1 – IJB Draft Financial Plan 2025/26

IJB Draft Financial Plan 2025/26	NHS £m	Council £m	Total £m
Overall projected deficit before savings	(44.24)	(13.68)	(57.92)
Savings Identified/ Planned	18.19	7.00	25.19
Projected In-Year Position	(26.05)	(6.68)	(32.73)

NHS Delegated Budget Position 2025/26

3.8 The Financial Planning letter from the Scottish Government of 9 October 2024 set out that NHS Boards were required to develop detailed Financial Plans covering the three years: 2025-26 to 2027-28. There was a clear expectation within the Scottish Government that NHS Boards' Financial Plans for 2025-26 would present:

- a clear programme of work and supporting actions to achieve 3% recurring savings on baseline budgets over the three year period,
- an improved forecast outturn position in 2025-26 compared to your forecast outturn position reported at the start of 2024-25, with improvements in the financial position being achieved in each of the years to 2027-28 for those Boards not in financial balance, and

- trajectories for improvement in the financial position supported by detailed plans as to how this would be achieved and the arrangements that will be implemented by the Board to oversee delivery.

3.9 The draft three-year Financial Plan for NHS Dumfries and Galloway which has been developed sets out a challenging financial landscape and will not deliver a balanced position over that period even with the 3% baseline uplift anticipated and an ambitious 5% savings target. The forecast deficit is £26.1m, £25.9m and £19.4m over the three years for the element of the NHS budget delegated to the IJB.

3.10 The NHS Board received their 2025/26 budget letter on 9 December 2024 which confirmed a 3% baseline uplift to NHS Boards. In addition, further planning assumptions including inflationary and other uplifts were issued from Scottish Government to support the completion of the draft three-year Financial Plan.

3.11 The table below summarises the projected position for the NHS Board delegated budget:

Table 2 – NHS Position

Financial Plan	2025/26 £m
B/Fwd Recurring Deficit	(34.00)
Adjustments to B/Fwd	(1.10)
Total Deficit B/Fwd	(35.10)
Inflationary Planning Assumptions	(21.67)
Investment Assumption	(2.00)
Recurring Funding notified	15.18
Savings Target 3%	10.91
Recurring - Total In Year Impact	2.43
Recurring Deficit	(32.67)
Non Recurring Funding notified	11.35
Non Recurring Savings Target 2%	7.27
Directorate forecasts inc medicines	(12.00)
Non Recurring - Total In Year Impact	6.62
Year End Outturn Forecast	(26.05)

3.12 Each year the expectation is that NHS Dumfries and Galloway will deliver a 3% recurring saving on baseline budgets. The overall savings target for the delegated NHS Board has been set at 5%, with 3% recurring and the 2% non recurring which equates to £18.19m for the delegated budget. The NHS Board has currently not had their plan signed off by Scottish Government and the Board remains at level 2 in the escalation framework. In additional it has been confirmed that no further brokerage will be issued to NHS Boards in 2025/26.

3.13 A summary of the planning and inflationary assumptions for 2025/26 are set out below.

Table 3 – Planning and Inflationary Assumptions

NHS Dumfries & Galloway		
Inflationary Pressures Estimate	2025/26 %	2025/26 £m
Pays Uplift	3%	7.99
Employers NI Uplift	N/A	4.70
Prescribing	10%	6.45
Rates	5%	0.27
Other non-pay	2%	2.26
Energy & Water	0%	0.00
Total		21.67

3.14 The planning assumptions were provided by Scottish Government, and we have reassessed the energy assumption to align with our local intelligence. The national insurance uplift has been funded to the level of 60% and the impact of the 40% element reflected in the NHS Boards forecast position. The NI element only covers the costs associated with employed staff and not contractor staff (GP's, community pharmacy etc), it has been assumed these are being captured in national discussions.

3.15 The Financial Plan does make provision for 2025/26 pay awards at a rate of 3% and assumes any cost beyond this will be funded by Scottish Government as part of any pay negotiations. A share of funding of £150m will be allocated to the delegated budget to cover the cost of the Agenda for Change Non Pay settlement including the Reduced Working Week (half hour reduction from 1st April), Protected Learning Time and band 5 to 6 regrading. This will require review once the year end position is confirmed. A further 1 hour reduction in the working week is scheduled from 1 April 2026 and no additional funding has been confirmed to support this.

2025/26 Savings - NHS

3.16 The initial focus is to deliver against the standard 3% recurring savings target set out by Scottish Government, however, the NHS Board have already agreed to focus on a target of 5% which includes a further 2% non recurring saving.

3.17 The approach for 2025/26 will be to delegate targets to directorate budgets and will align to the themes which were agreed in 2024/25 set out below.

- Service optimisation and redesign
- Medicines Optimisation
- Value based health and care
- Workforce sustainability
- Financial Control and flexibility (non pay/ procurement etc)

3.18 Various workshops with the Board Management Team, General Managers and Health and Social Care Partnership teams have taken place to start to develop the schemes for 2025/26.

3.19 The current list of schemes identified estimates a delivery of around £10m potential savings. Schemes over a range of areas including up to £4m in medicines budget savings (polypharmacy, medicines switches, medicines of limited value, review of

homecare etc) but also include service contract reviews, repatriation of out of region patients, review of catering provision, several energy efficiency schemes, postage, use of printing along with a number of service reviews.

- 3.20 The NHS Board Financial Recovery Board continues to meet on a bi weekly basis to drive forward the NHS savings and recovery work.

Cost Pressures – NHS

- 3.21 There are a range of Directorate overspends that are continuing to put pressure on the financial position and these are currently not funded on a recurring basis and therefore require to be considered when developing the forecast. Work has been ongoing during 2024/25 to review all areas of cost pressures and where possible; remove or reduce these pressures. The areas with significant pressure going into 2025/26 are noted, using existing and new sources of funding along with offsetting underspends the pressure is still estimated at £12m.

- 3.22 Staff Cost Pressures - there are a range of staff cost pressures within the system, mainly within medical models arising from the move to the DGRI which have never been fully resolved, challenges in recruiting to substantive posts along with pressures at GCH. Increasing pressure from high levels of sickness absence in nursing, domestics and catering are also causing overspends with backfill required. Robust vacancy management controls will continue alongside service redesign in 2025/26.

- 3.23 Medicines - new drugs, inflation and activity drive the increasing cost of medicines for the Board across primary and secondary care; £3.5m of savings were delivered in 2024/25. The work of the Medicines Optimisation Programme will continue into 2025/26.

- 3.24 Surge Beds - additional bed capacity has been required throughout the year within DGRI and Mountainhall; we have seen this since the pandemic period. Work is ongoing to review whole system pathways to reduce our reliance on this capacity, through our wider transformation programme.

- 3.25 Supplementary Staffing / Locum Use - there was a significant reduction in 2024/25 on supplementary staffing costs. We are forecasting a net reduction in spend of £3.4m for 2024/25, with 93% of this related to medical. In 2025/26 there will be a continued roll out of eRostering to further improve roster management and continued grip and control measures to be rolled out.

- 3.26 Junior Doctor rota compliance - still an area of concern even with additional investment during 2024/25, this work will continue into 2025/26.

- 3.27 Private Sector Packages - continue to be in excess of funding for Mental Health patients, work continues to look at repatriation where appropriate.

- 3.28 Other Non-Pay Costs -including Surgical Sundries, lab testing, energy continue along with a range of smaller areas of pressure, work continues through the various workstreams established in 2024/25 to review and maximise opportunity to reduce cost in 2025/26.

Financial Support/Escalation – NHS Board

3.29 At this time, the NHS Board does not have a Financial Plan that meets the criteria set by Scottish Government with discussions ongoing with Scottish Government about the impact of this and what the next steps will require to be. There is no clear indication if the Board will remain in Level 2 of the Support and Intervention Framework. The NHS Board received brokerage of £9.3m for 2022/23 and a further £23m for 2023/24 and is expected to receive up to £35.6m brokerage for 2024/25. All of which has supported the IJB to balance the overall position each year. Repayment of brokerage is not required until the NHS Board returns to financial balance.

Council Delegated Budget Position 2025/26

3.30 Following the Scottish Government budget announcement on the 9 December 2024, the Scottish Government set an indicative funding settlement for Health and Social Care Integration. The Health and Social Care portfolio transferring additional funding of £135m to Local Government to support Social Care integration.

3.31 The settlement includes additional funding of £125m to support the delivery of £12.60 per hour minimum pay for Adult Social Care workings in private and Third Sectors with effect 1 April 2025. In addition, there is an inflationary uplift on Free Personal Nursing Care rates of £10m. It is likely that this element will reduce income for residential and nursing care so is likely it will be required to offset income reductions rather than support the cost increases.

3.32 Dumfries and Galloway’s share of the £135m has been confirmed as £4.45m. There is no allowance for local government pay and non-pay inflation within the settlement for 2025/26, however it has been confirmed that further funding of around £0.36m will be provided to support the national insurance increases for Council employed staff (60% of funding). This funding has now been confirmed by Scottish Government to Local Authorities and also through the Dumfries and Galloway Council’s budget setting process.

Table 4 – Local Government Settlement

Council Delegated Budget Uplift	National Funding	Dumfries and Galloway Council	Dumfries and Galloway Council Share
	£m	%	£m
Scottish Living Wage - £12.60 per hour	125	3,23%	4.04
Free Personal Care - Changes	10	4.12%	0.41
Settlement Position	135		4.45

3.33 The table below summarises the projected position for the Council delegated budget:

Table 5 – Council Position (before any savings applied)

Summary Position 2025/26		2025/26 £m
Scottish Government settlement		4.45
Funding For National Insurance (employed staff)		0.36
Less pressures/ uplifts		
Opening Position for 2025/26/ Cost Pressures	(8.92)	
Savings not allocated from 25/26	0.37	
Known Pressures	(1.21)	
Pricing and Inflationary Uplifts	(5.81)	
NI impact - council staff	(0.60)	
NI impact - providers	(2.33)	
		(18.49)
Budget Position for 2025/26 before savings		(13.68)

- 3.34 The overall impact of inflationary and pricing impacts (excluding eNIC) is forecast to cost around £5.81m as set out in table 6 below. This has been budgeted based on our best information at the time of drafting the paper and is subject to change as settlements are agreed. Funding has only been received for the Scottish Living Wage element of the uplift and therefore any non pay or other inflationary elements will require funding from additional savings.
- 3.35 There has been a 3% cost increase applied for Local Authority staff costs pay settlement for 2025/26, noting that the pay settlement has not yet been agreed so could be subject to change.
- 3.36 The budget estimates include an allowance for the impact of uprating contracts with providers, both Care Home and Care at Home, for the impact of employers National Insurance at a cost of £2.33m. It is still uncertain whether this will be required as negotiations around uplifts both the National Care Home Contract and Scotland Excel are ongoing.
- 3.37 The overall projected prices and inflationary uplifts are set out in the table below.

Table 6 – Pricing and Inflationary Increases

Pricing Uplifts/Inflationary Increases 2025/26 excl NI	Spend £m	Uplift %	2025/26 Increase £m
Staff Costs Local Authority pay settlement 2024/25	25.96	3.00%	(0.78)
Care at Home Costs	49.11	4.50%	(2.21)
Direct Payment Costs	13.29	5.00%	(0.66)
Communities - Housing Support	3.63	4.50%	(0.16)
Day Care Services	1.28	4.50%	(0.06)
Residential and Nursing	41.15	4.04%	(1.66)
Block contracts	1.78	4.04%	(0.07)
Income - increase from benefits increases	(10.42)	4.13%	0.02
Vol Org Grants/Commissioned Services	3.18	6.89%	(0.22)
Pricing/Inflationary Uplifts			(5.81)

2025/26 Savings – Council

- 3.38 Recognising the significant budget pressures a robust savings plan is under development. It is acknowledged that savings of this level cannot be delivered without significantly impacting on service delivery. A Social Work Financial Savings Delivery Group has been established within the Health and Social Partnership to drive forward the savings proposals, supported by the Social Work Governance Group, led by the Chief Social Work Officer. It is estimated that potential savings of around £7m can be delivered for 2025/26. This would include a range of measures such as review of responder services, review of overnight care, review of all existing purchasing/ contract arrangements, implementing new digital technologies and reviewing all care delivery across all client groups. In addition there are a range of overspend/ cost pressures which require action to bring spend back within budget levels (details are set out in the table below); a number of service reviews are currently underway.

Cost Pressures - Council

- 3.39 The budget process recognises there are a range of existing financial pressures which have been somewhat offset by savings delivery in 2024/25 but contribute to the underlying deficit budget position. These have been documented in previous financial reports to the Integration Joint Board and whilst over £2m of savings can be validated as being delivered for 2024/25 the ongoing activity and service pressures which are being experienced, continue to wipe out the progress in this area.

Table 7 – Underlying Cost Pressures from 2024/25

Opening position for 25/26	Cost Pressures 24/25 £m	Net Impact of Savings/ Cost of Care £m	Cost Pressures 25/26 £m
Older Peoples	(1.22)	2.27	1.05
Learning Disabilities	3.37	1.26	4.63
Physical Disabilities	0.59	1.17	1.76
Mental Health	0.62	0.47	1.08
Care and Support Services	0.20	0.00	0.20
OT Aids & Minor Adaptations	0.20	(0.00)	0.20
Opening Cost Pressures for 2025/26	3.76	5.16	8.92

- 3.40 The underlying pressure identified in the budget position for 2025/26 has increased from £3.76m to £8.92m as set out in the table above. The costs associated with the increases in complex care packages have been somewhat mitigated by the savings delivered in this area but services continue to experience unprecedented increases in service demands as reported in the Quarter three report (4.5% based on overall client numbers).
- 3.41 Further pressures are expected to continue into 2025/26 with the transition of further clients from Children’s Services, increase in complex care packages and further inflationary pressures with energy cost increases totalling £1.21m as set out in the table below.

Table 8 – Additional Cost Pressures

Full Year Impact of known pressures not in opening position	2025/26 Impact on Cost £m
In House Complex Care Energy costs	0.09
High Cost Packages	0.30
High Cost Packages transition from Children's and Families	0.47
Specialist Support Services	0.26
Analogue to Digital - Sim charges	0.09
Known Pressures	1.21

Reserves

- 3.42 The IJB carried forward reserves of £8.8m into 2024/25 primarily relating to balances of ringfenced allocations, with this forecast to reduce significantly around £1m by the 31 March 2025 with reserves used to manage in year commitments and reflecting reduced allocations for certain policy initiatives.

4. Conclusions

- 4.1 The current draft proposed budget for services delegated to the IJB, passes on in full the additional funding from the partner organisations as identified in the Scottish Budget for 2025/26.
- 4.2 The recommendation of the Chief Officer and Chief Finance Officer is to support the interim budget as set out, recognising the projection of overall deficit of £32.73m for the Integration Joint Board and the delegated budgets and to support the savings and budget strategy as set out in this paper but noting that this requires further savings need to be identified to address the in year deficit.
- 4.3 The IJB is not projecting a break-even position for the NHS delegated budget and, therefore, requires to identify further solutions to bridge the current projected in-year gap, it is uncertain how the position will be managed for 2025/26 given that Scottish Government have confirmed there will be no brokerage support for this year. An additional sustainability payment of £6.3m has already been built into the budget projections on a non recurring basis.
- 4.4 The IJB is not projecting a break-even position for the Council delegated budget and enhanced reporting into Council Senior Leadership Team and Budget Panel has been agreed to monitor delivery of savings in year as any deficit on the delegated Council budget would require to be met by additional payments to the Integration Joint Board as set out in the Integration Scheme.
- 4.5 Across both Council and NHS Services the IJB will need to consider if there are any cost containment measures which need to be implemented on a short term basis to help bridge the in year gap.
- 4.6 This budget makes no allowance for any future developments/ activity increases and further cost pressures not known at the time of developing the budget.

5. Resource Implications

- 5.1. Financial implications are detailed throughout the content of this report.
- 5.2. The financial position of the IJB is dependent on the funding allocations received from the Council and the Health Board. The financial pressures facing the IJB are unprecedented and reflective of both inflationary and demand pressures which are being seen across all sectors. Funding allocations do not meet these pressures and hence the significant levels of savings required and the underlying deficit in the NHS delegated budget, making it difficult to set a balanced budget.
- 5.3. Work will continue to develop a financial strategy over the short and medium term which will respond to future challenges. This budget doesn't make any additional financial provision for future year changes in service delivery models and activity pressures which are anticipated given the demographic impacts to service delivery we are already seeing. We will need to work closely with our NHS and Council partners to provide funding solutions or agreed disinvestment strategies to allow for any future investments.

6. Impact on Integration Joint Board Outcomes, Priorities and Policy

- 6.1. This report describes the financial allocation and budgets made available to the IJB for 2025/26 by Dumfries and Galloway Council and NHS Dumfries and Galloway and outlines the financial pressures on health and care services and the measures identified to address the financial challenges. It also sets out the implications for the priorities identified in the Strategic Plan.

7. Legal and Risk Implications

- 7.1. The Chief Finance Officers duties require a balanced budget to be set. Directions will require to be issued in line with the legislation.
- 7.2. The integration scheme sets out the financial arrangements between the parties and can be found here <https://dghscp.co.uk/wp-content/uploads/2023/11/Revised-Integration-Scheme-V6.doc>
- 7.3. Whilst this interim budget includes known financial pressures, at the time of drafting the report there remains considerable financial risk in the position including, Pay Uplifts for 2025/26, contractual uplifts to Care Home and Care at Home services and ensuring compliance with relevant agreements.
- 7.4. It is recognised that any savings initiatives which require change to charging and other similar policies will require to be completed in partnership with the Local Authority.
- 7.5. The volatility of the drugs market supply, demand for services, cost of living crisis and inflation continues to represent a considerable risk to the IJB. With this level of risk, the IJB will need to keep its financial strategy under review. The financial risk will be monitored during 2025/26 and reported through the financial performance reports to the IJB and through the IJB Finance, Quality and Performance Committee.

8. Consultation

8.1. In line with the Integration Scheme, the Chief Officer and Chief Finance Officer has fully engaged with Dumfries and Galloway Council's budget setting process which determined the funding allocations delegated to the IJB for 2025/26. The funding to support the delegated NHS services are in line with the Financial Plan which was ratified at the NHS Board at its meeting on 7th April 2025.

8.2. The development of the plan has been the outcome of a series of workshops with the Health and Social Care Leadership Team and through the lead General Managers for both Community Health and Social Care Directorate Mental Health and Learning Disabilities services and their Management Teams including all relevant professional leads.

9. Equality and Human Rights Impact Assessment

9.1. This report includes proposals against which projected savings targets have been applied. The activity to achieve the proposed savings will be carried out with a focus on equalities and the extent to which any subsequent change to policies and services. Impact assessments will be required for proposals once they are sufficiently developed.

10. Glossary

AfC	Agenda for Change
ADP	Annual Delivery Plan
DGRI	Dumfries and Galloway Royal Infirmary
HSCP	Health and Social Care Partnership
IJB	Integration Joint Board
LA	Local Authority
LG	Local Government

Dumfries and Galloway Integration Joint Board

DIRECTION - FINANCIAL PLAN 2025/26



(ISSUED UNDER SECTIONS 26-28 OF THE PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014)

1.	Title of Direction and Reference Number	
2.	Date Direction Issued by Integration Joint Board	
3.	Date from which Direction takes effect	
4.	Direction to	
5.	Does this direction supersede, amend or cancel a previous Direction? If yes, include the reference number(s)	
6.	Functions covered by Direction	
7.	Full text of Direction	
8.	Budget allocated by Integration Joint Board to carry out Direction	
9.	Desired Outcomes	
10.	Performance Monitoring Arrangements	
11.	Date Direction will be Reviewed	