



Dumfries and Galloway
Integration Joint Board

3rd June 2025

This Report relates to
Item 10 on the Agenda

IJB Financial Plan Update 2025/26

Paper presented by Katy Kerr

For Approval

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List of Background Papers:	Not required
Appendices:	Appendix 1 – IJB Financial Plan and Budget for 2025/26 – interim budget paper 15 th April 2025 Appendix 2 – National Financial Position

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 provides an update on 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 provides update on the budget position further to the paper presented at the 15th April 2025 meeting.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- **Approve the Updated Financial Plan for 2025/26 as set out in this report and the current projected shortfall on the delegated budget of £25.6m.**
- **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.**
- **Note the level of financial risk inherent in the underlying financial position.**
- **Approve the delegation of a budget of £428m to NHS Dumfries and Galloway and direct that this budget is spent in line with the Strategic Plan of the IJB.**
- **Approve the delegation of a budget of £117.934m to Dumfries and Galloway Council and direct that this budget is spent in line with the Strategic Plan of the IJB.**

3. Background and Main Report

Background

- 3.1 A paper was presented to the Integration Joint Board on the 15th April 2025 which set out an interim budget position for 2025/26 pending further development of the savings schemes and financial recovery plan to seeks to close the in year financial gap. A copy of the paper presented at this meeting is attached in Appendix 1 for reference. The overall financial planning estimates and assumptions which were developed as part of the budget process remain unchanged but there are a few movements in the position which are set out below.
- 3.2 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 £497 million for 2025/26 (a copy of the report is included in Appendix 2).
- 3.3 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

Updated Financial Plan Overall Position – May 2025

- 3.4 This report provides the Integration Joint Board with an update on the financial plan for 2025/25 and sets out the progress to date and any changes in the plan from the interim plan position.
- 3.5 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. It must however be recognised that whilst a saving target of £30.7m has been set that to date savings schemes have not been found to meet this target.

Table 1 – Revised Financial Plan for 2025/26

IJB Draft Financial Plan 2025/26 – May 2025	NHS £m	Council £m	Total £m
Overall projected deficit before savings	(43.60)	(12.50)	(56.10)
Savings target	18.20	12.50	30.70
Projected In-Year Position	(25.40)	0.00	(25.40)

NHS Delegated Budget Position 2025/26 – update May 2025

- 3.6 The position for the NHS Board as set out in the draft plan indicated a forecast deficit position for 2025/26 as set out in the table below for the 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)

- 3.7 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 and is required to submit a revised plan for the 7th June 2025. It has been confirmed that no further brokerage will be issued to NHS Boards in 2025/26 with a cap of £25m set on the NHS Board deficit (this includes both the delegated and non delegated NHS budgets).
- 3.8 The review of the year end position has improved this forecast slightly with a £25.5m deficit position forecast in the revised plan
- 3.9 A significant amount of work has been ongoing over the last two months since the plan was submitted including:
- Development of an approach for a clinical change programme, details of this will be provided at a later meeting
 - Budget letters have been issued to all Directors and General Managers setting out the financial parameters they are expected to work within for 2025/26
 - Fortnightly meetings of Financial Recovery Board have continued to mee
 - Development of a savings and transformation workplan
 - Development of a plan which sets out the Tactical Approach to Financial Recovery and Transformation for the NHS Board
 - Review of the plan based on year end outturn position

2025/26 Savings - NHS

- 3.10 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.
- 3.11 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)
- 3.12 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.
- 3.13 To date savings schemes of circa £15m have been identified against the overall NHS target of £21.3m The proportion of the NHS savings target relating to the IJB delegated services is £18.2m and has been allocated as set out in table 3 below. A review in the confidence to deliver is still being refined however initial estimates suggests that there is high confidence for circa 75% of this being delivered to date of the £15m being delivered so far, this will be reviewed monthly throughout 2025/26.

Table 3 – Allocation of savings target

	Directorate	Target £
IJB	Acute Directorate	7,916,218
	Community Health + Social Care	4,201,483
	Facilities & Clinical Support	2,261,004
	Mental Health Directorate	1,734,116
	Primary Care Services Dir	227,343
	Strategic Ijb Services	266,619
	Womens & Childrens Directorate	1,578,217
IJB Total		18,185,000

3.14 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.

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

Financial Support/Escalation – NHS Board

3.16 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.

3.17 There is currently confirmation that the Board will remain in Level 2 of the Support and Intervention Framework with NHS Dumfries and Galloway being one of four Boards in Scotland that are projecting a deficit for 2025/26. The NHS Board received brokerage of £9.3m for 2022/23 and a further £23m for 2023/24 and is have received £26.2m 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. There is no brokerage available for 2025/26.

Council Delegated Budget Position 2025/26

3.18 The original budget paper set out the Scottish Government settlement for 2025/26 confirming the Health and Social Care portfolio transferring additional funding of £135m to Local Government to support Social Care integration. 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 and an inflationary uplift on Free Personal Nursing Care rates of £10m. No funding was provided to Integration Joint Boards to support the increases in employers National Insurance Contribution (eNIC) increases and despite various conversations nationally no further funding has been forthcoming.

3.19 The position set out in the interim budget reflected a projected deficit on the Council delegated budget of £13.68m before any savings plans were reflected in the forecast. The overall assumptions in the financial plan remain unchanged, there are however a couple of movements in the latest position reflecting a combination of the year end outturn impact for 24/25 and agreement of the rates for the National Care Home Contract and clarification of the position relating to eNIC.

Table 4 – Updated Council Position (before any savings applied)

Updated Position May 2025	2025/26 £m
Projected Position in April 25 Interim Budget	(13.68)
Impact of National Care Home Contract (now agreed)	(0.14)
Year end outturn 24/25 impact	(0.28)
Employers National Insurance	
Care at Home Providers	1.20
Direct Payments	0.40
Budget Position for 2025/26 before savings	(12.50)

3.20 Funding has been received to uplift rates for providers in line with the living wage and confirmation has now been received from Scottish Government as to the that rates by which providers should be uplifted in line with this guidance. Communication has been issued to providers by the Health and Social Care Partnership to advise of this.

3.21 The agreed rates for the National Care Home Contract uplifts have now been negotiated nationally with a resultant additional annual cost of £140k.

3.22 The year end outturn position for 2024/25 is now known and the impact of this position has been factored into the 2025/26 budget with an ongoing cost of £500k.

3.23 Overall the net impact of these changes is to reduce the opening deficit position for 2025/26 to £12.72m before the impact of any savings are factored

2025/26 Savings – Council

3.24 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.

3.25 There are estimated to be £1.5m of cost control measures in place which will reduce this project deficit figure to £11m.

3.26 The service is currently looking at all budget lines and all areas of service delivery with a view to compiling a list of cost reduction measures which will bring that position back in line with budget. This is a significant challenge, with several areas under consideration and will need to look at reviewing care delivery mechanisms both level of care provided and how it is provided alongside digital and other options to transform care provision. We are aware that other Health and Social Care Partnerships across Scotland are also considering such measures given the national financial pressures.

Home Care and Personal Care

- Introduction of caps on weekly care hours
- Reassessment of existing care packages to prioritise only "critical" needs.
- Emphasis on home first models with reablement and low levels of care.
- Promotion of digital care solutions (e.g. alarms, sensors) as substitutes for in-person visits and sleeping and waking nights provision
- Reviewing out of hours care and responder services.

Care Home and Residential Services

- Fewer placements unless necessary.
- Delays in placements due to constrained budgets.

Day Services and Prevention

- Day centre and Day Care reductions or closure for adults with disabilities or older people.
- Reductions in early intervention and reablement services.
- Reduced access to respite care and scaling back of carer supports.
- Increased reliance on unpaid carers and community networks.

Contracts

- Limiting cost uplifts due to increased need and cost.
- Reviewing current contracts as to essential need.
- Scaling back of carer supports.
- Review of block contracts.

Staffing and Providers

- Freezing recruitment in non-essential posts.
- Pressure on care providers to accept lower fees, no funding for e'ers Ni increases or deliver more with existing funding.

Other

- Reviewing the need for non-essential travel and wider expenditure.
- Reviewing current charging for services rates

3.27 Given the scale and extent of the financial gap a group has been established with officers from both Council and the HSCP working together to drive forward the savings programme. This is being led by the Deputy Chief Officer, has met twice already and will meet monthly during 2025/26 and will report quarterly to Integration Joint Board, Council Senior Leadership Team and Budget Panel meetings.

4. Conclusions

4.1 The current 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 £25.4m 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 outline 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

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	TBC	
2.	Date Direction Issued by Integration Joint Board	3 rd June 2025	
3.	Date from which Direction takes effect	1 st April 2025	
4.	Direction to	Dumfries and Galloway Council NHS Dumfries and Galloway	
5.	Does this direction supersede, amend or cancel a previous Direction? If yes, include the reference number(s)	No	
6.	Functions covered by Direction	All delegated functions to the Integration Joint Board	
7.	Full text of Direction	Delegated budget to Dumfries and Galloway Council and NHS Dumfries and Galloway as a consequence of the IJB's Financial Plan for 2025/26. Includes direction of savings proposals.	
8.	Budget allocated by Integration Joint Board to carry out Direction	Dumfries and Galloway Council - £117.934m NHS Dumfries and Galloway - £428m	
9.	Desired Outcomes	Management of financial position in line with overall Financial Plan and to support delivery of the IJB's Strategic Plan.	
10.	Performance Monitoring Arrangements	Through IJB regular financial reporting and details through Performance, Finance and Quality Committee.	
11.	Date Direction will be Reviewed	31 March 2026	