

**Report by IJB Chief Financial Officer  
Delegation of Council Adult Social Care Budget to the Health & Social Care  
Partnership 2026/27 – Current Assessment of funding gap and work to move  
to a financially sustainable delegated budget.**

**Executive Summary**

The delegated Adult Social Care budget faces a 2026/27 £7.6m deficit driven by demand growth, high-cost provision models, and inflation not matched by national funding. While substantial progress has been made in stabilising and reducing expenditure, further transformation including significant redesign of care models and review and adjustment of care provision will be essential to delivering long-term financial sustainability.

Strategic decisions will be required to balance statutory obligations, service priorities, and the operational impact on service users, families, and the wider care system.

The service has reduced the future financial impact of current care cost levels from £9.1m to £5.4m however with fresh price inflation impacts linked to wage growth this will require further reductions in care to meet the increased costs.

**Background**

The IJB entered 2025/26 with an identified pressure of £12.5m relating to Council delegated services, which is a result of rising demand and the increasing costs to provide services.

There has been a 34% increase in costs since 2022/23 against a backdrop of a 17% increase in funding from the Scottish Government. This has resulted in an increase in overspends which have been funded, up until 2024/25 by SW delegated reserves.

The Local Authority agreed to provide an additional one-off payment of £1.8m at the end of 2024/25 to offset the year end overspend position. With no additional national funding to address these pressures in 2025/26 and reserves now exhausted, the IJB was required to implement a programme of measures to reduce spending levels down to the agreed delegated budget level of £118.2m.

**Overall Budget Position for Delegated Services**

As reported to the Social Work Services Committee on 9 December 2025, the IJB is currently forecasting an **£8.7m overspend** in 2025/26. While progress has been made in strengthening cost control and improving the allocation of care within Older People's Services, significant pressures remain within Complex Care.

**Scottish Government Budget Settlement 2026/27**

The 2026/27 Local Government Finance Settlement includes the following amounts to support specific commitments/requirements in relation to adult social care services:

	<b>Scotland</b>	<b>D&amp;G</b>
Real Living Wage Uplift	£160M	£5.321M
Free Personal Care Rates Uplift	£7.0M	£0.237M
<b>Total</b>	<b>£167.0M</b>	<b>£5.558M</b>

The Scottish Government has confirmed to NHS Chief Executives and Integration Authority Chief Officers that this funding must be additional to each Council's 2025/26 recurring delegated budget.

Applying this requirement would increase the delegated budget by **£5.558m** (4.70%), from **£118.201m** in 2025/26 to **£123.810m** in 2026/27.

While this increase in funding of 4.70% represents a larger increase than has been applied to the wider Local Government funding settlement, it is important to recognise that this increase is required to address the specific Scottish Government policy commitments above and provides no additional funding to address underlying and increasing pressures.

### **Projected Spending Pressure 2026/27**

The table below provides a high-level overview of the forecast potential financial pressure for 2026/27. Each area of this forecast is then broken down in more detail in the sections that follow.

	£000s
<b><u>Pressures brought forward from 2025/26</u></b>	
Existing Service Budget Pressures	9,110
Full Year Impact of Continued Savings through recycling to 31st March 26	(3,162)
Full Year Impact of other savings measures implemented in 2025/26	(504)
<b>Budget Pressures anticipated to be brought forward from 2025/26</b>	<b>5,444</b>
<b><u>Pricing Uplifts &amp; Inflationary Increases 2026/27</u></b>	
Staff Costs LA pay settlement 26/27	988
Additional resources estimated to be required to meet RLW increase	6,554
Estimated increases not covered by SG Settlement	179
<b>Total Estimated cost of increases relating to price uplifts 2026/27</b>	<b>7,721</b>
<b><u>Scottish Government Funding Settlement</u></b>	
Funding for the RLW to £13.45	5,321
Funding for Free Personal Nursing Care	237
<b>Total received as part of the SG Funding Settlement</b>	<b>5,558</b>
<b>Total Projected Budget Shortfall 2026/27</b>	<b>7,607</b>

Existing Budget pressures/surpluses anticipated to be brought forward from 2025/26.

Client Group	B/fwd Pressure/(Surplus)	Continued Savings from 2025/26	2026/27 Forecast (before uprating)
Adult Svs, ASP, Management & In-house Complex Care	0	(504)	(504)
Older People	(974)	(2,027)	(3,001)
People with Physical Disability	2,578	(187)	2,391
People with Learning Disability	5,602	(750)	4,852
Mental Health	1,904	(198)	1,706
Total	<b>9,110</b>	<b>(3,666)</b>	<b>5,444</b>

As detailed in **Appendix 1** the pressures/surpluses can be further broken down by area of care i.e. Care at Home, Direct Payments and Residential across all client groups.

### **Older People**

From 1 September 2025, enhanced controls relating to the recycling of care packages were implemented. These measures have contributed to a reduction in Care at Home expenditure, bringing this area back to an underspend position. As at 1 December 2025, Care at Home hours have reduced by 997 hours annually. If current recycling activity continues until 31 March 2026, a further reduction of 1,211 hours is projected, equating to an annual saving of **£1.627m**.

Direct Payments are also beginning to show reductions because of the recycling of care hours within this area. Despite this improvement, the service is still forecast to overspend in 2025/26. Should recycling activity continue until 31 March 2026, an additional annual reduction of approximately **£400k** is anticipated in 2026/27.

A surplus of **£1.395m** is anticipated within Residential and Nursing Care. This reflects income recovery exceeding planned levels. There has been a partial shift in the use of one residential unit from older people to mental health service users and therefore a case could be made to transfer budget from Older People to Mental Health to partially offset the budget pressure.

### **People with Physical Disability**

The People with Physical Disability service is forecast to carry forward a financial pressure of **£2.578m**. This is primarily driven by the continued reliance on high-cost care agencies. The Service has been actively working to identify alternative care providers for individuals currently supported by these agencies; however, the rural locations of many clients have made it challenging to source suitable providers able to take on these packages.

Some modest cost reductions have been achieved following the introduction of care package recycling on 1 September 2025. These savings are, however, lower than in other service areas due to the comparatively low level of client movement within this client group.

### **People with Learning Disability**

The People with Learning Disability service is forecast to carry forward a financial pressure of **£5.602m**. This continues to represent the most significant area of financial challenge, driven largely by the complexity and intensity of care packages, many of which exceed the cost of a standard package. In addition, some reliance on high-cost care agencies remains. The Service is actively exploring alternative providers to deliver these packages at a reduced cost.

Some modest cost reductions have been realised following the introduction of care package recycling on 1 September 2025. However, these savings are lower than in other service areas due to the relatively limited level of client movement within this client group.

### **Mental Health**

The Adults Mental Health service is forecast to carry forward a financial pressure of **£1.904m**. The main area of pressure is within Residential and Nursing services, where an increase in higher cost residential placements has resulted in expenditure exceeding budget. A smaller pressure remains within Care at Home; however, it is anticipated that continued application of care package recycling through to 31 March 2026 will help bring this area closer to budget.

### **Other Savings Measures**

A number of savings measures were implemented during the 2025/26 financial year. The full year impact of these actions is expected to deliver savings of **£504k** in the 2026/27 financial year.

### **Pricing uplifts and Inflationary Increases for 2026/27**

The Real Living Wage will increase from £12.60 to £13.45 per hour on 1 April 2026. When on-costs are applied, this represents a 5.7% increase for Care at Home, 6.75% for Direct Payments, and 5.72% for Residential and Nursing Care. In line with Scottish Government requirements, Local Authorities have a statutory obligation to implement the Real Living Wage uplift. Applying this uplift to current expenditure levels is expected to increase costs by **£6.554m** in 2026/27.

The Local Authority Pay Award for 2026/27 has been agreed at 3.5%, resulting in an anticipated additional cost of **£988k**.

Several Third Sector Organisations have submitted requests for price uplifts. Although no specific instruction has been issued by the Scottish Government to provide uplifts in this area, these organisations are experiencing rising costs and are seeking support to maintain service delivery. Applying the Real Living Wage uplift to these services would result in an additional cost of **£179k**.

Overall, the shortfall between the Scottish Government Settlement and the funding required to meet pricing uplifts is estimated at **£2.163m**. When added to the projected brought-forward pressure of **£5.444m**, Delegated Adult Social Services is forecasting a potential financial pressure of **£7.607m** for 2026/27.

### **Measures to move to a financially sustainable model.**

The IJB will continue progressing toward a financially sustainable care model by strengthening cost-containment measures, expanding care-package recycling and digital transformation, and reviewing eligibility criteria to ensure resources are targeted

effectively. This has helped to contain costs within the complex care and under 65's service areas as well as reducing costs within the over 65's service with an estimated reduction of almost 2,000 hours expected by year end.

These measures have reduced the projected carry forward deficit for 2026/27 to £5.4m. A financially sustainable social work service will require to increase the level of care reductions delivered so far within the under 65's services. To date these have been minimal due to the need to meet increasing and new presenting needs.

This reduction in care levels has had an impact on the wider system, operational staff, and families. The service has attempted to mitigate this impact through collaborative working with partners, however in some instances it has had to be 'tolerated' rather than avoided and there will be further impacts if the measures to reduce spend are continued.

The HSCP have been actively working on a social work vision with support from Health Improvement Scotland, one of the areas where this will change will be how it integrates with the Third Sector. A more integrated, community-led approach is being developed through closer collaboration with Third Sector partners, care providers, and core services, with a focus on early intervention and prevention to reduce reliance on statutory services.

The IJB will consider how its total resources can be deployed collectively to support this shift.

To illustrate the scale of the challenge, closing the funding gap will require a reduction of around 5,200 care hours per week, compared to the approximate 46,000 hours currently delivered each week across delegated services.

There are a range of measures which are continuing and will require to be continued, and work alongside, as part of the social work visioning strategy. An estimate of the projected cost reductions that will look to be achieved in the table below.

Projected Funding Gap Delegated SW				
Areas to reduce spend				
Service area	Description	2026/27 £000s	Full Year £000s	Notes
Learning Disability Care at Home	Continued recycling increased to 50% of care turnover levels	- 1,260	- 2,520	based on a FY reduction of 1,800 hours per week
Physical Disability Care at Home	Continued recycling increased to 50% of care turnover levels	- 193	- 387	based on a FY reduction of 270 hours per week
Mental Health Care at Home	Continued recycling increased to 50% of care turnover levels	- 306	- 612	based on a FY reduction of 430 hours per week

Learning Disability - Direct Payment	Continued recycling increased to 50% of care turnover levels	- 162	- 323	based on average reduction of £12.4k payments per week
Physical Disability - Direct Payment	Continued recycling increased to 50% of care turnover levels	- 89	- 178	based on average reduction of £6.8k payments per week
Mental Health - Direct Payment	Continued recycling increased to 50% of care turnover levels	- 14	- 29	based on average reduction of £1.1k payments per week
Older People - Direct Payment	equivalency within Direct payments	- 749	- 1,499	Current DP average package is £15.2k p.a vs care at home average of £11.1k, adopting an equivalency model could reduce DP arrangements
Learning Disability	Tech within Waking Nights	- 504	- 1,008	Reduce spend from current £4m via replacement of Sleeping and waking nights
Social Care Visioning - Balancing figure	Eligibility, prevention, equivalency, care capping, community resilience, Third Sector	-4,200	-4,200	Financially sustainable model developed around outcomes, eligibility, social care as a last resort.
<b>Total</b>		<b>- 7,477</b>	<b>- 10,755</b>	

The aspiration of the delegated budget will be to move back towards a financially sustainable budget with the creation of reserves of around the 2% level which would be £2.5m based on projected budgets.

**In order to achieve a balanced budget position for 2026/27, as part of a wider programme to seek to ensure service and financial sustainability on a recurring basis, a detailed Change & Savings Plan will be presented to the meeting of the IJB on 24 March 2026.**

#### **Areas of potential additional risk in 2026/27**

Several potential risks have not been fully captured within the current financial projections above. These include the possibility of price inflation exceeding the assumptions built into the budget uplift forecasts. For example, the National Care Home Contract may be agreed at a higher rate than anticipated, resulting in additional cost pressures.

Further risks may arise from demographic changes, increased demand for services, and higher levels of need being assessed by Social Work. Activity pressures across the wider health and social care system may also contribute to financial increases during 2026/27. The service will, however, continue to take steps to mitigate these risks wherever possible.