

Budget Panel Briefing, 23 January 2026

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Delegation of Council Adult Social Care Budget to the Health & Social Care Partnership 2026/27

The purpose of this paper is to provide information to support Members' considerations of the level of budget to be delegated from the Council to the IJB as part of the Council's 2026/27 budget setting process.

As Members are aware, the decision on the level of budget to be delegated to the IJB is a Council decision, while spending decisions, and determining and approving the savings measures that will be required to address funding gaps, are matters for the IJB itself.

Background

When the Health & Social Care Partnership was established in 2016, the Council agreed the services to be delegated to the Partnership and also agreed the corresponding level of budget to be delegated to support these services. Services delegated by the Council to the Partnership include the provision of care and support for over 65s as well as specialist care (eg. for people with learning or physical disabilities) but not Children & Families Services.

Each year the Council determines the level of resources to be delegated to the IJB as part of the Council's annual budget setting process.

Until recently, the level of budget delegated by the Council to the IJB was sufficient to fund the level of Adult Social Care expenditure incurred and, at the start of 2023/24, the IJB held unused reserves (from budgets not yet applied) of £9.6 Million (9.2% of the annual budget level).

However, the level of net spending incurred by the Dumfries & Galloway IJB has increased significantly in recent years with spending increasing by £23 Million (23.5%) over the 2-year period 2023/24 and 2024/25. These increases required the application of all remaining IJB reserves (plus a further contribution from the Council of £1.8 Million) to address 2024/25 overspending.

Current Year (2025/26) Position

The extent of potential IJB overspending was reported to the Budget Panel as part of the 2025/26 budget setting process and there have been further reports to the Budget Panel, the Social Work Services Committee and the Enabling & Customer Services Committee during the current financial year.

Significant progress has been made by the IJB in the current year to contain spending levels and to progress arrangements to seek to bring spending back within sustainable levels. However, as these measures have been gradual throughout the financial year, the benefit of these measures is limited to 'part year impacts' and the most recent monitoring position reflects a projected overspend of £8.7 Million. While significant efforts to further reduce spend continue to be progressed, it is likely that a significant overspend will remain at the end of the current financial year.

Appendix 3

The projected overspend of £8.7 Million on services delegated to the IJB by the Council is part of a wider projected 2025/26 IJB overspend of £25.7M (as reported to the most recent meeting of the IJB). The £17 Million overspend against services delegated to the IJB by NHSD&G will be funded by the Scottish Government as part of a wider approved plan whereby the Scottish Government will fund overall NHSD&G 2025/26 overspending of £28 Million.

However, no Scottish Government support is currently anticipated to address IJB overspending against services delegated by the Council. The IJB has no remaining reserves (having applied these in full to reduce overspending in 2024/25) and, under the agreed Integration Scheme, the Council will be required to identify resources to meet the 2025/26 overspend incurred on services delegated by the Council.

While contingency planning has been undertaken in recognition of this risk, no Council resources have been formally identified/agreed to support any additional Council payment to address IJB overspending. Given the potential extent of this unbudgeted payment, this will inevitably impact on wider Council services and on the Council's overall financial sustainability.

Budget Setting Approach

As part of the annual Local Government Finance Settlement, the Scottish Government has previously identified additional spending commitments related to adult social care services and set out an expectation/requirement that the level of budget delegated to IJBs by councils should be no less than the previous year's recurring budget plus the full share of the funding provided in the Settlement to address the new spending commitments.

Until recently, the Scottish Government also included specific additional funding to address general pressures in relation to adult health and social care services but this has not been the case in recent years with the additional funding reflected in recent settlements being restricted to that associated with new commitments/requirements only, mainly associated with increases to the Scottish Living Wage.

Since the inception of the H&SC Partnership, Dumfries & Galloway Council has consistently met all requirements in relation to passing on additional funding provided by the Scottish Government to the IJB in full and has also passed on proportionate shares of funding received for pay increases, changes to National Insurance rates etc. In addition, no reductions/savings against the funding provided to the IJB have been sought to help address the Council's identified annual funding gaps.

Scottish Government Budget 2026/27

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

	Scotland	D&G
Real Living Wage Uplift	£160M*	£5.321M
Free Personal Care Rates Uplift	£7M	£0.237M**
Total	£167M	£5.558M

**In a change from the previous approach, the Scottish Government has restricted the funding allocated to support the Adult Services Real Living Wage uplift to their assessment*

of the cost of the increase based on the difference between the 2026/27 Real Living Wage (£13.45) and the 2026/27 National Minimum Wage Rate (£12.71) rather than the current Real Living Wage (£12.60). If the previous approach of funding the increase from the current Real Living Wage had been followed, the level of funding allocated would have been £15 Million higher (DGC share £499k).

***The Free Personal Care Rates Uplift funding has not yet been allocated and the D&G allocation above is an estimate at this stage.*

Beyond the above amounts, the Scottish Government has not provided any specific additional funding to support current and ongoing social care pressures. A letter to Council Leaders and Chief Executives sent by the Cabinet Secretary for Finance & Local Government (**Appendix 1**) indicates that:-

'I have sought to balance the desire to ringfence additional funding towards social care with the Verity House Agreement commitment to maximise fully flexible funding. In conclusion, I have allocated as much as possible of the additional revenue funding as General Revenue Grant for Councils to allocate as they see fit'.

The Cabinet Secretary has also indicated that *'I am confident that Local Government will pass more in total to IJBs than is provided as an in-year transfer by Scottish Government'.*

A letter issued to NHS Chief Executives by the Scottish Government on the details of the 2026/27 Scottish Government Budget indicates that *'Local Authority social care budgets for allocation to Integration Authorities must be at least £167 million greater than 2025-26 recurring budgets'*. While this requirement is not repeated in the letter to councils, it is recommended that this specific funding is again passed on in full by the Council to the IJB. The **Considerations and Risks** section of this paper below provides further advice to Members in relation to considerations of increasing the delegated budget beyond this level.

The Cabinet Secretary for Finance & Local Government's letter to councils also indicates that *'the Cabinet Secretary for Health and Social Care will be engaging with local government and health and social care partners over the coming weeks on proposals to strengthen our response to complex care and delayed discharge'*. No funding has yet been announced on this and subsequent queries have not yet clarified what approach is intended or the level of funding that may be available to support this. This is frustrating for councils and partners given the potential implications of this issue in relation to budget setting.

Changes to GAEs for Elderly Social Care Services

A further issue that was reflected in the Scottish Government's funding settlement was a redistribution of GAE assessments used to determine relative Council funding allocations in respect of Elderly Social Care Services. This issue was brought forward by the Scottish Government to seek to address historic errors in the existing distribution formulae and led to significant changes in the distribution of GAEs relating to (i) Services for Home Based Elderly, (ii) Residential Care for the Elderly; and (iii) Personal & Nursing Care of Older People. As a result of these changes, Dumfries & Galloway Council's GAE share has been reduced by £0.836 Million thus impacting on DGC's share of Scottish Government funding.

It is not considered appropriate for the Council to 'pass on' this reduction through a reduction in the level of budget delegated to the IJB as this change in GAE is not an accurate reflection of 'need to spend' and, like most other Councils, DGC does not use individual GAE movements to determine annual service budget levels. However, it is understood that some councils who have seen reductions in their shares of GAEs for Elderly Social Care Services are currently looking at passing this funding reduction on to the relevant IJBs.

Overall Budget Position for Delegated Services

Annex 1 to this paper, provides an overview from the IJB's Chief Financial Officer setting out currently projected IJB spending for 2026/27 based on projected 2025/26 year end service/spending levels plus the impact of inflationary and other increases (including Scottish Government requirements set out above including a further increase in the Adult Social Care Living Wage).

There is currently a projected 2026/27 funding shortfall estimated at £7.6 Million if the Council's delegated budget level is not increased beyond the level of additional funding received to support increases in the Adult Social Care Living Wage and Free Personal & Nursing Care rates.

This reduced level of projected overspending reflects the good progress made in the current year by the IJB to contain spending levels and to progress arrangements to seek to bring spending back within sustainable levels

The position outlined at **Annex 1** can be summarised as follows:-

	£ Millions
Brought Forward Pressure Based on Current Service Levels	8.606
Projected Impact of Continuation of Current Approach to 31/3/26	(3.162)
Projected Brought Forward Pressure from 2025/26	5.444
Price and Inflationary Increases	7.721
Scottish Government Funding of Real Living Wage & Free Personal & Nursing Care	(5.558)
Current Projected Budget Shortfall 2026/27	£7.607

Annex 1 also provides an overview of the ongoing Recovery Plan to be progressed by the IJB to continue to seek to bring service provision and associated spending back within sustainable levels. This Plan will be further developed and presented to the IJB at its next meeting.

Considerations and Risks

The Level of the Budget Delegated by the Council

A separate report on this agenda provides Members with a summary of the Council's current overall 2026/27 budget position. As reflected in that paper, the Council has a current projected funding gap of £7.9 Million for 2026/27 excluding IJB Pressures.

This position is based on the level of budget that the Council delegates to the IJB for 2026/27 being the 2025/26 budget level plus the funding received to support the

increases in the Adult Services Real Living Wage and the increase in the Free Personal & Nursing Care rates.

This would increase the delegated budget level from £118.2 Million in 2025/26 to £123.8 Million in 2026/27 (an increase of 4.7%). 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 pressures.

In recognition of the pressures currently facing the IJB, the Council could consider increasing the delegated budget to above that level.

In considering the level of budget to be delegated to the IJB, Members are asked to consider the following:-

- The pressure on IJB services, particularly social care provision, is very much a national issue and strong representations have been made to the Scottish Government over an extended period seeking the allocation of significant additional funding to address social care pressures across Scotland (with Cosla indicating a requirement for £750M additional funding for this purpose). The Scottish Government budget does not provide this funding and Scottish Local Government is not in a position to compensate for the resultant shortfalls.
- Any increase in the delegated budget would further increase the Council's budget gap thus requiring the identification of further savings (beyond the already very challenging savings requirements currently indicated) and/or council tax increases over and above the level required to balance the non-delegated Council budget.
- Since the inception of the Health & Social Care Partnership, Dumfries & Galloway Council has consistently met all Scottish Government requirements in relation to passing on Adult Services funding and has not applied any reductions or efficiency targets to the delegated budget level.
- In addition, it is not proposed that DGC 'passes on' the £0.836 Million funding reduction associated with recent changes to GAEs for Elderly Social Care services through reducing the level of budget delegated to the IJB.
- It is also important to recognise that the changes and progress made by the IJB in the current year to contain spending levels, and to progress arrangements to seek to bring spending back within sustainable levels, were needed and require to be continued and reinforced going forward. While this will require difficult decisions to be taken and will impact on service levels, this is the situation facing IJBs across Scotland.

The Challenge Facing the Integrated Joint Board

However, it is also important to recognise the extent of the challenge facing the IJB in seeking to contain spending within the resources available. Difficult decisions have already been taken to seek to reduce projected overspending in the current financial year and, as reported to the December meeting of Full Council, there has been a deterioration of performance against a number of measures, including hospital Delayed Discharge.

That report to Full Council referred to a range of measures being progressed to reform the approach to the delivery of health & social care services to seek to address significant sustainability concerns associated with increasing demands

alongside resourcing pressures. These measures are being progressed alongside ongoing measures to contain social care provision which have contributed to the wider system pressures referred to above.

The further change and savings required to address the currently projected 2026/27 deficit are therefore likely to further impact on service levels both in Dumfries & Galloway and across Scotland. Annex 1 provides an initial overview of the proposed approach to addressing IJB pressures in the upcoming financial year and the associated service implications and risks.

Potential Approach

As Members are aware, the scope for any recurring Council increase in delegated funding to the IJB, whether through further reductions in non-delegated Council services or through enhanced council tax increases, is very limited. However, it may be that some additional Council support, through additional non-recurring and/or recurring funding, may be necessary to support the IJB in reaching a sustainable level of service provision and associated spending. If this is the case, it is recommended that this would need to be based on a clear change and savings plan that sets out how the IJB will return to containing spending within agreed budget levels on a sustainable basis.

It has therefore been agreed that a detailed Change and Savings Plan will be presented to the IJB at its meeting of 24 March 2026 to support agreement of 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.

Members may therefore wish to consider making some provision within the Council's 2026/27 Budget to support the future consideration of this IJB Change and Savings Plan. If Members or Groups wish to progress this approach, the level of provision to be made in budget proposals to support such an approach will be subject to further advice and consideration, taking into account the associated impact on wider Council services and council tax increase considerations.

Further support and advice can be provided to political groups on the above issues through the Council's Chief Finance Officer in consultation with the Chief Officer and Chief Financial Officer of the IJB.

Risk of Further IJB Overspending

It is also important to recognise that, while significant progress is being made by the IJB in containing and reducing levels of overspending, there remains a risk that there will be an overspend against the delegated budget in 2026/27. The Integration Scheme requires that the Partnership's Chief Officer *'deliver the outcomes' within the total amount of the integrated budget and ,where there is a forecast overspend, agree a recovery plan setting out agreed corrective action to balance the overspend.* However, the *'default position' is that, should the recovery plan be unsuccessful, the IJB would seek an additional payment from the relevant party (ie. the Council)'*.

It is therefore important that the Council seeks to ensure that the IJB continues to identify and progress the measures required to seek to bring spending within the level of funding available. It is also important to recognise that, as has been the case

in the current financial year, the ongoing measures that will require to be progressed by the IJB will be challenging and will impact on the levels of service that can be provided.

The measures introduced by the Council in the current financial year to support the IJB, will be continued and reinforced over the upcoming period. These measures include:

- The provision of non-recurring spend to save funding to support service change and cost reduction measures.
- Ongoing direct involvement of senior Council officers in providing support to the IJB, the IJB Chief Officer, Chief Financial Officer and their wider management team in the identification, development, and progression of the required changes.
- Enhanced levels of Council Committee reporting and engagement with Council Members in relation to IJB financial monitoring and progress on the service change and cost reduction measures that require to be progressed.

Further support and advice on the above issues will be provided to political groups, through the Council's Chief Finance Officer, as part of the development of finalised budget proposals.

Budget Panel are asked to:-

- Note the information reflected in this paper to support consideration of the level of budget to be delegated to the Health & Social Care Partnership to support Adult Social Care services in 2026/27;
- Note that, while significant current year progress has been made by the IJB to contain spending levels and to progress arrangements to seek to bring spending back within sustainable levels, it is anticipated that a significant 2025/26 overspend will require to be addressed by the Council at the upcoming financial year-end.
- Note that contingency arrangements are currently being developed to allow the Council to address this but that these will inevitably impact on wider Council services and on the Council's overall financial sustainability.
- Note the currently projected IJB funding gap for 2026/27 of £7.6 Million and that a detailed Change and Savings Plan will be presented to the IJB at its meeting of 24 March 2026 to support agreement of 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.
- Note that further advice and support will be provided to Members and individual political groups to support consideration of this issue as part of the development of budget proposals.

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