Integration Joint Board
Strategic Planning, Finance and Commissioning Committee

1st December 2026

This Report relates to
Item 6 on the Agenda

Financial Performance Update Q2 2026 / 2027

Paper presented by Sean Barrett

For Approval

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List of Background Papers:	IJB Delegated Budget 26/27 – Dumfries and Galloway Integration Joint Board – 24th March 2026 IJB Delegated Budget 26/27 – Dumfries and Galloway Strategic Planning and Finance Committee – 2nd June 2026 IJB Financial Performance 26/27 Q1 – Dumfries and Galloway Strategic, Planning and Finance Committee – 1st Sep 2026 Social Care Pressures – D&G Full Council – 2nd Nov 2026
Appendices:	**Appendix 1 –** Financial Performance as at Q2

1. Introduction

1.1 This report provides an update on the financial performance of budgets delegated to the Integration Joint Board (IJB) as at the end of Q2 financial year 2026/27. It compares the position against the Financial Plan approved in June 2026 and highlights the scale of the financial challenge facing services delegated by both NHS and the Local Authority for this year end.

2. Recommendations

2.1 **The IJB Strategic Planning, Finance and Commissioning Committee is asked to:**

- **Note the totality of delegated resources, as per section 3.48, to the IJB and the associated financial recovery plan targets, as per section 3.49, to achieve a balanced budget in 2026/27.**
- **Note the financial position of the NHS delegated services at Quarter 2 and the measures being taken, however, recognise that the there is a shortfall in recurring savings.**
- **the financial position for delegated local authority services at Quarter 2 as at the end of June 2026, with a current forecast overspend of £5.1m, prior to the delivery of further planned savings measures representing an improvement of £2.5m from the revised opening budget pressure of £7.6m. (appendix 1)**
- **the current progress and plans for the utilisation of the additional Council financial recovery plan funding of £2.8m, noting the one-off use of £2.4m of underspend to offset non-delivery of savings as referenced in section 3.41 to 3.45.**
- **the commitment of the IJB Senior Management Team to the deliver the service to a balanced position and the risks associated with that as per section 3.22 to 3.26 and 3.35 to 3.40.**
- **Note that delivery of the savings proposals will be undertaken through the Health and Social Care Partnership. This includes the requirement to achieve savings to reduce the in-year deficit and support delivery of the Financial Plan, alongside the significant risks associated with meeting the savings targets.**
- **Note the IJB holds reserves, which are fully committed as per section 3.51.**

3. Background and Main Report

3.1 The Health Board and Local Authority will delegate functions and make payments to the IJB in respect of those functions as set out in the Integration Scheme. Additionally, the Health Board will also" set aside" an amount in respect of large hospital functions covered by the Integration Scheme.

3.2 The IJB will make decisions on integrated services based on the strategic plan and the budget delegated to it. The IJB is also required to publish an Annual Financial

Statement setting out the total resources included in the Strategic Plan. The IJB will also give directions and make payment where relevant to the Health Board and Local Authority for delivery of the services in line with the Strategic Plan. This should be completed by 1st April each year.

3.3 The Integrated Joint Board is required to annually agree a balanced budget for the year ahead as established at s93(3) of the Local Government Finance Act 1992.

3.4 The Chartered Institute of Public Financial Accountants (CIPFA) produced the statement 'The Role of the Chief Finance Officer in Local Government.' This sets out how the requirement of this legislation, and professional standards should be fulfilled by the Chief Finance Officer in carrying out their role as well as the role of the organisation in meeting these requirements.

3.5 This statement confirms that the IJB has the following responsibilities:

- Establish a medium-term business and financial planning process to deliver the organisation's strategic objectives, including:
  - a medium-term financial strategy to ensure sustainable finances.
  - a robust annual budget process that ensures financial balance

- Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.

- Ensure that those making decisions are provided with information that is fit for purpose – relevant, timely and giving clear explanations of financial issues and their implications.

3.6 This statement confirms that the Chief Financial Officer has the following responsibilities:

- Lead development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.
- The CFO must exercise a professional responsibility to intervene in spending plans to maintain the balance of resources so that the IJB remains in sound financial health.
- Ensuring that opportunities and risks are fully considered, and decisions are aligned with the overall financial strategy.
- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.

3.7 This FY26/27 budget was set in the context of the recently published Audit Scotland's review of IJB's in its publication 'IJB's Integration Joint Boards: Finance bulletin 2024/25' issued on the 26th of Feb 2026. Within this document it highlights the precarious position that IJB's find themselves in, the lack of reserves to meet crisis and change. It highlights the immediate need for financially sustainable services and demand met through shifts to early prevention models. Improved reporting on delivery of savings is also recommended.

3.8 The level of the current projected deficit against the budgets delegated to the IJB from both partners has significant implications for service sustainability and the need for urgent cost containment measures alongside planned savings is required. The need

for the IJB and the HSCP to look at the totality of the resources available to it as its moves towards financial sustainability is crucial.

3.9 The Local authority delegated budget was approved by the IJB on the 24th of March 2026 and the NHS delegated budget was approved by the IJB S, P&F committee on the 2nd of June 2026.

3.10 The Financial Performance for FY26/27 Q1 was reported and noted by the strategic, planning and commissioning committee of the IJB on the 1st of Sep 2026.

Financial Allocation from Dumfries and Galloway Council

3.11 The IJB noted the Local Authority delegated budget and approved the financial plan at its meeting on the 24th of March 2026. The delegated budget was £124.247m which reflected slightly increased funding to address additional Scottish Government commitments. In addition, Council Members agreed to allocate an additional £2.8 Million to support the IJB's Change& Savings Plan. The IJB in March noted an initial projected deficit of £7.02m and agreed a financial recovery programme to balance the budget for financial year 2026/27.

3.12 Since the beginning of the financial year there have been additional cost pressures in relation to the National Flexible Framework care rate £500k and HMRC increase in travel allowance £100k resulting in a revised opening pressure of £7.6m.

Financial Allocation from NHS Dumfries and Galloway

3.13 The IJB noted the NHS delegated budget of £198.69m plus a set-aside allocation of £26.45m. There was a projected shortfall of £15.52m with a requirement to deliver £5.81m of cost savings leaving £9.71m of planned SG non repayable financial deficit funding to be provided. There would be savings and deficit funding still to be allocated to the set-aside budget following IJB budget setting.

3.14 NHS budgets move as funding aligned to policy commitments is allocated to Boards during the financial year. Scottish Government remain committed to continuing to rationalise the in-year allocation process by reducing the number of in-year allocations and issuing as early as possible within the financial year.

3.15 In line with 2025-26, non-repayable Deficit Support Funding will be available over the next three years to support the Board on trajectory to return to a breakeven position. A maximum of £23m will be allocated to the NHS Board for 2026-27. Including Set-aside budgets the element of this that is now attributable to IJB delegated services is £11.1m.

3.16 The NHS budget for FY26/27, including set-aside is now £234.574m as shown in Appendix 1.

Financial Performance as at Q1 of NHS services delegated to IJB.

3.17 The Month 6 position was reported to the NHS Board on the 19th of October 2026. At the end of Month 6 the services delegated to IJB from NHS are reporting a year-to-date deficit of £4.6m. Based on a straight-line trajectory this will return a £10.9m deficit which is a slightly favourable position compared to SG financial deficit support funding of £11.1m.

3.18 The service breakdown is provided at Appendix 1.

3.19 £3.3m of the overspend relates to the recurring deficit that is being carried forward which is being offset by non-recurring funding sources identified within the financial plan.

3.20 Community Health and Social Care has non-pays cost pressure of £3.59m which is mainly related to GP prescribing and historic unfunded volume growth.

3.21 There are underspends within staff costs across the IJB delegated services totalling £2.7m year to date. This is due to unfilled posts and delays in recruitment. The biggest underspend is across nursing and midwifery of £1m year to date.

Savings Delivery

3.22 £5.81m of recurring savings are required in year to ensure that the deficit carried forward into 2027/28 is in line with the trajectory to break even by 2029/30. £2.9m of recurring schemes have been identified against this target, leaving a gap of £2.9m of recurring savings to be identified.

3.23 Year to date £4.6m of savings have been delivered which equate to £2.9m on a recurring basis and £1.7m of one-off savings.

3.24 Work is ongoing across the Board to identify recurring schemes to close the in year gap.

3.25 High level financial plan risks for 2026/27 include:

- Inability to deliver £5.8m (3.9%) savings required to remain within the £11m overspend cap.
- Inability to deliver 3% recurring savings schemes.
- Inability to reduce or remove cost pressures due to risk.
- Lack of new vacancies arising to benefit from further vacancy control measures in remaining 3 months to offset pressures.
- Level of underspends previously delivered are used as savings schemes and therefore, are not available to offset directorate pressures.
- Impact of Agenda for Change agreements around Reduced Working Week and Band 5 to 6 regrading.
- Lack of new investment to deliver transformational change.
- There is now no central flexibility to deal with emerging issues, these continue to be monitored.
- Ongoing risks within the Directorates related to increasing activity, volume and price pressures more than funding available.

3.26 These financial risks present a significant issue for the IJB being able to deliver services within the allocated budget plus agreed deficit funding position.

Financial Performance as at Q2 of Local Authority Services delegated to IJB.

3.27 The delegated social work Q2 financial performance will be reported to the SWS committee on the 8th of December 2026.

3.28 The Quarter 2 monitoring position projects an overspend of £5.1m for Council delegated services before further savings measures are applied. (Appendix 1) This represents a £2.5m improvement against the revised opening budget pressure of £7.6m. The improvement reflects the impact of actions already taken within the financial recovery plan, including enhanced controls around care package management and expenditure. While further savings are expected through care package recycling and other recovery measures, delivery has been slower than originally assumed. Continued action will therefore be required throughout the remainder of 2026/27 to achieve financial balance.

3.29 Work to date indicates good progress in improving the control of care costs, particularly within Older People's Services. However, delays in delivering planned savings and additional pressures, such as new high-cost packages within Complex Care mean that the overall impact of current measures is not sufficient to achieve balance based on the Quarter 2 forecast.

3.30 While this improvement is encouraging, delivery of planned savings has been slower than originally assumed within the financial recovery plan and significant demand-led pressures continue across several service areas. Further savings through care package reviews, recycling arrangements, vacancy management, and service redesign are expected during the remainder of the financial year.

3.31 Older People's Services are currently forecast to deliver an underspend of £581k, primarily because of strengthened care authorisation controls and the recycling of care packages at the budgeted level. Care at Home activity has reduced from 9,500 to 8,800 hours per week, contributing to the improved financial position, while Direct Payments continue to present a budget pressure despite reductions in hours delivered. Adult Services are also forecasting a favourable variance of £1.354m, due to staffing vacancies within the in-house services and staff groupings, alongside the achievement of wider service-wide and contract savings.

3.32 In contrast, Physical Disability Services are projected to overspend by £1.741m. Although some savings have been achieved through package reviews and recycling, these have been partially offset by the introduction of new high-cost care packages and the continued use of expensive agency-provided support arrangements. The service is reviewing options to deliver the £500k savings originally assumed within the financial plan and is engaging with external partners to provide independent challenge and benchmarking to identify opportunities for service redesign and greater financial sustainability.

3.33 Learning Disability Services remain the most significant financial pressure, with a forecast overspend of £4.939m across Care at Home, Direct Payments, and Residential Care. Despite reductions in care hours, savings achieved to date fall short of those required within the financial recovery plan. Direct Payments have also not yet delivered the anticipated reductions in expenditure.

3.34 Mental Health Services are forecast to overspend by £1.304m, driven primarily by an increasing upward trend in residential placements, which have risen from an average of 14 placements in 2023/24 to 42 placements at end of Q1. Placements have reduced in the last quarter to 37, highlighting the volatility within this service area, however the reduction in cost has been offset by an increase in care at home hours. Both services are undertaking detailed reviews of care provision and placements to better understand demand pressures, ensure support remains aligned to assessed

need, and identify opportunities to improve financial sustainability while maintaining appropriate care outcomes.

Savings Delivery

3.35 The majority of Social Work Service expenditure relates to social care, with over £100m spent on care delivery. Returning spend to budgeted levels will require a reduction in social care expenditure, with cost reduction efforts focused primarily on care levels.

3.36 Most of the savings' options are linked to the management of care packages, whereby enhanced controls on the recycling of care packages are continuing to be actioned in 2026/27, allowing 50%–75% recycling (depending on care group and factor to deliver required savings). Based on the first 26 weeks of this financial year and taking account of revised assumptions regarding care package recycling activity, achievement of the remaining planned reductions is anticipated to deliver a further £0.9m which would reduce the projected year-end position to £4.2m.

3.37 Whilst these savings still leave a potential £4.2m overspend, the service are actively progressing all measures within the financial savings plan to maximise delivery this financial year as well as looking at other areas out with this plan, such as vacancies across the service and use of one-off elements of the uncommitted financial recovery funding, which are currently forecast to be £2.4m. This would leave a projected overspend of £1.8m which will require further in-year cost reductions.

3.38 The IJB and its senior officers remain committed to delivering services within the resources available and achieving a balanced budget position. Whilst this will require further action during the remainder of the financial year, work is ongoing to identify and implement additional savings and service redesign measures.

3.39 It is worth noting that this approach has delivered savings but has also introduced operational pressures and wider system pressures, including NHS patient flow and delayed discharges, which have been adversely affected by the current care package management process.

3.40 These challenges have increased operational and administrative demands. These pressures are being experienced across Scotland and collaborative discussions are underway between the IJB, NHS, and the Scottish Government to identify and implement measures to mitigate these impacts. Members considered these pressures as part of the Social Care Pressures paper discussed at Full Council on the 2nd November 2026.

Local Authority Financial Recovery funding

3.41 In recognition of the ongoing challenge of achieving financial sustainability, Council Members received advice in relation to this matter as part of the 2026/27 budget setting process. The budget agreed by Full Council at its meeting on 26 February 2026 for 2026/27 included an additional allocation of £2.8 million, with access to this funding being subject to Full Council's consideration of the IJB's Change and Savings Plan following approval of that plan by the IJB.

3.42 Full Council considered the Change and Savings Plan at its meeting on 25 June 2026 and agreed the conditions under which the funding could be accessed. The agreed

approach is that the funding should be used strategically to support delivery of the IJB's approved Savings Plan, including investment in additional staffing capacity and supporting systems required to sustain cost reduction and service transformation activity.

3.43 The funding is also intended to support a longer-term shift towards prevention and financial sustainability through investment in measures such as reablement, digitally enabled care and strengthened partnership working with the third sector.

3.44 In addition, the funding may be used on a temporary basis to mitigate the impact of delays or shortfalls in the delivery of planned savings, helping to ensure that the 2026/27 delegated budget does not return an overspend position.

3.45 Investment measures totalling £1,026k have been identified that will contribute to the financial recovery of the delegated social work budget. Of this amount, £176k relates to existing posts that are contributing to cost control, avoidance, and reduction. A further £303k relates to posts currently funded through the Corporate Change Fund, which will require ongoing funding at the end of 2026/27. This results in £482k of staffing-related commitments against the £2.8 million allocation. In addition, measures valued at £544k are currently being progressed and are expected to contribute towards delivery of the financial recovery plan.

3.46 The projected underspend against current commitments for FY26/27 is £2.4m. As part of the social care pressures paper that went to the local authority full council on 2nd Nov 2026, members agreed that the use of this non-recurring underspend would be applied to offset delayed savings measures which were impacting on the projected £5.1m (before further savings) overspend position. As indicated in paragraph 3.37 this would reduce the forecast overspend to £1.8m and further cost reductions to balance before year-end.

3.47 In response to the current projected overspend, Adult Social Services are actively exploring strategic "spend to save" opportunities designed to deliver longer-term financial sustainability. This includes evaluating targeted investments that have the potential to reduce future expenditure, improve operational efficiencies, manage demand more effectively, and transform service delivery. While these initiatives may require upfront investment, the overarching objective is to generate recurring savings, mitigate financial pressures, and contribute towards achieving a balanced budget while maintaining high-quality outcomes for service users.

Combined IJB delegated Budget Position

3.48 The table below summarises the overall delegated budget presented by the Chief Financial Officer.

Table 1 – IJB Delegated Budget 2026/27

IJB Delegated Budget 2026/27	NHS £m	Council £m	Total £m
Original budget as at Q1	227.86	124.36	352.22
Corporate Allocations	6.71	2.80	9.51
Delegated Services as at Q2	**234.57**	**127.16**	**361.73**

3.49 The table below summarises the financial plan for FY26/27 presented by the Chief Financial Officer. This states the deficit financial position and savings requirement for the financial year 2026/27. 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 2 – IJB Financial Plan 2026/27

IJB Adjusted Draft Financial Plan 2025/26	NHS £m	Council £m	Total £m
Overall projected deficit before savings	(16.91)	(7.60)	(23.93)
Savings Identified/ Planned/to be delivered*	5.81	7.60	12.83
Projected In-Year Position	**(11.1)**	**0**	**(11.1)**

***There remain risks and current gaps against these savings to be delivered**

3.50 The combined current forecast position for the service delegated to the IJB, as per Appendix 1, is a £16.06m overspend position. Which has the NHS services delivering a slight improvement on the plan (£0.14m) and Local Authority services overspent against the plan (£5.12m). The services are committed to working this position back to the budget position as per Table 2.

Reserves

3.51 The IJB carried forward reserves of £10.74m into 2026/27 primarily relating to balances of ringfenced allocations. The majority relate to acute services and are no longer attributable to the IJB (following revisions to the agreed Integration Scheme). These have been fully allocated within both partners FY26/27 positions. All other reserves are committed against various policy initiatives.

4. Conclusions

4.1 The budget delegated from the NHS has been amended in line with the approved changes to the Integration scheme. This budget passes on in full the additional funding from the Scottish Government as identified in the Scottish Budget for 2026/27.

4.2 The IJB is not projecting a break-even position for the NHS delegated budget and, therefore, requires identifying further solutions to bridge the current projected in-year gap and deliver the agreed Scottish Government financial assistance to NHS of £23m, of which £11.1m relates to IJB delegated functions.

4.3 Additional price pressures have increased the opening budget shortfall for delegated local authority services, based on current savings delivered there is a £5.1m budget gap. The service has plans in place to deliver further savings (£0.9m), plans to utilise the financial recovery funding of £2.4m on a one-off basis which would leave a £1.8m projected overspend and are committed to returning a balanced budget at year end.

4.4 Across both Council and NHS Services the IJB will need to consider if there are any further cost containment measures which need to be implemented on a short-term basis to help bridge the in-year gap.

4.5 Social work service continues to look to move towards a financially sustainable position with a shift in how services are delivered. The utilisation of the financial recovery and change fund is a key part of that change programme.

4.6 This budget makes no allowance for any future development's/ activity increases and further cost pressures not known at Q2 forecast position.

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 does not 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 performance against the budgets made available to the IJB for 2026/27 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 Dumfries and Galloway Health and Social Care Integration scheme April 2026

7.3 Whilst this budget includes known financial pressures, there remains considerable financial risk in the position including, unachieved savings targets, 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 2026/27

and reported through the financial performance reports to the IJB and through the IJB Strategic Planning and Finance Committee.

8. Consultation

8.1 This paper has been consulted on with the Director of Finance, NHS and Chief Finance Officer, Local authority.

9. Equality 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. Consumer Duty

10.1 The proposals within this financial monitoring paper do not constitute a 'strategic decision' as defined by the Consumer Scotland Act 2020 and therefore, no specific consumer duty impact assessment is required.

11. Glossary

AfC	**Agenda for Change**
CIPFA	**Chartered Institute of Public Financial Accountants**
EQIA	**Equalities Impact Assessment**
IJB	**Integration Joint Board**
OIP	**Operational Improvement Plan**
SPDC	**Strategic Planning, Delivery and Commissioning**