



Integration Joint Board

Date of Meeting: 28 January 2026

Title of Report: Budget Update

Presented by: James Gow, Head of Finance

The Integration Joint Board is asked to:

- Note the update in respect of the forecast budget gap in advance of final funding allocations being made by Government and Partners.
- Note the budget gap before savings is £16.4m.
- Note savings proposals totalling £6.0m are being developed with a remaining budget gap of £10.4m.
- Note that work on the savings plan is continuing in partnership with the Council and NHS Highland with each taking a different approach to addressing the shortfall.
- Consider the scale of service reduction that is likely to be required to achieve financial balance.
- Note expenditure control measures and financial recovery actions continue to be in place.
- Note that additional SLA costs for acute services delivered by Greater Glasgow and Clyde are an additional cost pressure of up to £16m in 2026/27.
- Endorse progressing to public consultation on the budget proposals.

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update on the process associated with the preparation of the 2026/27 budget. In particular it outlines the position in respect of the savings plans and gives an initial summary of the implications of the Scottish Government draft budget published on 13 January 2026. An earlier iteration of this report was considered by the Finance and Policy Committee on the 20th January 2026. It should be noted that the final local allocations are still to be confirmed by the Scottish Government, Argyll & Bute Council and NHS Highland.
- 1.2 As has been highlighted in financial reporting documents and by the External Auditor, the HSCP is not operating on a financially sustainable basis and, as a result, it is required to make significant cost reductions. It does not expect to be able to finance current levels of spend in future years. The situation in 2026/27 is particularly difficult, as £3m of non-recurring pension fund savings are no longer available; the HSCP has been relying on these to part fund Social Work / Social Care spend in recent years.
- 1.3 The requirement to deliver short term savings should be considered in the context of increasing demand, wider system pressure and the need for longer term

transformational change. The HSCP is seeking to manage its financial challenge in a proportionate way and is likely to require some additional financial support from partners. The proposed savings outlined in this report are being progressed and impact assessments and engagement processes are underway or due to commence shortly. There will be significant adverse impacts associated with the proposals and further savings are required if the HSCP is to achieve financial balance without the provision of additional funding.

- 1.4 It should be noted that there are different processes and approaches being taken in respect of NHS and Social Work / Social Care budgets. The situation across the Health and Social Care sector remains unsustainable with many IJBs and Health Boards reporting deficits. Local Authorities are also under financial pressure and this is feeding into social work / care services more quickly in terms of service change to deliver savings. Overall, the financial context is deteriorating, and further efficiency and cost savings are required across the system. At the same time, strategic shift is being driven by Government and COSLA via the Service Renewal Framework and Population Health Framework.
- 1.5 There is risk that short-term financial measures will impact on the strategic imperative to support preventative measures in health and social care, or reduce the effectiveness of the care system, resulting in further demand and cost pressure in the medium term. The development of the strategic finance approach needs to align with the strategic plan and planned service change aimed at reducing cost and moving the HSCP towards a more sustainable operating model. The approach is likely to be different for services delegated by the Council and NHS Highland.

2. INTRODUCTION

- 2.1 The purpose of this report is to provide the IJB with an update in respect of the budget for 2026/27. This report has been prepared shortly after publication of the Scottish Government draft budget and therefore the position is subject to change as local allocations are confirmed by partners. While the budget does allocate additional resource for health and social care, this is effectively covering known uplifts in costs, mainly associated with the real living wage increase. There is no funding earmarked for social care to recognise demographic change or the need for investment in social care service to ease the pressure on acute care (delayed discharges). The budget therefore falls far short of what the sector and COSLA asked for in relation to Social Care. It does allocate some uncommitted and un-hypothecated funding to local authorities, it will be a matter for Argyll & Bute Council to prioritise spend. This report focusses on the 1 year plan for 2026/27, the 3 year outlook will be updated in the coming weeks.
- 2.2 The budget gap remains considerable and the proposals to manage this down are summarised in this report and have been considered by the Finance & Policy Committee. The context is that the HSCP is working on a number of proposals to reduce services and costs which will have an adverse impact on communities and partners. The anticipated scale of the challenge has meant that savings plans and impact assessments are being developed.

3. DETAIL OF REPORT

3.1 Strategic Context

- The UK Government has published its spending review, which allocates limited additional revenue and capital resource to the Scottish Government.
- The Scottish Government published its draft budget and spending review on 13th January, detail on the allocations to the HSCP are still being finalised by the funding partners. The overall situation is that the sector has not been allocated the resource required to maintain service delivery and address existing demand. The impact of demographic change does not appear to be funded at present. The budget documents, spending review, infrastructure plan and impact assessments are all available on the Scottish Government web site.
- Strategic direction is outlined in the following documents;
 - Health and Social Care Service Renewal Framework
 - Scotland's Population Health Framework
 - Scotland's Fiscal Outlook: Medium Term Financial Strategy

To date there are no new budget allocations that fund investment in health and social care change directed at social care services where much of the system pressure exists. New NHS funding for primary care is being made available. The National Care Service proposals are no longer progressing in the way that was initially intended.

- The health and social care sector continues to be under severe pressure, as reported by Audit Scotland:
 - Demographic change and service demand.
 - Staffing recruitment and retention.
 - Financial pressures, reduced reserves and increasing budget gaps.
 - NHS Boards are overspending and anticipated 3% annual efficiency saving is required.
 - Delayed discharges are a continuing problem.
- Inflation is reducing - CPI is at 3.2%, with RPI at 3.8%. The impact of inflation, to the extent that it is not funded, is a driver of the increasing budget gap. NHS and Local Authority staff have agreed 2-year pay increases through 2026/27. The minimum pay rate for externally employed care staff is increasing from £12.60 to £13.45 (6.7%). These pay increases are all above the SG pay policy.

The Fiscal Strategy outlines a significant challenge for the public finance in Scotland through to 2030. It highlights:

- Increasing demand and costs for health and social care services due to demographic change.
- Increasing net funding required in Scotland to fund the more favourable benefits system.
- Public services are not sustainable and reduction in the public sector workforce is required alongside with public sector reform.

There are new legislative requirements and duties, the Care Reform Act, and the Health and Care Staffing Act, being two examples. These will create further cost pressures, to the extent that they are not funded.

Finally, the HSCP is in the process of renewing its Joint Strategic Plan; this will provide the strategic framework covering the period of this outlook, and beyond and will better align with anticipated resourcing.

3.2 Current Financial Position

The HSCP is in a challenging situation, this is common across the sector, the most recent comparative data indicates that the Argyll & Bute HSCP ended the 2023/24 year in a relatively favourable position with reserves in place. However, 2024/25 was a difficult year, as it overspent its Social Care budget by £2m, and the HSCP spent £3m more than its core budget on Social Care; this was funded by temporary pension cost savings.

2024-25 Performance	Actual £000	Budget £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	95,855	93,859	(1,996)	(2.1%)
HEALTH SERVICES TOTAL	281,252	281,497	245	0.1%
GRAND TOTAL	377,107	375,356	(1,751)	(0.5%)
Additional Allocation of Pension Fund Savings		1,751		
Year End Balance	377,107	377,107	0	0%

The NHS budget was supported by £4m of reserves, which along with the £3m referred to above, means spend was £7m above recurring resourcing. This is not sustainable and resulted in a reduction in general reserves. The budget for 2025/26 was also challenging, the HSCP is operating on a financial recovery basis. The budget remains dependent upon non-recurring resources. Future reliance on reserves is subject to financial performance in 2025/26. However, available general reserves are expected to be limited and the temporary pension fund saving of £3m will not be available from 1 April 2026. Recovery actions in place include:

- Care at home efficiencies – no net increases in care at home hours are available for commissioning.
- Weekly vacancy monitoring.
- Moratorium on new agency staff.
- Direct leasing of key worker accommodation.
- Reductions in agency staffing, where possible.
- Contract reviews.
- No new commitments from Reserves.
- Recovery of unused funds held by clients.
- Appointment of Reviewing Team to review care packages.
- Implementation of the threshold of care and reductions in care at home hours commissioned.

3.3 Revenue Budget 2026/27

3.3.1 Services provided by the HSCP are largely funded by allocations made by the Scottish Government to Local Authorities and NHS Boards. They then pass on funding for delegated services. Allocations are predominantly based upon formulae which take into account factors such as population demographics, levels of

deprivation, and rurality. Local planning assumptions are based upon those used nationally within the NHS and by Argyll & Bute Council. The following sections outline the financial outlook within each service; these are essentially providing a net expenditure budget if we continue to operate, as we are. They take into account assumptions on pay and non-pay inflation, a small allowance for increasing demand from demographic change and current trend data along with other known service changes and cost pressures. All figures are based upon a mid-range scenario, and have been updated following publication of the Scottish Government's draft Budget. There remains considerable uncertainty as local funding allocations have not yet been made by both funding partners. Work is on-going to establish these, some of which are dependent upon decisions made by Council.

3.3.2 Social Work

The figures below outline estimated incremental pressures on Social Work / Social Care budgets. Modelling is on-going, as spend patterns relating to these budgets are shifting particularly in relation to Older Adult services and Looked After Children's services. The allowance for unknown cost and demand pressures has been removed as the budget is under severe pressure.

Social Work Cost and Demand Pressures	2026-27 £000
Pay inflation @ 3.5% for 2026/27	1,450
Incremental pay increases	158
Non-Pay Inflation inc. NHS Posts	885
Children and Families demand pressure – looked after children	471
Mental Health / LD Services Demand Pressure	461
Older People Demand Growth (1%)	470
Real Living Wage, Care Home Contract Uplifts	3,207
Total Social Work Cost and Demand Pressures	7,102
Offset by additional funding:	
Inflation on NHS Resource Transfer	297
Real Living Wage Uplift	3,340
Free Personal Nursing Care Uplift	180
Share of Additional LA Funding - TBC	
Total Additional Funding - Confirmed	(3,817)
Removal of Pension Fund Saving / use of reserves	2,964
Net New Pressures / Budget Gap	6,249

The above summarises the funding gap and makes limited allowance for demand increases. The IJB is only likely to be able to propose a balanced budget if it quickly reduces services and spend and some additional funding is allocated to the IJB by Argyll & Bute Council from the un-hypothecated allocation in the draft SG budget.

Actions to deliver savings will have adverse whole system implications and are likely to be contrary to the policy framework outlined above. The following table summarises the proposals under consideration at present to address the gap. The risk ratings are in respect of the deliverability, they do not reflect the risk or adverse impacts regarding service delivery / community impacts. Few of these are considered to reflect desirable system change, the impact assessments will confirm the operational / service safety risk but most are expected to be considered as red / undesirable:

Proposal	£'000	Progress	Risk
Children & Families - 4 FTE Posts	226	Posts Identified and held vacant, impact assessment required	
Adult Social Work - 4 FTE Posts	226	Some posts identified and held vacant.	
LD/PD/MH - 1.5 FTE Posts	90	Posts identified and being held vacant.	
3rd Sector Contract and Grants	622	Impact assessments & engagement required	
Reduction in Responder / Mobile Teams Contract	700	Impact assessments & engagement required	
Lorn Campbell Court Enhanced Extra Care Service	300	Project underway	
Internal Day Centre Provision	250	Approach under development – value for money and new charging model being considered.	
Threshold of Care / Care @ Home	600	Requires 400 hours to be removed from care at home commissioning by 31 March 2026 – already approved.	
Increase in fees and charges	400	Inflation increase is circa £120k, balance requires new charges for non-statutory services.	
Total Proposals	3,414		
Potential Remaining Reserves	300		
Grand Total	3,714		

It is not the purpose of this paper to seek approval for the proposals at this stage or to outline the adverse impacts. Several pieces of work are on-going to progress the proposals and public engagement to a stage where they can be considered by the IJB in March 2026.

Social Work Summary

Opening Budget Gap	£6,249k
Savings Projects and Reserves	(£3,717k)
Remaining Gap	£2,532k

The remaining gap needs to be considered in the longer-term strategic context of care capacity in the area and the need for service transformation. Argyll & Bute Council are still to consider the level of financial support to allocate to services from the un-committed funding allocated in the Scottish Government Budget. However, the options to address the remaining budget gap are very challenging, if further funding is not made available, these might include:

- Reductions in LD/PD/MH Care Packages.
- Reduce demand pressures budget allocation.
- Further reductions in care at home hours.
- Further cancellation / cuts in contracts and grants.

The HSCP is seeking some additional funding leeway to recognise that longer term strategic change is required and is progressing work on this with the additional resource of £500k to facilitate this being provided by Argyll & Bute Council. Care at Home and Internal Care Homes are the priorities for this longer-term service change.

3.3.3 Health Budget

The NHS incremental budget summary is provided below based. Brokerage is no longer available to boards who are now required to submit their financial plans and planned deficits to the Scottish Government for approval. Key assumptions are:

- 2% uplift in baseline funding.
- pay increases, the superannuation increase and costs associated with agenda for change (safe staffing and reduced working week) are fully funded.
- Small improvement to the NRAC formula implemented in 2026/27.
- NRAC share of non-recurring sustainability funding.
- plan for the delivery of 3% annual efficiency savings.

It is assumed that internal (NHS) SLA cost increases will be fully funded as part of the pay funding, this is a risk as NHS Greater Glasgow and Clyde are seeking a substantial step increase in the SLA charges. This is being considered agreed at Health Board and Scottish Government level, any unfunded excess would result in further pressure on service delivery within Argyll & Bute and would be contrary to community-based delivery models. The budget planning, summarised below, reflects these assumptions. Growth and inflation are being kept to a minimum.

NHS Cost and Demand Pressures	2026-27 £000
Pay Inflation Uplift – assume fully funded	3,669
AFC Reform - funded	2,862
New prescribing & Hospital Drugs Inflation – 8%	1,756
Inflation on SLA – funded	4,531
Resource Transfer Inflation	297
Inflation on PFI Contract (RPI assumption)	115
Energy, Estates & Utilities Inflation	263
Fleet cost pressures	100
Allowance for new drug approvals (weight loss)	150
New high cost care packages	250
High cost drugs – new patients	250
NSD Topslice – cost pressures	450
Regional CAMHS Inpatient Unit	100
National Business Systems Transformation -NRAC Topslice of £49m	825
New Medicines – Funded, not recurring	4,770
Renal Transport	200
IES property and transport	100
Labs and Radiology – new contracts (reporting)	100
2 C Practices	300
Depreciation	150
Total Health Cost and Demand Pressures	21,238
Less funding uplifts	(17,623)
Add underlying / recurring deficit	6,554
Estimated Budget Gap	10,169
Indicative 3% saving on baseline	£8.4m
GG&C SLA – NEW MODEL ESTIMATE - ADDITIONAL	£16.1m

The budget gap includes the current shortfall in savings delivery. It does not include the additional costs in respect of the Greater Glasgow and Clyde SLA. This must be considered a substantial additional risk to the financial sustainability of NHS services within Argyll & Bute. Additionally, National Services increases are out-with the control of the HSCP and are adding substantially to cost pressures, there is a new top-slice for the transformation of national business systems, this is allocated on an NRAC basis and totals £825k for 2026/27 with further increases in future years. Any local benefit from this project is estimated to be 4 years in the future at best. In the meantime the HSCP is under pressure to deliver local service reductions:

Operational Savings Proposals	£'000	Progress	Risk
Carried Forward Savings – already approved	738	Some of this will continue to be difficult to achieve during 2026/27	Yellow
Prescribing - Dapagliflozin	250		Green
Flow Navigation	306	Superseded by Primary care and Whole System investment – Subject to NHH approval.	Red
Budget Reviews and Area Budget reductions	200	Minor budget adjustments.	Yellow
Specific care package reductions	200		Yellow
Removal of remaining reserves & slippage	450	Subject to break even being achieved in current year.	Yellow
Prescribing efficiencies and switches TBC	200		Green
Total Operational Savings	2,344		

Opening Budget Gap	£10.2m
Savings Projects and Reserves	(£2.3m)
Remaining Gap	£7.9m

There are a series of options that will require organisational change processes and require support from NHS Highland. These might total circa £3.0m and will take some time to implement because they would represent a significant change in the health models and services available to people in A&B. Discussions are continuing in respect of the NHH approach to the funding situation at the HSCP. It is likely that some form of additional support will be required in 2026/27, at least on a non-recurring basis. The HSCP has not previously relied upon additional funding (or contributed to the NHH overspending) but is likely to in 2026/27. The additional SLA charge from Glasgow is in addition to the above figures and potentially adds £14-16m to the budget gap for 2026/27.

There is an emerging strategic challenge facing the health system in Argyll & Bute at present, either additional funding outside NRAC is required or there will be an expectation that services delivered in local communities are reduced substantially over time.

3.3.4 Summary Budget Gap and Savings Target

This report provides an indicative budget gap for planning purposes. Between now and budget approval in March 2026, management will be working on plans to address the gap, as far as possible, and will keep both partners informed of progress. The Finance and Policy Committee will continue to review progress in developing savings plans. Partners are also required to confirm final funding allocations to the IJB in the coming weeks, this will help inform the extent to which the HSCP may be required to propose further savings.

It is clear that the scale of the gap is such that the HSCP faces a significant challenge to implement sufficient change by 2026/27. There is also a systemic contradiction between the vision set out in the Health and Social Care Service Reform and Population Health Frameworks, and our current understanding of resourcing. The impacts of achieving financial balance upon the communities we serve would be substantial. The HSCP financial position represents a risk to both partners in 2026/27.

Revenue Budget Summary	2026-27 £m
Opening Budget Gap	16.4
Savings Proposals	6.0
Remaining Budget Gap	10.4

The financial modelling will continue to be updated as partners confirm allocations. The funding gap is substantial and will require to be addressed by March 2026 in order for the IJB to approve a budget:

- on-going financial recovery measures.
- new savings and service reduction.
- additional funding / financial support.
- moratorium on new investments and minimising cost pressures.

It is likely that a different approach will be required in respect of NHS and Social Work / Care budgets. There is an expectation that:

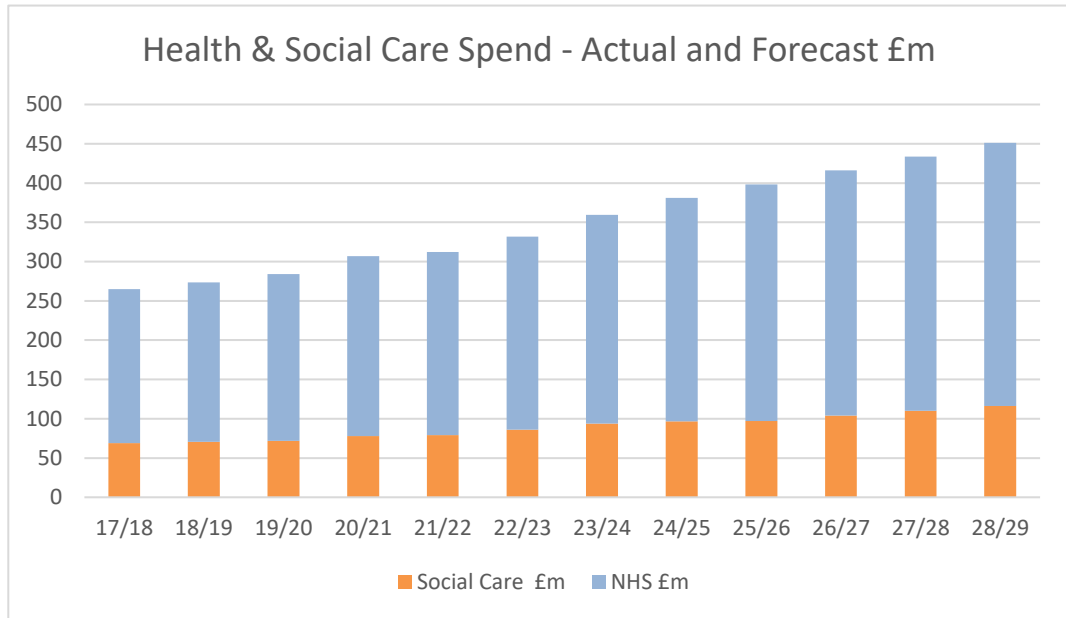
- addressing waiting times and whole system re-design will remain a priority.
- community engagement and consultation process are to be adhered to.
- organisational change processes remain in place.

The Social Work position is a serious issue in the short term. The actions that the HSCP would be required to take to deliver a balanced budget are likely to have a significant adverse impact on the system and communities. There is a strategic risk that an approach to moving towards financial balance will result in permanent damage to the care system and increased costs in the medium term.

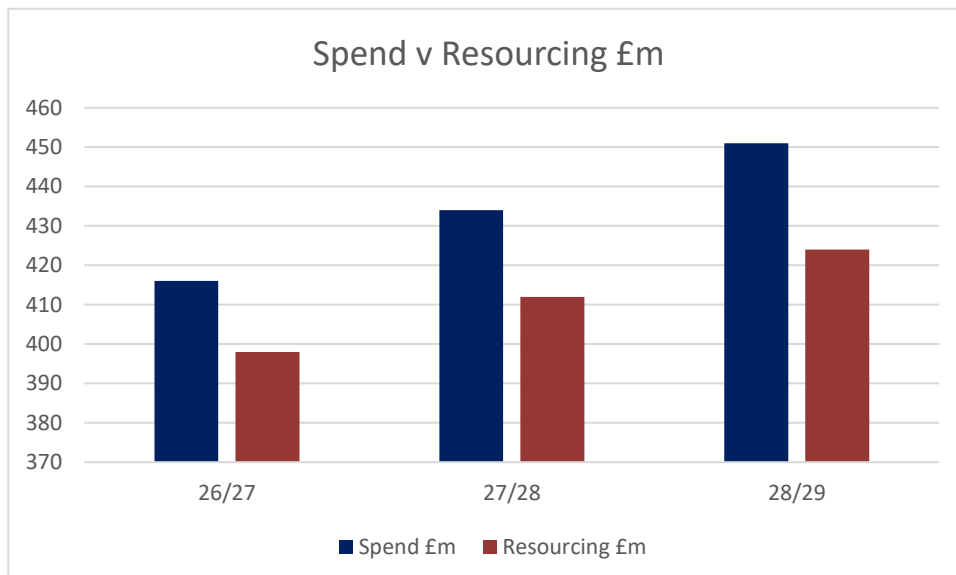
Progress with the development of savings plans will be reported to the Finance & Policy Committee. Work that require to be progressed are:

- Budget Consultation / Engagement.
- Progress existing savings proposals and impact modelling.
- Development of further savings proposals.

To highlight the scale of the challenge, the following graph illustrates the spend trajectory over recent years and the projections, going forward. This illustrates that spend has increased year on year as costs and demands have increased. Health spend has increased at a faster rate than social care. Developments such as primary care improvement, increased vaccinations, new drugs and treatments, additional staffing, inflation on drug costs and more generous pay settlements have all contributed to this increasing imbalance in resourcing and spend.:



It is clear thought that much of the extra resource has been to pay for additional costs rather than volumes. The gap between available resourcing and projected spend (if we continue to operate as we are) is illustrated below:



Additionally, health and social care demand and spend is heavily correlated to the number of older adults, addressing the financial situation at the same time as providing for demographic change (and shifting resource to invest in prevention) is exceptionally difficult, the table below summarises the older adult population projections:

Age Group	2023	2028	2033	2038	2043	2048
65 to 74	12,779	13,565	14,469	13,773	11,382	10,028
75 to 84	8,332	9,098	9,222	9,833	10,444	9,855
85+	2,814	3,089	3,711	3,899	4,024	4,323

We expect demand for adult services to increase incrementally into the 2040's. The 75+ age group is expected to increase by 16% over the next 10 years (1.6% per year) with the 85+ group increasing by more. While funding models allocate resources to areas based on demographics, the total budget is not being uplifted to account for this. The HSCP is being pushed to reduce services and capacity when demand is known to be increasing.

Despite this context, the financial plan is to set a balanced budget in agreement with both partners. This will require service change and reductions and / or additional financial support. The financial plan will therefore have to align with a process of service change aimed at reducing costs.

3.4 Transformation and Investment

Argyll & Bute Council is holding £500k to support transformation projects; plans for investing this are in development. Care at Home services have been prioritised, a programme plan has been created in respect of this. The HSCP no longer has any scope to progress infrastructure projects other than those funded by partners.

3.5 Reserves

General reserves are below the aspirational level set in the Reserves policy. The best-case scenario is that there will be a small balance remaining to assist with the budget gap in 2026/27, this is subject to financial performance being in line with budget in the current year. The HSCP is unlikely to be in a position to build up reserves during the coming years.

3.6 Scenarios and Risk

3.6.1 Identified risks are summarised below, using the standard assessment of probability and impact:

Risk	Like.	Impact		Mitigations
HSCP unable to identify and deliver sufficient savings in 2026/27 to balance the budget.	5	5	25	Development of savings plans and engagement with both partners. Implementation of existing savings plan.
Demographic or population changes reduce the formula funding to the HSCP.	4	3	12	NRAC has improved but there is a risk in respect of Local Authority allocations where the proportion allocated to A&B Council and the IJB may reduce.
Reductions in non-statutory provision leads	5	4	20	Impact assessments and consultation on proposals.

to increased cost of future statutory provision				Professional Leads engagement on proposals.
Savings options not supported by IJB	4	4	16	Transparent approach to financial planning and regular updates on scale of financial challenge.
One or both partners do not pass on anticipated funding allocated to Health and Social Care.	4	4	16	On-going partnership working and consultation. Increased risk reflects scale of challenge NHS Highland are facing.
Cost and Demand pressures increase further or are not funded to the extent assumed in the model.	3	5	15	Engagement in sector networks, modelling based on draft Budget.
Increases in pay rates or employer on-costs are in excess of those allowed for in the budget.	2	3	6	Unlikely to be an issue for 2026/27 but could be for later years depending on inflation and compliance with the public pay policy per the national negotiations.
Service costs increase due to providers withdrawing from the market and / or ongoing workforce shortage.	5	4	20	Commissioning strategy and engagement with partners and care providers. Workforce planning and management of agency / locum contracts and additional funding to improve terms and conditions.
Funding reduced due to reserves held by HSCP and/or across sector.	2	2	4	Opportunity reduced as sector reserves are reducing.
System wide challenges result in decisions to control recruitment and spend being made outwith the control of the HSCP.	4	5	20	Ensure that implications of such decisions are communicated and understood. Ensure budget aligns with Strategic Plan.
Savings options are explored which turn out to be unnecessary and cause real and reputational harm as funding allocations are greater than modelled.	2	4	8	Engagement with sector networks and partners.
The HSCP is required to deliver additional local savings to fund the Acute SLA.	3	5	15	Engagement with NHH, GG&C and Scottish Government.

There are service and financial risks related to both partners. NHS Highland have a structural deficit and Argyll & Bute Council are also having to identify savings due to funding allocations growing at a slower pace than costs. There is also an expectation that there will be real terms cuts for other public services within communities, partly as result of reducing funding via the HSCP.

3.6.2 Scenarios

Longer term financial planning will be updated once the spending review figures have been modelled. The figures from the last update are summarised below, there is nothing in the draft Scottish Government Budget that suggests the situation is likely to improve materially in the medium term:

	2027-28 £m	2028-29 £m
Mid-Range Budget Gap	22.0	35.1
Health Worst Case Additional	6.0	9.0
Social Work Worst Case Additional	4.4	7.0
Worst Case Budget Gap	32.4	51.1

3.6.3 Workforce

Workforce risks are considered in the Workforce Plan. Labour shortages are likely to continue constrain the ability of the HSCP to deliver services and improvement in some areas. However, the financial plan no longer assumes growth in workforce numbers; the Scottish Government has indicated the size of the workforce should reduce and it is not going to be possible to deliver balanced budgets and efficiency improvement without an impact on staffing structures. The shift from growth to retraction has been swift. It is intended that the HSCP will reduce the vacancies it has within staffing structures and reduce its reliance on agency and locum staff to implement more cost effective, stable, safe, and sustainable staffing.

3.7 Alignment with Strategic Planning

The financial plan sits alongside a range of HSCP strategic and operational planning documents. These include the Joint Strategic Plan and Commissioning Strategy. The strategic direction recently communicated by government will impact on the future service priorities. Funding assumptions do not currently align with service aspirations but are now being reflected in the Joint Strategic Plan.

4. RELEVANT DATA AND INDICATORS

- 4.1 The figures in this report are based on a number of assumptions. These are drawn from the Scottish Government Health Department assumptions, local modelling and guidance provided by policy teams. The assumptions used are considered carefully and will be reviewed and updated. There will be variations between the assumptions made at this stage of the budget planning process and the eventual funding allocations and cost and demand pressures.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 The Integration Joint Board has a legal responsibility to set a balanced budget which is aligned to the delivery of the Strategic Plan and to ensure the financial decisions are in line with priorities and promote quality service delivery.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – There is a significant budget gap that requires to be addressed. The HSCP is required to set a balanced budget. If the IJB is not in a position to approve a balanced budget for 2026/27, this will require to be supported by the funding partners. This is a material risk at present.
- 6.2 Staff Governance – None directly, but there is a strong link between HR management and delivering financial balance. Staff pay (increases), terms and conditions are set nationally for most staff groups and therefore the HSCP is not able to influence the additional staffing costs in the financial plan for 2026/27. The real living wage increases for commissioned services are set by the Scottish Government. These increases are making up a significant proportion of the cost pressures outlined in this report.
- 6.3 Clinical Governance – None directly, however clinical safety issues will feature in the impact assessment processes associated with savings proposals as appropriate.

7. PROFESSIONAL ADVISORY

- 7.1 The development of the savings plan is being progressed in consultation with Professional Advisory Leads and Leadership Team.
- 7.2 Professional advice is that the HSCP should aim to significantly increase the provision of reablement and proactive Care at Home reviews. Efficiency improvement measures taken in recent months to manage the financial situation are leading to care at home not being provided to community and hospital in-patients to the same extent, or as quickly as in the past. This is leading to increased dependency and deconditioning from longer stays in hospital and blocks to discharge causing associated system flow pressures. Increased risk held in community and increased demand on unpaid carers are other consequences. Work is underway with management teams to understand the impact and mitigate risks. There are professional advisory reservations associated with the savings proposals.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 None directly from this report. The proposals to address the estimated budget gap will require integrated impact assessments and will have adverse impact upon those with protected characteristics within the terms of the equalities legislation.

9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

- 9.1 None.

10. RISK ASSESSMENT

- 10.1 There are risks associated with medium-term financial planning. Local and national service and policy aspirations do not align with actual costs and funding. It is not clear how financial balance within the NHS in particular can be achieved in the short term. Argyll and Bute is moving into a similar situation to many health board areas whereby it is not able to deliver services within the envelope of funding allocated through the NRAC formula.

10.2 The consequential impact on service delivery, industrial relations and infrastructure is amongst other strategic risks that are perceived to be increasing at present. The ability of the IJB to meet its statutory responsibilities are at risk if it cannot balance its budget or cannot meet its statutory service obligations within the resources available.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

11.1 Public engagement and consultation relating to the HSCP’s financial planning is being progressed using existing frameworks such as public consultation on specific proposals. A process for a public budget consultation has been underway since December 2025 and we are seeking to commence a public consultation on 29 January 2026, following consideration of the engagement documentation by the Engagement Reference Group. Significant service change is likely to be required, it is important that stakeholders are able to engage with and contribute to the future planned provision of services, assist in identifying the impacts and suggest alternatives where possible.

12. CONCLUSIONS

This document provides a budget update for the 2026/27 year. It outlines progress in developing savings proposals. There remains a significant gap between anticipated resourcing for 2026/27 and spend patterns. The HSCP is proposing a series of savings proposals that are likely to have substantial adverse service implications whilst at the same time being insufficient to deliver a balanced budget. There is also a substantial gap between national policy priorities for investment and resourcing. This report further highlights the severe financial challenge which has been building in recent years as reserves have been depleted, and inflation has eroded the real value of budgets.

The identified budget gap requires to be addressed in a variety of ways which take into account the health and care needs of the population as well the imperative to balance the budget. The HSCP continues to face a stark financial challenge; its funding and cost assumptions are such that there is a risk to both partners in respect of finance and a risk to communities and services as actions require to be taken to address these. There are savings being proposed in this paper which will have significant adverse impacts, the HSCP would seek to reduce the scale of the some of the savings proposals if at all possible, any opportunity to do so would be informed by the public consultation and impact assessments.

13. DIRECTIONS

Directions required to Council, NHS Board, or both.	Directions to:	tick
	No Directions required	√
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

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14. PREVIOUS REVIEW OF THE REPORT

Meeting	Title of report	Date	Output (if relevant)
<i>Strategic Leadership Team</i>	<i>Budget Outlook</i>	<i>4 September 2025</i>	<i>Updates made and professional advisory added</i>
<i>Finance & Policy Committee</i>	<i>Budget Outlook</i>	<i>16 September 2025</i>	<i>Noted</i>
<i>Finance & Policy Committee</i>	<i>Budget Proposals</i>	<i>18 November 2025</i>	<i>Direction on savings provided</i>
<i>IJB</i>	<i>Budget Proposals</i>	<i>19 November 2025</i>	<i>As above</i>
<i>Finance & Policy Committee</i>	<i>Budget Update</i>	<i>20 January 2026</i>	<i>TBC</i>