HEALTH AND SOCIAL CARE
SCOTLAND

IJB Financial Position

FINANCE UPDATE 2026/27

Health and Social Care Scotland
JULY 2026

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Key messages

URGENT

The 2026/27 position is unsustainable: £475m of financial pressure is now being managed across Scotland's health and social care system, with limited reserves remaining and a growing reliance on one-off measures.

IN-YEAR IMPACT

Without additional recurring funding, high-impact reductions will be felt in-year, not at some future point. Recovery actions will reduce care at home, care home placements, packages of care, staffing, early intervention and prevention support.

WHOLE-SYSTEM PRESSURE

The impact will not be contained within IJB budgets. Reduced social care capacity will increase pressure across the whole system, including unpaid carers, hospital discharge, primary and community care, councils, NHS partners and commissioned providers.

SERVICE REDUCTION

IJB savings are more directly felt as service reductions. With fewer internal efficiency levers than NHS Boards and Councils, financial plans are more likely to have a direct impact on frontline care and support.

PREVENTION AT RISK

Prevention is being squeezed at the point it is most needed. As resources are redirected to statutory and crisis services, investment in early intervention and prevention is reduced, weakening long-term sustainability and storing up greater demand and cost for future years.

REALISTIC EXPECTATIONS

National expectations and available resources are no longer aligned. Without sustainable funding and realistic national expectations, IJBs will continue to reduce services and shift risk onto people, unpaid carers, providers and partners.

Purpose

This report sets out the financial position of Integration Joint Boards for 2026/27, highlighting the scale of the financial challenges facing Scotland's health and social care system. It aims to provide a clear understanding of key cost pressures, the actions being taken to manage these, and the impact on services and outcomes.

Transformation, prevention and service redesign are essential parts of the solution, and work is already underway across IJBs to change models of care and support. However, the scale of the redesign required is not deliverable at the pace needed to close the recurring financial gap in-year.

The report is intended to support informed decision-making by outlining the implications of current funding levels and identifying the risks to the sustainability of health and social care services. The challenge is no longer simply one of financial sustainability. Integration Authorities are increasingly required to choose between maintaining essential statutory services and delivering national policy ambitions. Without additional recurring investment, both cannot be achieved. The report seeks to inform discussions between government, partners and stakeholders on what can be realistically delivered within available resources, and the changes required to ensure long-term sustainability.

Introduction

Integration Joint Boards (IJBs) are the public bodies responsible for planning how local health and social care resources are used. In simple terms, they sit between NHS boards and councils and direct how available funding should be used to deliver community health services, adult social care and, in some areas, children's services. Most of the money used by IJBs comes from NHS boards and councils, with services then delivered either directly or through commissioned providers. This means the system is interconnected: when costs rise or savings are required in one part of health and social care, the consequences are often felt elsewhere in the wider system as well.

That wider system context is important for interpreting this report. If an IJB reduces care at home, delays a package of care, limits care home placements or scales back preventative services, the effect is not confined to one budget line. It can increase pressure on unpaid carers, make discharge from hospital more difficult, place additional strain on primary care and community services, and create financial and operational risk for commissioned providers. Equally, when funding is absorbed by rising demand, inflation, workforce costs and new policy commitments, there is less available to invest in early intervention and prevention that could reduce demand in future years.

The risks if no action is taken are illustrated below:

In its most recent national bulletin, Audit Scotland stated that Scotland's IJBs are in a **"critical financial position"**, with financial pressures and demand for services continuing to outstrip funding growth and savings achieved. Audit Scotland said IJBs will need to make **"difficult decisions"** about service delivery, including redesigning, reducing or discontinuing services, and should be transparent with the public about the consequences.

The central issue in 2026/27 is therefore not simply that IJBs face financial pressure, but that the level of pressure requires substantial savings, service change and non-recurring measures to keep budgets in balance. A significant proportion of those

actions relate to social care. For external stakeholders, the key question is what level of savings is being taken out of the system this year, where those savings are falling, and what impact that will have on people, carers, providers and the wider public sector.

Health and Social Care Scotland commissioned this analysis of the 2026/27 budget position. All 31 IJBs provided information which has been reviewed to show the scale of the financial challenge, the actions being taken to address it, and the likely implications for services and outcomes across the system.

Financial Position

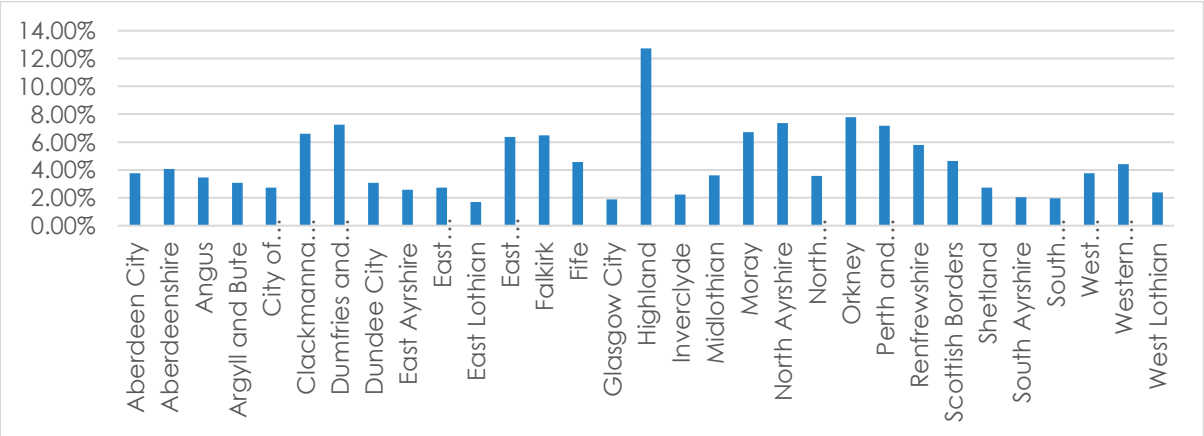
Key Point: IJBs face a £475m funding pressure with depleted reserves (67% hold no contingency reserves) leaving very limited capacity to absorb risk or sustain services. This is a recurring pressure with more than £1.3bn of recurring pressure managed over the last three years alone.

IJBs receive funding annually as agreed contributions from council and NHS board partners. Each year the level of funding received depends on the financial position and budget decisions of those partners. While Scottish Government have provided additional investment for social care in 2026/27, the funding is primarily for the Real Living Wage policy. This funding is passed on to the commissioned providers to ensure their staff are paid at least the living wage and does not provide for any additional investment in social care to meet increased demand as more people need support and have more complex needs or to support the development of more sustainable models targeting early intervention and prevention.

The budget for 2026/27 totals £12.2bn and includes financial pressure across the 31 IJBs of £474.87m. This pressure equates to 3.86% of the total budget, with individual pressures ranging from 1.7% to 12.73%.

The financial challenge facing Integration Authorities is not a one-year issue. More than £1.3bn of recurring financial pressure has been managed over the last three years and medium-term projections indicate continued growth in demand, workforce costs and complexity of need. Although there is variation in the proportion of the pressure in each IJB area because this pressure has built over the years and IJBs have taken significant actions to reduce spend and find alternative funding, such as the use of reserves, transformation of services, and the reduction of serves, all areas face considerable challenges in sustaining delivery while meeting the needs of local communities.

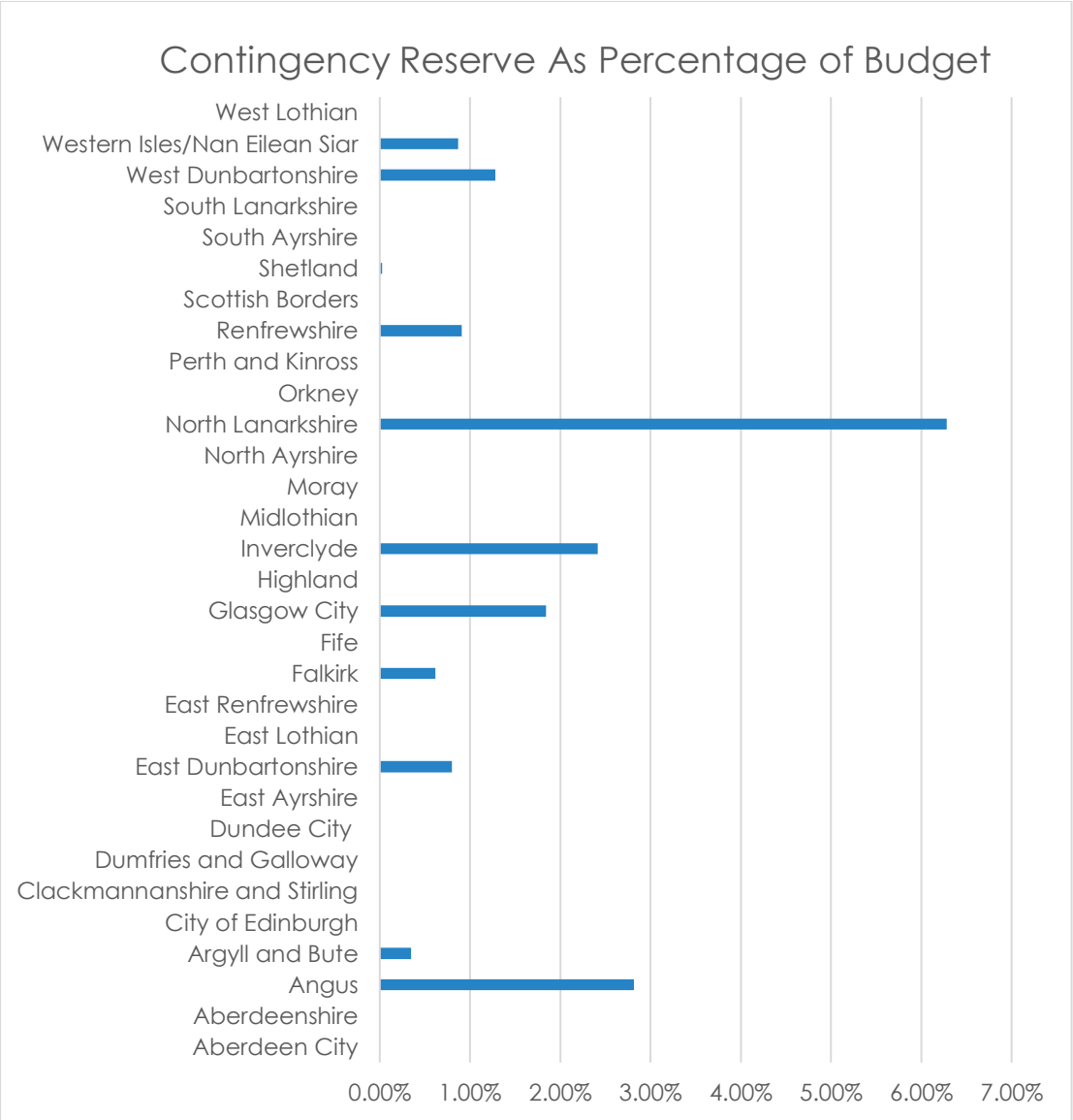
Exhibit 1
Financial pressure as percentage of budget



Reserves are a key component of overall funding strategy to ensure long term financial stability and sustainability. Contingency reserves are a critical part of this and are extra funds set aside to deal with unexpected costs and financial risks. General practice advises that contingency reserves should be held at 2 to 4% of the funding available. In the absence of a contingency reserve, IJBs must consider their Integration Authorities Integration Scheme and will need to rely on additional contributions from partners to address unfunded cost pressures.

In recent years reserve balances have been used to offset the financial pressure facing IJBs leading to a depleted position. 67% of IJBs now have no contingency reserve balance with the remaining contingency reserves totalling £102.39m or 0.84% of budget, far below the best practice level.

Exhibit 2
Contingency reserve balance as percentage of funding



Financial sustainability risks have been recognised by a majority of auditors in their reporting on the annual audit of IJBs. IJBs have a strong understanding of the drivers causing the cost and demand pressures and the steps which should be taken to improve sustainability - including building reserve balances and investing in early intervention and prevention - however without additional investment this is not possible.

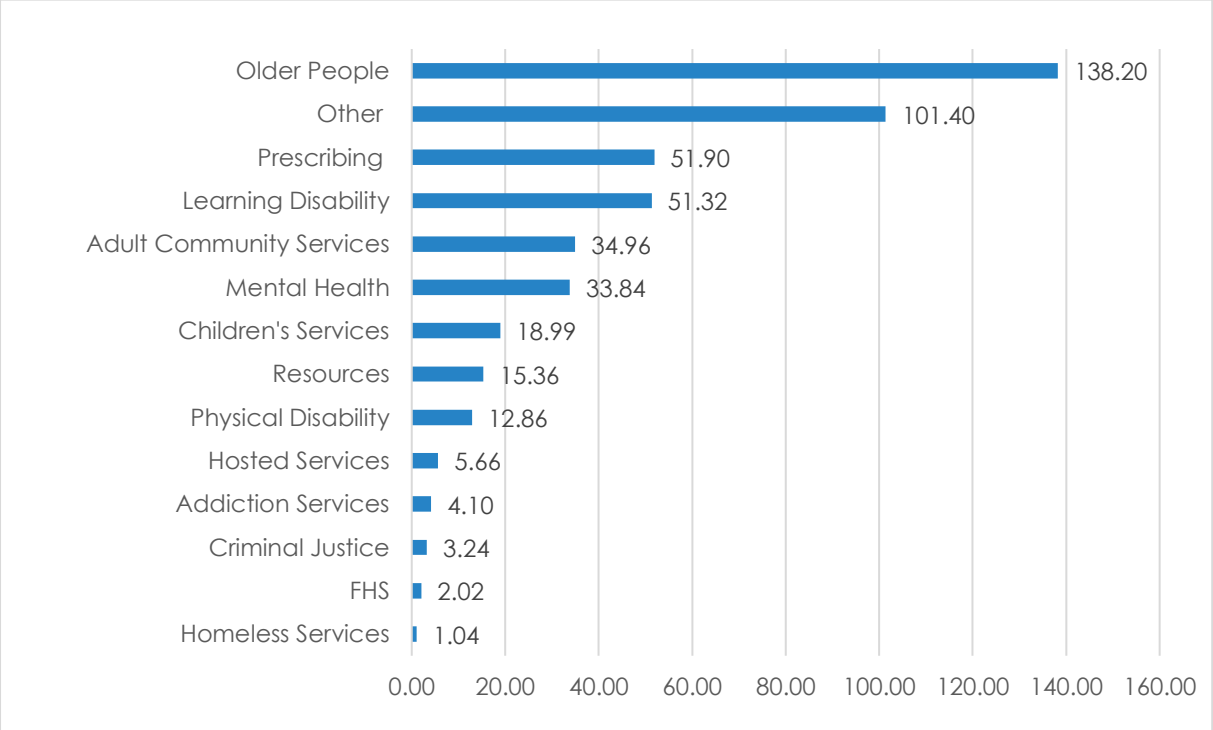
Cost Pressures

Key Point: Costs are rising as more people need care and their needs are more complex, compounded by workforce costs and inflation, this is expected to worsen as the population ages. The financial challenge is recurring rather than short-term or exceptional.

Existing cost pressures are described below: (i) by service area and (ii) by cost driver.

Analysis of the total pressure by service area is available from 28 of the 31 IJBs. Providing insight into £442m of the £475m or 93% of the total.

Exhibit 3
Financial pressure by service



While Older People is the single largest category, when considered as a whole, the services which support the adult population exceed this area of pressure. Services such as those supporting people with learning disabilities for example can be lower volume but very high-cost packages of care.

When evaluated by cost driver, demand and complexity of need is the highest category of pressure, responsible for over 21% of the total value, this considers the number of people who need services and the level and range of support those people require. Followed by staffing pressures at 18%, related to employee cost pressures, values are shown in exhibit 4.

The ‘other’ category includes a range of drivers including inflationary pressures, non-pay cost increases and pension related costs, while the non-delivery of savings category relates primarily to savings programmes due to be delivered in 2025/26. Prescribing is a significant pressure in each presentation of data, when viewed by cost driver the lower figure - £47.54m to the £51.90m in Exhibit 3 – is due to inclusion of some prescribing related costs within the non-delivery of savings category.

Exhibit 4
Financial pressure by cost driver

The projected population change facing Scotland, according to the National Records of Scotland, is one which over the 25 years to mid-2049 sees a growing population 75 years and older and a falling population in general with particular drops in children and young adults. This shift in demographics is likely to exacerbate the current pressures with additional support required due to age related conditions and a falling working age population.

Recovery Actions

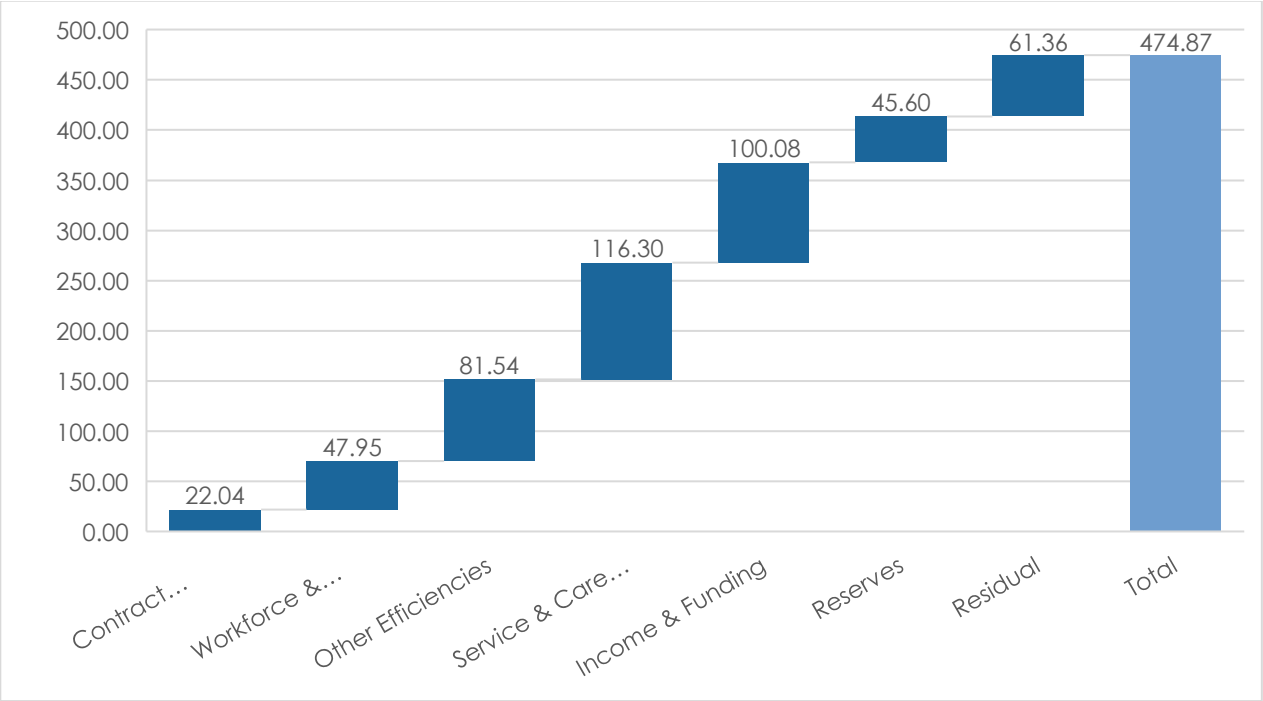
Key Point: Recovery actions rely heavily on reducing services, particularly in social care, alongside workforce reductions and the use of reserves because IJBs have limited ability to achieve savings through internal efficiencies alone. Reserves account for almost 10% of the funding solution, nearly double the 5% reliance previously highlighted by Audit Scotland as a concern, while contingency reserves are depleted.

The data submitted included approximately 150 individual lines describing how IJBs are planning to address the 2026/27 financial challenge. These actions are not all the same. Some are direct savings from reducing, redesigning or constraining services; some are workforce or efficiency measures; and some reflect additional funding, transfers or the use of reserves rather than savings released from the system.

While IJBs have a range of delegated health and social care services, savings being taken out of the system fall disproportionately on social care. Across the country, the most significant area of direct savings is service and care delivery. This shows the effect of balancing budgets through reduced activity, fewer placements, care package reviews and a reduction in preventative services.

It is worth noting that NHS Boards face financial challenges and associated recovery and savings plans as set out in ‘the Grid’. However, a significant proportion of NHS Boards savings programmes are typically focused on areas such as corporate services, asset management, energy efficiency, procurement and large-scale digital initiatives. While these measures can be complex and challenging to deliver, their impact on service users/patients may be less immediately visible than reductions in commissioned services. By contrast, as commissioning bodies, IJBs have more limited opportunities to achieve savings through internal efficiencies alone and therefore need to reduce the level, scope, or volume of services commissioned in order to achieve financial balance. While pressures arise from NHS services, e.g. prescribing pressures, savings being taken out of the system to restore overall balance primarily relate to social care.

Exhibit 5
A summary of savings and actions to meet the financial pressure



Contract Management includes £22.04m of actions identified as contract reductions.

Workforce and Staffing actions account for £47.95m of savings related to the reduction of staffing levels, controls on additional staffing costs, a review of staffing and vacancy management actions. While workforce related actions account for a significant proportion of recovery actions it is becoming increasingly challenging due to recruitment pressures, workforce shortages and changes to employment legislation. The Employment Rights Act 2025 strengthens workforce protections, consultation requirements and redundancy obligations. While these developments are important protections for employees, they increase complexity, implementation timescales and financial risks associated with workforce reduction programmes.

Other Efficiencies at £81.54m includes many small local projects and reductions in non-pay costs, travel, general efficiencies etc.

Service and Care Delivery changes deliver £116.30m and represent the most direct reduction in activity and support across the system. Many of these actions fall on social care and include:

- Reduced care at home activity
- Reduction in the purchase of care home placements
- Reductions in early intervention services
- Reviews of packages of care
- Service review/redesign
- Prescribing savings

Income and Funding at £145.68m includes:

- Additional partner funding
- Funding passthrough and budget transfers
- Increased charging and income maximisation

Reserves to the value of £45.6, or 9.7% of actions to bridge the funding gap. This has increased from 5% in 24/25 which at that level was raised as a concern by Audit Scotland. The increase is reflective of the continued and cumulative pressure being faced by IJBs.

A **Residual** balance of £61.36m remains with actions of recovery to be determined.

Implications for Services and Outcomes

Key Point: The scale of the savings required mean less care and support is available. This will lead to longer waits, unmet need and more pressure on families, carers, hospitals and other services.

The most important issue for 2026/27 is the scale of savings and recovery measures now being required to keep health and social care budgets in balance. While the current financial pressure amounts to £474.87m in 2026/27, the equivalent figures were £457m in 2024/25 and £449m in 2025/26. This means that more than £1.3bn of pressure has had to be managed over the last three years. Given that much of this challenge is recurring, the effect compounds year after year, requiring repeated savings, service redesign and the removal of capacity from the system.

The scope for further efficiencies without service impact is now very limited. As a result, a significant part of the 2026/27 response is being delivered through actions that affect service capacity and access, especially in social care. The national picture includes the following reductions:

- **£33.82m Reduced care at home activity**, the equivalent to more than 1.2m hours of homecare activity
- **£9.27m Reduction in the purchase of care home placements**, the equivalent of over 250 care home beds
- **£41.42m Reduced staffing**, the equivalent of 840 band 5 nurses

These reductions sit alongside wider redesigns and reviews of services and packages of care. They illustrate that the response to financial pressure is increasingly about reducing activity, narrowing access to services, slowing service growth and limiting preventative support.

The requirement to deliver recurring savings has implications both for the internal operations of the IJB and for the services experienced by service users, carers and communities.

Internally the savings identified reduce staffing levels, placing additional pressure on workforce capacity for business support services and directly provided care services. A reliance on vacancy management and tighter controls on expenditure can also impact the pace of service development and improvement activity and continuing to operate services in this way has a profound impact on the workforce.

For service users and communities, reductions in care at home activity, care home placements and early intervention services increase the likelihood of longer waits, unmet need and higher levels of crisis. The consequences are then felt elsewhere:

unpaid carers carry greater pressure, hospital discharge can become more difficult, community and primary care services can face additional demand, and councils and NHS partners can experience increased operational and financial strain.

Savings programmes will have a direct impact on commissioned providers, with organisations such as the Coalition of Care and Support Providers in Scotland (CCPS) advising the funding position has already pushed the sector to the brink. IAs are committed to working with our providers but must do so within the resources available, without additional investment in Health and Social Care there is a risk to the ability of providers to continue delivering services which would reduce choice for service users, risk continuity and stability of care and expose Local Authorities and IJBs to additional operational and financial risk as providers of last resort.

Alongside transformation and the reduction of existing services the current financial pressures have a significant impact on how IJBs can effectively invest in services which will deliver long term improvements and protect the future of health and care in Scotland.

Investment in early intervention and prevention is critical to improve outcomes, support independence, reduce pressure on unpaid carers and avoid higher-cost demand elsewhere in the system. However, when budgets are under severe strain, these services are often the part of the system with least protection once legal responsibilities and crisis responses have been prioritised. The 2026/27 actions identify £7.29m of savings from early intervention and preventative services, which risks storing up future demand and weakening the long-term sustainability of health and social care.

These decisions are not taken lightly but rather are a direct result of the scale of the challenge presented to IJBs and the requirement to deliver a balanced budget which meets all legal responsibilities. An increase in overall resources is required to allow for investment in prevention while ensuring services are delivered which meet the needs of those most at risk currently.

As outlined above, IAs face significant challenges in meeting current levels of demand with the funding available. However, maintaining the status quo is not sufficient to meet Scotland’s future health and social care needs. As such, IAs remain committed to continuous improvement and transformation, including supporting the delivery of Scottish Government policy ambitions.

While funding is at times provided to support new policies and service developments, this is not always consistent and rarely meets the full cost of implementation. This creates an ongoing tension between the ambition to fully deliver national policy

objectives and the requirement to maintain a balanced budget while continuing the provide essential care and support services.

Financial sustainability and delivery of national policy ambitions are increasingly disconnected with raised public expectations on a range of new developments for example; Care Reform which, if not fully funded, will significantly increase the funding gap.

The current financial environment affects the ability of IAs to invest at the scale required to support national ambitions. Without sufficient recurring resources, there is increasing tension between responding to current statutory demand and keeping operational services safe, and investing in the approaches required to deliver long-term policy ambitions.

Integration Authorities are increasingly being required to choose between:

Maintaining Essential Services	Delivering National Ambitions
Meeting statutory demand	Prevention and early intervention
Protecting social care capacity	Population Health Framework
Supporting unpaid carers	Care Reform
Managing hospital discharge	Community-based care expansion and reducing delayed discharge
Maintaining provider sustainability	Public Service Reform

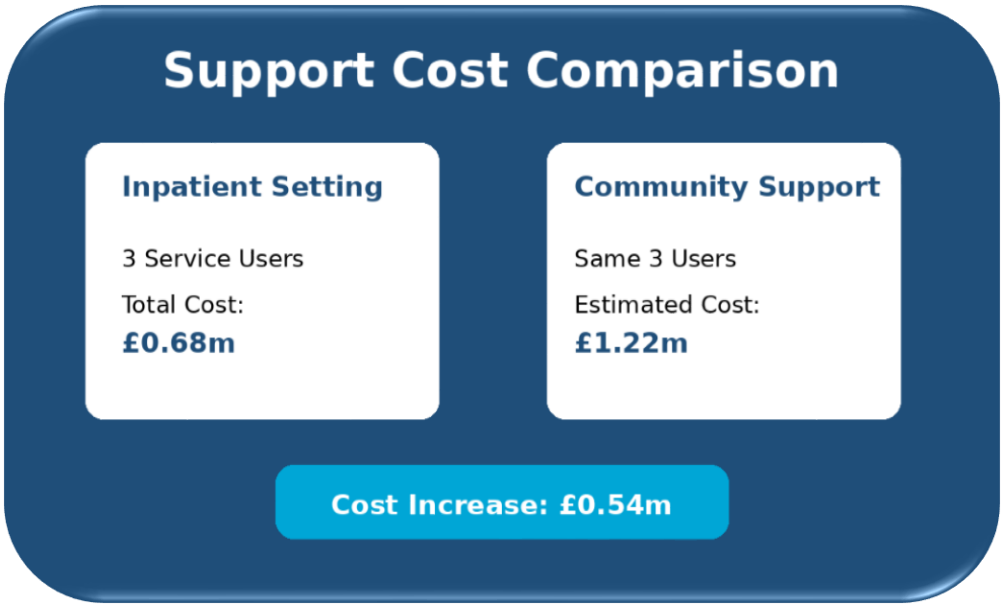
While Integration Authorities (IAs) remain committed to maximising the impact of existing resources, efficiency measures alone are unlikely to deliver the pace and scale of change required to secure long-term sustainability. The Public Bodies (Joint Working) (Scotland) Act 2014 established a clear ambition for integration: to improve outcomes through the strategic planning and delivery of services around the needs of individuals and communities, supported by a progressive shift in the balance of care from institutional and acute settings towards prevention, early intervention and community-based support.

Central to this ambition was the concept of set-aside acute resources, intended to provide Integration Authorities with meaningful influence over the planning and deployment of hospital resources and to support the reallocation of investment towards community-based models of care. However, despite progress in integration and a continued commitment to its underlying principles, the practical mechanisms required to enable significant resource transfer from acute services into communities have remained limited. As a result, many Integration Authorities continue to carry responsibility for delivering transformational change without having sufficient control over, or access to, the resources needed to accelerate that change.

Delivering the ambitions of integration requires the effective use of existing resources alongside targeted investment to support service redesign, transitional double-running costs, workforce development and the strengthening of community capacity. Without this, Integration Authorities are increasingly required to balance the delivery of new policy commitments against meeting the wider needs of their populations, creating a risk that progress in one area is achieved only at the expense of another. A sustainable and preventative health and social care system will require both renewed commitment to the principles of integration and the investment necessary to make the intended shift in resources a practical reality.

This tension also seen for example in the work relating to the Coming Home agenda and wider aim of supporting people within their communities. While there is agreement with the principles and a desire to ensure people are where they want to be, with their support structures around them living as full and independent a life as possible, this creates significant additional financial pressure.

Below is an example from one IJB area



In year one this is an increase of £0.54m from the current NHS cost and a £1.22m additional cost for the IJB as the budget used to support the service user does not transfer from the inpatient to community setting. With inflation and increased costs related to Fair Work commitments this cost will continue to increase. While it is recognised this is the correct action for the service users a consequence is the reduction of the overall pool of funding available to support the wider community.

Key Point: Shifting support from inpatient settings to community-based care does not necessarily mean this care is delivered at lower cost. In some cases, the community model is the right outcome for the person but costs more to deliver,

particularly where the funding associated with the inpatient placement does not transfer with the individual. This means IJBs can be asked to absorb a higher cost while the original hospital cost is not released to fund the new community support. In circumstances where funding does transfer this is typically less than the required amount, reducing the size of the deficit but not fully offsetting the pressure to be absorbed locally.

Each increase in costs, whether from prescribing, increasing population, inflation, increasing staff costs or new policy commitments that are not fully funded, further narrows the room to invest in reform and prevention. The result is a cycle in which resources are repeatedly redirected towards immediate pressures to deliver on legal responsibilities, while opportunities to reduce future demand across hospitals, community services and social care are squeezed out.

Conclusions and Next Steps

The 2026/27 position should be understood not simply as a statement of financial pressure, but as a statement of the scale of savings, service change and non-recurring measures now required across Scotland's health and social care system. With £474.87m of pressure, very limited contingency reserves and a continued reliance on one-off solutions, the current approach is becoming increasingly difficult to sustain.

A significant proportion of the response year on year falls on social care through reduced care at home activity, fewer care home placements, staffing reductions, package reviews and reduced preventative support. These actions will have tangible implications for people who need support, unpaid carers, staff, commissioned providers and partner organisations across the wider system. The impact of the actions to deliver savings are not contained to IJB budgets alone and will reach across the system in terms of redirected pressures, sector performance and a shift towards more reactive and potentially more costly interventions further down the line.

IJBs remain committed to delivering high-quality care and supporting people to live independently in their communities and are proactively seeking every opportunity to maintain and protect essential services whilst seeking out more sustainable options through various initiatives;

- Service prioritisation and review to ensure continued 'fit for purpose' and evidencing maximum impact against strategic objectives
- Strengthening community led approaches, maximising capacity and local opportunities
- Exploring opportunities in digital innovation and technology enabled care
- Exploring opportunities in collective commissioning

However, capacity to resource the above is constrained with recurring pressures and without more sustainable recurring funding IJBs will continue to make difficult decisions, increasingly focused on maintenance of essential only statutory services. While difficult decisions are required to achieve financial sustainability, the evidence shows that investment in social care is cost-effective and helps reduce demand on acute services. Recent work with Health Improvement Scotland on their Return on Investment (ROI) Project clearly demonstrated directing unscheduled care funding towards social care had a positive impact on demand and capacity within the acute sector.

The Independent Review of Adult Social Care Services in Scotland highlighted that 'strong and effective social care support is foundational to the flourishing of everyone in Scotland and a good investment in our economy and in our citizens' but in order to

maximise the potential of social care support, a paradigm shift was required where new thinking and decision making was based on;

- Social care being seen as an investment
- Social care workforce having parity with public sector partners in terms of workforce pay, terms and conditions, career path and progression
- An approach that is preventative and anticipatory
- Enabling rights and capabilities rather than managing need
- Commissiong and procurement based on collaboration rather than competition

The current funding available for the delivery of social care services and consequential financial and service delivery decisions being made by IJBs does not align with the ambition of “parity of esteem” as a vital foundational principle of social care reform.

The financial challenges outlined in this report are likely to continue in the absence of additional funding, required to maintain existing service levels, reflecting the combined impact of demographic growth, increasing complexity of need, inflationary pressures and other unavoidable costs. It will therefore be increasingly important to work in partnership with government and other stakeholders to develop a shared and realistic understanding of what can be sustainably delivered within available social care resources. This will provide an opportunity to align public expectations with the realities of current and future service provision, ensuring services remain effective and sustainable, and protecting the future of Scotland’s health and social care system.

Looking ahead, there is a need for:

- **Sustainable recurring funding**, protecting the future of social care and recognising that this will positively impact on longer term pressures in other areas including acute health services
- **Investment in prevention and early intervention activities**, which is not only the right thing to do but is the most cost-effective model for the longer term future of public services
- **Continued service transformation**, to drive forward efficiencies and ensure services continue to be fit for purpose while maximising the use of digital innovations
- **Collaborative working with partners and Scottish Government**, as the impact of reduced community health and social care services impacts across the whole system and the achievement of government ambitions
- **Nationally supported and driven change on expectations**, considering the expectations of citizens, what a sustainable funding model may look like and where funding will be generated

The question facing us all is no longer whether Integration Authorities can continue finding savings. The question is whether the current level of health and social care support expected by the public can continue to be delivered within the resources available. The Community Health and Care system has moved beyond a discussion about efficiencies and transformation.

The scale of recurring financial pressure now requires decisions about what level of social care Scotland can realistically afford and what national ambitions can realistically be delivered.