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Agenda Item: 5

## **Integration Joint Board**

**Date of Meeting: 2 July 2025.**

**Subject: Medium Term Financial Plan.**

### **1. Purpose**

1.1. To consider a Medium Term Financial Plan for the period 2025/26 to 2027/28.

### **2. Recommendations**

**It is recommended:**

2.1. That the Medium Term Financial Plan, for the period 2025/26 to 2027/28, attached as Appendix 1 to this report, be approved.

### **3. Background**

3.1. The continuing requirement to deliver budget savings presents an increasing challenge for the IJB, which have been compounded by the greater financial uncertainty that exists over the medium term.

3.2. The Medium Term Financial Plan (MTFP) brings together all the financial requirements for the Board into a single planning document.

3.3. The previous MTFP 2022 to 2025 was presented to the Board in June 2022 for approval. This Plan follows on from that covering years 2025 to 2028.

### **4. Purpose of the Financial Plan**

4.1. The MTFP serves as a key planning document for the use of resources over the medium-term period 2025/26 to 2027/28. It is a useful tool for planning purposes rather than a definitive statement of resourcing for the next three years. It also has linkages to the Strategic Plan 2025 – 2028 and the Strategic Delivery Plan 2025/26.

4.2. Improved financial planning of the IJB's resources should result in better use of resources and improved outcomes as changes in the provision of services can be planned over the medium term.

## 5. Medium Term Financial Plan Key Messages

5.1. The MTFP is built around the six Strategic Priorities within the Strategic Plan 2025-28.

5.2. The “most likely” scenario is predicting an £11.3m funding gap over the three financial years that the plan is covering.

5.3. The funding gap needs to be incorporated into a robust Financial Recovery Plan and reported to the Board regularly.

## 6. Contribution to quality

Please indicate which of the Orkney Community Plan 2025 to 2030 values are supported in this report adding Yes or No to the relevant area(s):

<b>Resilience:</b> To support and promote our strong communities.	Yes.
<b>Enterprise:</b> To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
<b>Equality:</b> To encourage services to provide equal opportunities for everyone.	No.
<b>Fairness:</b> To make sure socio-economic and social factors are balanced.	Yes.
<b>Innovation:</b> To overcome issues more effectively through partnership working.	No.
<b>Leadership:</b> To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	Yes.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	Yes.

## 7. Resource and financial implications

7.1. The MTFP provides predicted funding gap outcomes for the financial years 2025/26 to 2027/28 which are then required for the basis of the Financial Recovery Plan throughout the duration.

## 8. Risk, equality and climate change implications

8.1. Demand is rising significantly whilst, in real terms, available public spending is reducing. Within this financial year there have been no decommissioning or transformation of services which will deliver cash savings on a recurring basis.

8.2. Over the next few years, the Orkney IJB will require to balance its ambitious commissioning decisions to support change alongside decommissioning decisions that enables NHS Orkney and Orkney Islands Council to deliver year on year efficiencies to sustain priority services.

8.3. The main significant risk is that there will be a failure to deliver the outcomes of the Strategic Plan in relation to the financial resources that are available.

8.4. There are no equality or climate change implications directly arising as a result of this report.

## 9. Direction required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.

## 10. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.

## 11. Authors and contact information

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## 12. Supporting documents

12.1. Appendix 1: Medium Term Financial Plan.



# Orkney Integration Joint Board Medium Term Financial Plan 2025 – 2028



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## Executive Summary

The Integration Joint Board (IJB) [Medium Term Financial Plan \(MTFP\) 2022-25](#) outlined the financial challenges and opportunities and the associated delivery of services over the three-year period. It provided a framework to support financial sustainability and complemented the [Strategic Plan](#). This was achieved by highlighting how the IJB's financial planning principles were able to support the delivery of the strategic objectives and priorities.

The financial plan included a range of key assumptions and planning assumptions which were subject to a certain degree of uncertainty. Given the uncertainty and potential for variations, it is important that the IJB always plans for a range of outcomes, thus ensuring sufficient flexibility to manage in a sustainable manner.

In alignment with the updated [Strategic Plan 2025 - 2028](#), the MTFP has been revised to complement and emphasise how the IJB's financial planning principles will, where feasible, facilitate the achievement of the IJB's strategic objectives.

Like previous MTFPs, this document broadly outlines specific service and funding challenges anticipated over the next three years and details how the IJB aims to attain financial sustainability and resilience while fulfilling its priorities. It consolidates various assumptions regarding future income and expenditure, enabling us to pinpoint when and where we may encounter financial pressures.

This MTFP forecasts a potential shortfall between £10.1m and £12.4m over the upcoming three years. However, it is crucial to emphasise that the financial planning assumptions of the IJB are continually under active review, allowing us to prepare for various possible outcomes and scenarios. This approach aids us in addressing emerging financial risks and challenges, as well as the probable effects these may have on the financial standing of the IJB. The forecasted funding gap forms a basis for the targets set within the financial recovery plan.

A Financial Recovery Plan is required to be submitted to the Board to provide assurance that there are robust plans in place to align spend with the funding available. Once approved, the recovery plan will be regularly reported against, to give the Board confidence that progress is being made towards achieving a balanced financial position.

The demographic challenges that public institutions are encountering are especially pronounced in Orkney. Enhanced involvement from the community, third sector, and voluntary organisations is crucial to address the rising demand that is emerging.

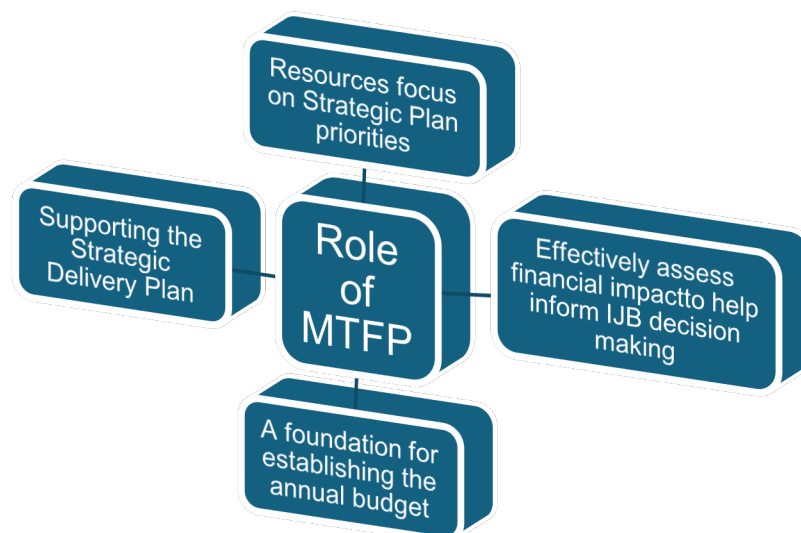
The Scottish Minister for Social Care, Mental Wellbeing and Sport highlighted the pressures IJBs are facing, particularly for 2025/26, include prescribing, recurring deficits/ baseline pressures/ inflation, pay pressures, contract inflation for commissioned services and increases in demand, complexity and demographics.

## Purpose

This MTFP outlines the existing national and local context in which the IJB will operate over the forthcoming three years. However, it is crucial to recognise that both the national and local contexts are expected to evolve during this time, reflecting shifts in government priorities and the financial status of the IJB. Consequently, it is essential for the IJB to maintain flexibility in addressing the financial challenges it encounters, as well as in pursuing its strategic objectives and fulfilling the community priorities it aims to achieve.

Orkney IJB serves as the governing authority for the Health and Social Care Partnership (HSCP) and approves an annual budget, subsequent to the allocation of funding from NHS Orkney and Orkney Islands Council (the Parties) for each financial year.

Like many sectors in the public domain, the IJB has been functioning under progressively tightening budget constraints and pressures for several years. Consequently, the IJB must evaluate methods to manage or decrease current expenditures. A key aspect of this is to ensure that the IJB has strong financial frameworks established to provide services within the available funding, along with efficient medium-term financial planning that aligns with the execution of the Strategic Plan.



## About Orkney IJB

The IJB is responsible for strategic planning and commissioning a wide range of community-facing health and social care services in Orkney, working in partnership with NHS Orkney and Orkney Islands Council. It was formally established in April 2016, taking over responsibility for health and social care planning and delivery from

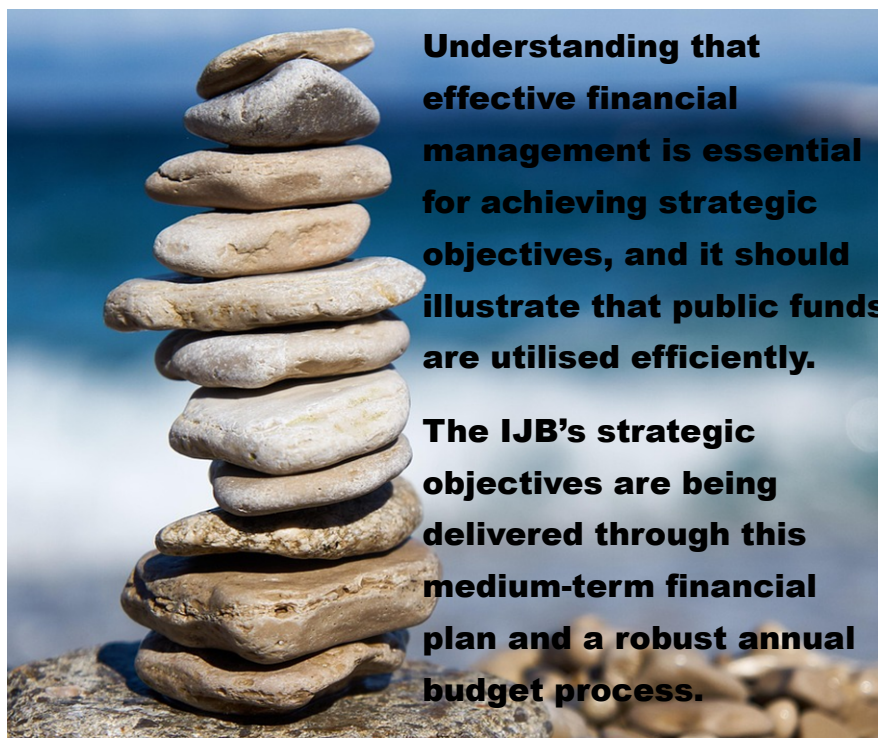


that date. The IJB aims to improve and develop social care, community health, and wellbeing to provide the best possible care for the people of Orkney.

The IJB is tasked with overseeing public funds and ensuring that its operations comply with the highest governance standards in the public sector. This includes the safeguarding of public money, ensuring accurate accounting, and utilising resources in an economical, efficient, and effective manner.

In accordance with the provisions of the Integration Scheme, partner organisations are required to establish suitable arrangements to finance pay increases, contractual enhancements, the effects of demographic shifts, and to set efficiency targets as an integral part of their individual budget formulation processes.

### IJB's Responsibility to Set a Balanced Budget



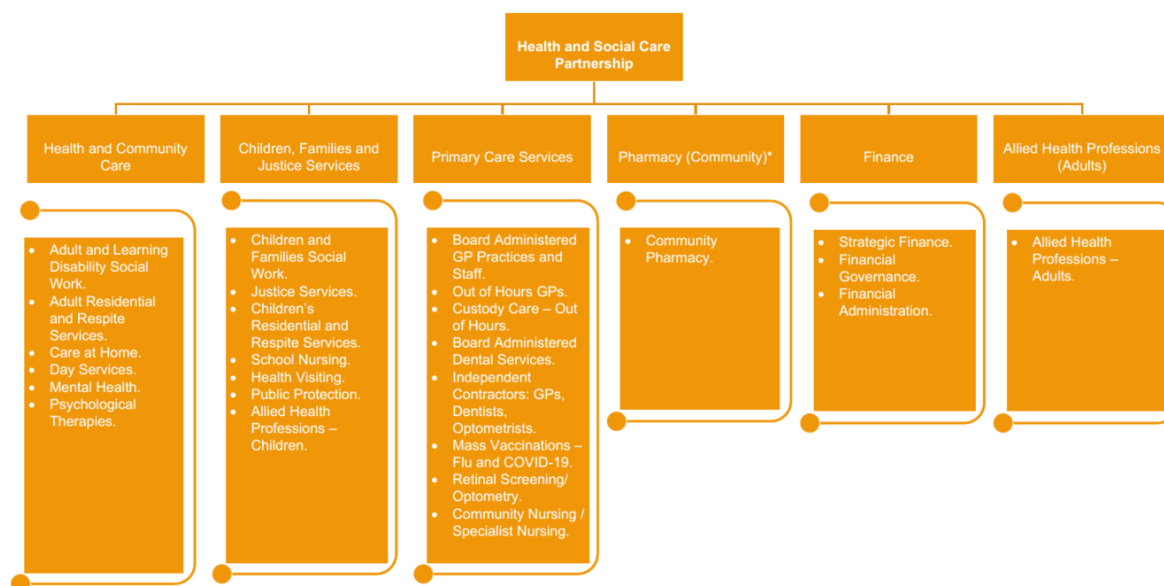
**Understanding that effective financial management is essential for achieving strategic objectives, and it should illustrate that public funds are utilised efficiently.**

**The IJB's strategic objectives are being delivered through this medium-term financial plan and a robust annual budget process.**



## Overview of our Services

Services delegated through the Orkney Integration Scheme, from the Parties, that the Orkney IJB have responsibility for strategic planning and ensuring delivery of are:



## Hospital Services

The Orkney IJB is responsible for the planning of those limited acute hospital services delegated to it. NHS Orkney is responsible for the operational delivery and management of all acute services. The Chief Officer and the senior manager responsible for the delivery and management of hospital services will ensure joint arrangements are in place to enable effective working relationships across the whole health and care system. NHS Orkney is responsible for providing information on a regular basis to the IJB on the operational delivery of all acute services and associated spend.

- Accident and Emergency.
- Inpatient Hospital Services.
- Macmillan Palliative Care.
- Mental Health Service provide in a hospital.
- Ophthalmic Services.
- Resource Transfer, including Voluntary Services.

## Governance and Guiding Principles

The Orkney IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the Orkney IJB has established governance arrangements, which include a system of internal control. The system is intended to manage risk to support the achievement of the Orkney IJB's policies, aims and objectives. Reliance is also placed on NHS Orkney and Orkney Islands Council's systems of internal control that support compliance with both organisations' policies and promote achievement of each organisation's aims and objectives, as well as those of the Orkney IJB.

The CIPFA/SOLACE framework for "Delivering Good Governance in Local Government Framework (2016 Edition)" provides a structured approach in defining the principles that should underpin the governance arrangements. Whilst the framework is specifically for Local Government, the principles are applicable to Integration Authorities.

The system can only provide reasonable and not absolute assurance of effectiveness.

The key elements of the IJB's governance arrangements are described in terms of the Framework's seven principles of good governance, which are as follows:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensure openness and comprehensive stakeholder engagement.
- C. Define outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determine the interventions necessary to optimise the achievement of the intended outcomes.
- E. Develop the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implement good practices in transparency, reporting and audit to deliver effective accountability.

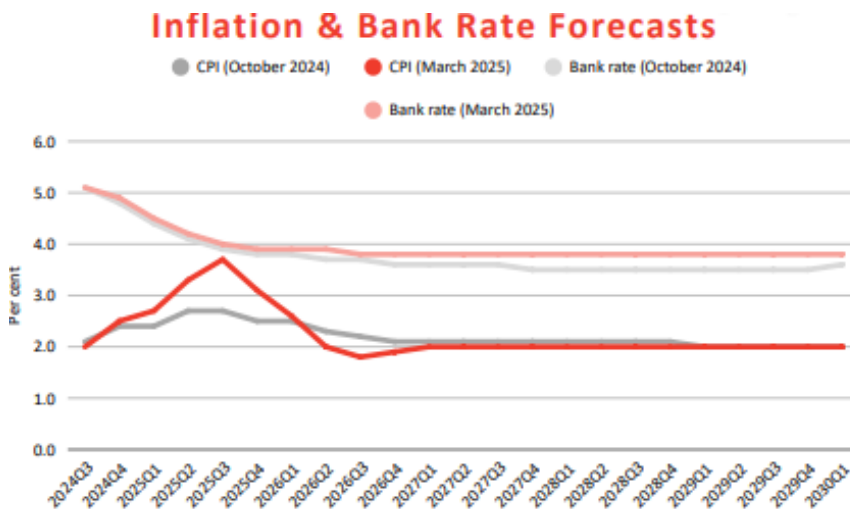
Further information on these is provided within the governance statement found in the [annual accounts](#).

## Planning Context

### National Context

Global economic growth is expected to remain moderate but uncertain over the next five years due to the US tariff wave, which has altered projections. The International Monetary Fund (IMF) has downgraded their forecasts from 3.3% to 2.8% in 2025, highlighting the adverse effects of increased trade barriers. Inflation is expected to rise, and the Bank of England is considering interest rate cuts to counteract economic uncertainty. The UK's economic outlook is shaped by this global trade

environment and domestic policy measures, with interest rates expected to decline gradually and inflation returning to the Bank of England's 2% target by mid-2026.



[Fraser of Allander Institute Economic Commentary, April 2025](#)

Inflation revisions suggest February 2025's unexpected drop may be a temporary relief. The UK Government's November 2024 budget announced significant fiscal measures, including £40 billion in tax increases to fund public services and investment projects.

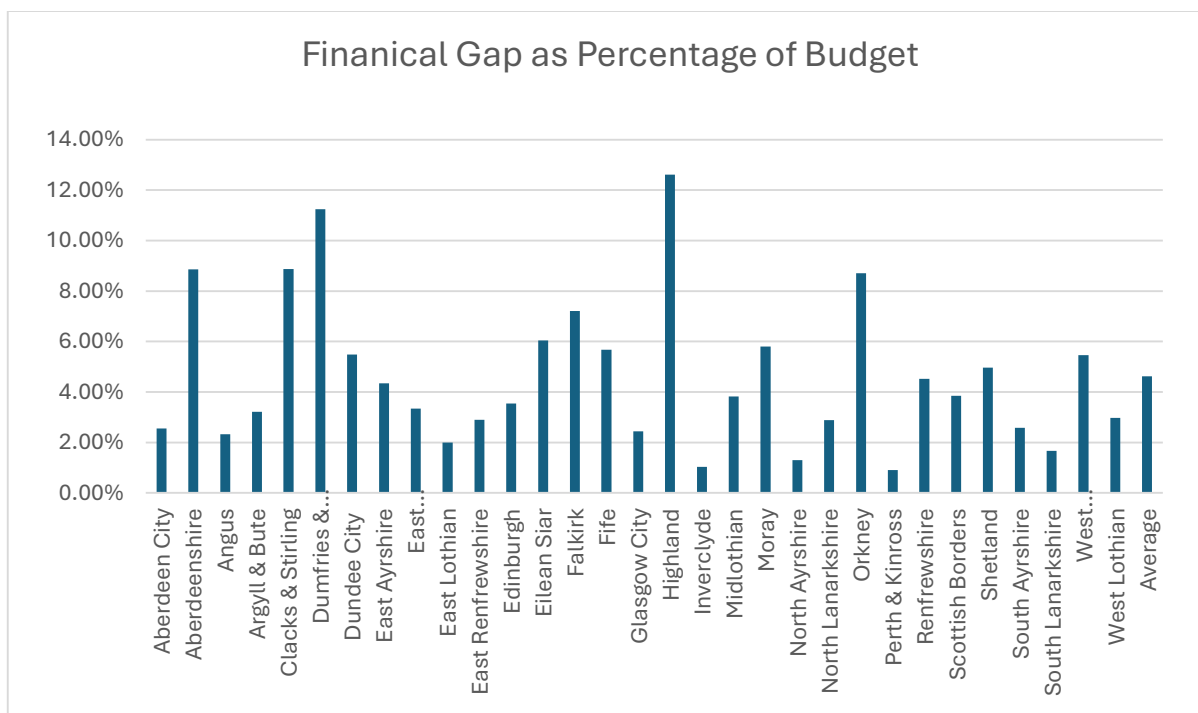
However, the effectiveness of these measures depends on global economic conditions and domestic policy implementation. The Chancellor faces challenges in adhering to fiscal rules while pursuing growth.

IJBs, responsible for strategic planning, commissioning, and delivery of services to vulnerable community members, have been managing significant financial challenges. Health and Social Care Scotland (HSCS) has identified a combined financial gap of approximately £560m for 2025/26, representing an average gap of 5% of the total available budget across Scotland. The anticipated gap at the end of 2024/25 represents a worsening position for IJB budgets, with main funding pressures including prescribing, demand, pay pressures, contract inflation, and employers National Insurance Contributions. The situation is exacerbated by the complexity of funding arrangements and shared accountabilities.

The IJB operates in a complex environment with requirements to ensure statutory obligations, legislative and policy requirements, performance targets and governance and reporting criteria are met whilst ensuring the operational oversight of the delivery of health and care services.

Budgets are struggling to keep pace with inflationary rates. The Scottish Government's funding is expected to continue to fall short of what is required, primarily due to mounting pressures.

All 31 IJBs' anticipated budget positions for the 2025–2026 fiscal year have been analysed by Health and Social Care Scotland which has further highlighted the dire circumstances facing our communities, employees, and services, with a projected aggregate financial deficit of almost £560 million for 2025–2026. This amounts to an average of 5% of Scotland's overall available budget, with individual IJB gaps varying from 2% to 11%.



## Local Context

“Orkney’s economy is relatively prosperous, with low unemployment and high household income levels” ([Orkney.com](http://Orkney.com)). It is characterised by a blend of traditional industries and emerging sectors, underpinned by strategic investments aimed at sustainable growth.

- **Employment Rate:** 88.3% for individuals aged 16 to 64, surpassing the Scottish average of 74.7%.
- **Unemployment Rate:** 1.7%, lower than the national average.
- **Economic Inactivity:** 11.7%, significantly below Scotland's average of 22.5%. ([Office of National Statistics](#))

A comprehensive list of local indicators for Orkney can be found on the Office of National Statistics (ONS) website ([Local indicators](#)). However, despite these positive indicators, Scottish, national and global socio-economic pressures continue to put a strain on the IJB’s budgets, requiring careful financial management to sustain essential services despite recent funding increases.

## Strategic Priorities

Our Strategic Priorities were determined through consultations and engagement exercises, undertaken by multiple statutory and third sector agencies and considered within the context of a Joint Strategic Needs Assessment.

The engagement to date has agreed that the previous six Strategic Priorities should continue, with only a small change to the name of one to Supporting People to Age Well.

Unpaid Carers.	Recognising the contribution from unpaid carers and supporting them to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and wellbeing.
Supporting People to Age Well.	Recognising the need to support people to receive care and assistance at home wherever possible.
Community Led Support.	Providing the foundation for a more modern, effective way of delivering health and social care support that strengthens individuals, and community resilience and wellbeing through collaborative working across a range of organisations and partners.
Mental Health and Wellbeing.	We have made a commitment to improve and develop mental health and wellbeing support across Orkney, so that people can live longer, healthier, and more fulfilling lives.
Early Intervention and Prevention.	Giving people the power to be aware of, and responsible for, their health and wellbeing, whatever their age or background.
Tackling Inequalities and Disadvantage.	Recognising and addressing inequalities in accessing and utilising health and social care services, with particular focus on rural communities and those people living within poverty.

Professional acknowledgment that services must respond to changing public expectation, budgetary challenges, staffing shortages and changing demographics, have resulted in new ideas and innovations in service delivery, such as Community Led Support.

The Scottish Government has a plan to improve health and wellbeing across Scotland which is summarised in the nine National Health and Wellbeing Outcomes.

### **How our Strategic Priorities Link to our Financial Planning**

Outlined below is a summary of how our strategic priorities link to our financial planning:

Unpaid Carers.	The Carers' Strategy Group, in collaboration with unpaid carers, is currently developing the new Carers' Strategy which will provide detail on how we improve the lives of unpaid carers in Orkney.
Supporting People to Age Well.	Ensure we have an adequate workforce, appropriately remunerated and fully trained in the delivery of complex care.  We need to ensure all possible use of technology is maximised and we need to ensure all community-based teams are working collaboratively for the benefit of the people in our care.

	<p>We will work together with our partners across the health, care, and third sector to help people access activities and services to meet the needs of vulnerable older people.</p> <p>We will ensure that people living with frailty are able to access well planned and well-coordinated services which are tailored to their individual needs and support their health, wellbeing, and independence at every stage of their condition.</p>
Community Led Support.	Working with communities and partners to collaboratively design services with a focus on prevention, early intervention and on enabling people to be as independent as possible.
Mental Health and Wellbeing.	Our strategic intention is described within the current Mental Health Strategy as “Helping people in Orkney to ensure that preventive measures are deployed at the earliest opportunity and that those with enduring mental health conditions live longer, healthier and more independent lives within their own communities. Getting it right for everyone applies equally to those with mental health conditions as it does those with physical health conditions.” In addition, our intention is to bolster the current service and create a sustainable service, recognising the changes in need and demand from our local population.
Early Intervention and Prevention.	We are committed to improving the overall health and wellbeing of children, young people, and adults, in Orkney. Communities and the local environment play an important role in promoting good health and providing opportunities to be active, involved, and connect with others.
Tackling Inequalities and Disadvantage.	The provision of multi-professional, 21st century health and social care, which is tailored to the needs of our population.

## Financial Performance

A few scenarios were calculated as part of the 2022 to 2025 MTFP which effectively tested “what if” and enabled the IJB to determine the potential fluctuation which could exist within each model. The scenarios were:

Scenario 1.	Scenario 2.	Scenario 3.
2% increase in funding from NHSO and OIC.	1% increase in funding from NHSO and OIC.	0% increase in funding from NHSO and OIC.
1% increase in pay costs. 1% increase in non-pay costs. 2% increase in income.	2% increase in pay costs. 4% increase in non-pay costs. 1% increase in income	3% increase in pay costs. 7% increase in non-pay costs. 0% increase in income.

The following table summarises what the funding gap was anticipated to be against the actual funding gap for the last three financial years:

	2022/23 £000	2023/24 £000	2024/25 £000	Funding Gap £000
<b>Scenario 1</b>	(2,400)	584	601	(1,215)
<b>Scenario 2</b>	(2,400)	(1,118)	(654)	(4,173)
<b>Scenario 3</b>	(2,400)	(2,820)	(1,963)	(7,183)
Actual	(3,602)	(5,609)	(4,448)	(13,659)
Actual vs Scenario 3	150%	199%	227%	190%

The scenarios were based on assumptions. Even the worst-case scenario considerably underestimated the funding gap.

	2022/23 £000	Change %	2023/24 £000	Change %	2024/25 £000
Budget	64,215	5.3%	67,612	8.2%	73,136
Actual	67,817	8.0%	73,212	6.0%	77,584
Variance	3,602	55.5%	5,600	25.9%	4,448

For 2024/25, the budget had increased more than the actual spend change which meant the variance was a reduction proportionately than it had been previously but was still a shortfall of £4.4m.

Revenue Expenditure Monitoring reports are presented to the Orkney IJB throughout the year. The purpose of the reports is to set out the current position and projected financial year end out-turn.

The 2024/25 year-end over/underspend within each Party was as follows:

Partner Organisation	Opening Budget £000	Additional Allocation £000	Full Year Budget £000	Full Year Spend £000	Variance £000
NHS Orkney.	29,369	2,376	31,745	32,637	892
NHS Orkney Set Aside.	8,639	1,197	12,028	12,028	0
Orkney Islands Council.	28,698	665	29,363	32,919	3,556
<b>Total Allocation.</b>	<b>66,706</b>	<b>4,238</b>	<b>73,136</b>	<b>77,584</b>	<b>4,448</b>

For the 2024/25 financial year the total Orkney IJB outturn spend was £77.6m (2023/24 £73.2m) against a budget of £73.1m (2023/24 £67.6m). This resulted in the IJB requiring an additional £4.4m funding from the Parties to cover the year-end overspend.



The final outturn position showed a surplus of £571k after the additional funding was received by both Parties and utilisation of reserves.

Throughout the 2024/25 financial year there were significant financial pressures highlighted within the Revenue Expenditure Monitoring reports as follows:

- **Workforce** – Recruitment challenges persist due to national and local staff shortages, housing rental market shortages, and agency and locum staff costs.
- **Children and Families** – The overspend was due to several children being placed in foster care out with Orkney.
- **Disability** – As well as agency staff pressures there was also some unavoidable unfunded service delivery.
- **Prescribing** – The trend of overspend against budget for prescribing has continued from 2023/24. Prescribing can be a difficult budget to manage due to being demand led. The cost of medication continues to increase due to gaps in supplies of raw materials, spiralling manufacturing and freight costs, exacerbated by a weaker pound.
- **Care At Home/Day Care** – The demand for Care at Home is increasing due to the aging population. The service provision is driven by eligibility criteria and self-directed support allows service users to source their own provision of care. The budget has not been adjusted in line with the level of increased demand and costs.
- **Allied Health Professionals** – There were posts within the service without allocated funding.

The Orkney IJB has an established reputation for good joint working between NHS Orkney and Orkney Islands Council, as well as our wider community planning partners and therefore has a strong foundation to build on to address the challenges that the future brings.

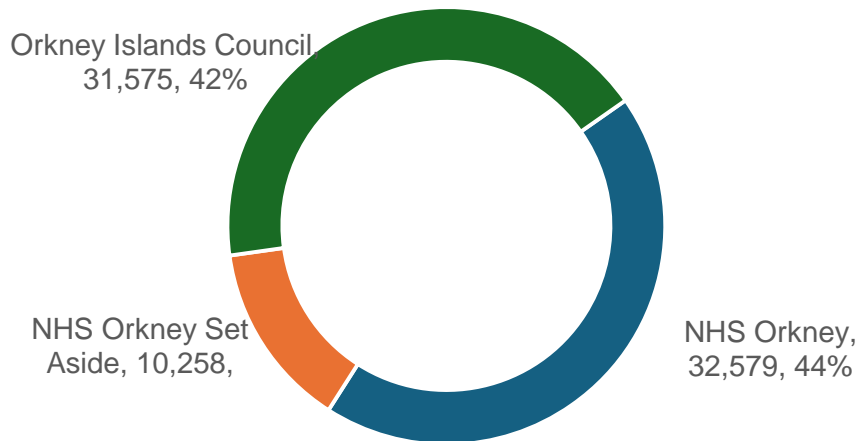
The Orkney IJB's finances are overseen by the Chief Finance Officer, with support from the Finance Teams within NHS Orkney and Orkney Islands Council.

## Budget Assumptions

### Resources Available to Orkney IJB

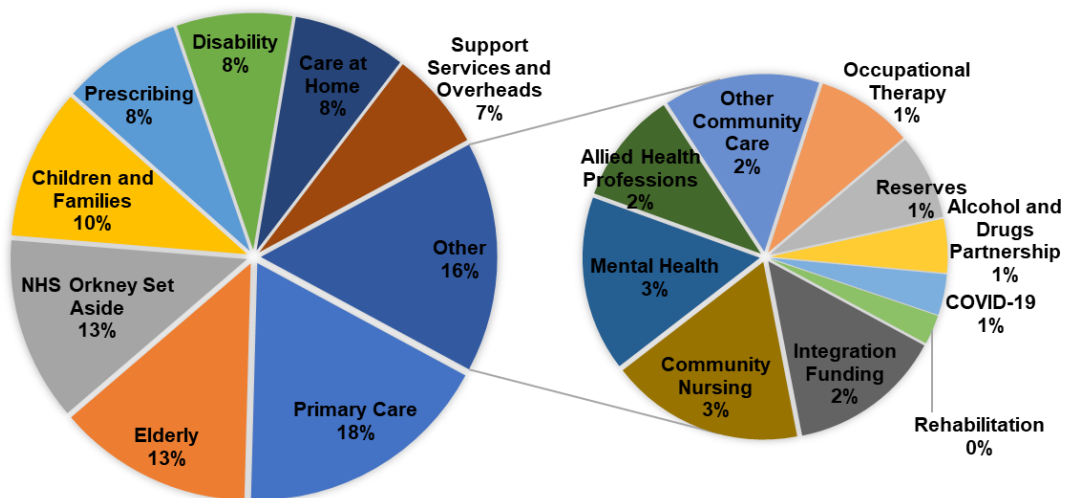
The IJB provides and oversees a variety of health and social care services for the residents of Orkney. This is financed through yearly budgets allocated by both Orkney Islands Council and NHS Orkney. The resources accessible to the IJB for the year 2025/26, to implement the commissioning objectives of the IJB in accordance with the refreshed Strategic Plan, amount to approximately £74 million.

### Indicative Resources Available to the IJB (in £000's)



The resources accessible to the IJB include a Set Aside budget amounting to £10 million. This budget pertains to the functions delegated by the Health Board that are executed within The Balfour. The Set Aside allocation is established through an analysis of hospital activity and the actual expenditure for that financial year. While the IJB is accountable for the strategic planning of these services, it does not oversee their operational implementation.

The 2025/26 budget is distributed across the IJB commissioned services as per the following:



## Medium Term Financial Outlook

As per the Integration Scheme, the funding available to the Orkney IJB shall be dependent on the funding available to NHS Orkney and Orkney Islands Council and the corporate priorities of both. A budget report was approved by the Orkney IJB on 30 April 2025 to illustrate the funding allocations within which the Strategic Plan should be delivered.

The original baseline financial contributions from each of the Parties for 2025/26 were as follows:

	<b>NHS Orkney</b>	<b>NHS Orkney Set Aside</b>	<b>Orkney Islands Council</b>	<b>Orkney IJB</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget	32,579	10,258	31,575	<b>74,412</b>

There will continue to be additional funding received from the Scottish Government to meet various commitments to social care and integration needs which will be transferred by the Parties once known.

The Orkney IJB holds financial reserves, most of which are earmarked for the Primary Care Improvement Fund, Winter Planning Fund, Mental Health and the Alcohol and Drugs Partnership Fund which are underspent but are needed in future financial years.

Although no additional recurring savings target have been set against the NHS Orkney delegated service budgets for 2025/26, the Orkney IJB is expected to deliver, as a minimum, £2.4 million of the unachieved recurring savings for NHS Orkney commissioned services over the next five years, which commenced in 2023/24 on its delegated budgets.

For services commissioned from Orkney Islands Council in financial year 2025/26, £170k of savings were applied to the budget in respect of income from the introduction of Day Care and Telecare charges.

For Orkney Islands Council commissioned services, to assist in achieving balanced budgets for 2025/26, 2026/27 and 2027/28, indicative efficiency targets of £469k, £704k and £938k respectively have been set.

For health and social care, managing limited budgets in the context of ageing demographics, providing care at home in a rural location and increased levels of need, will be hugely challenging. It will not be sufficient to simply consider year on year budget allocations and, instead, the Orkney IJB will need to plan for transformation that can bring longer term safe and sustainable services for the people of Orkney.

In addition to these budgetary targets, the Orkney Islands Council commissioned services have also been tasked with taking affirmative action to return to operating within its approved revenue budget.

A Financial Recovery Plan is required to be submitted to the Board to provide assurance that there are robust plans in place to align spend with the funding available. Once approved, the recovery plan should be regularly reported against, to give the Board confidence that progress is being made towards achieving a balanced financial position.

### Future Demand on Health and Social Care

Demand is increasing considerably on health and social care services due to shifting demographics, while in real terms, the public spending available is decreasing. In the coming years, the IJB will need to balance its commissioning decisions to support change alongside its decommissioning decisions, which will allow NHS Orkney and Orkney Islands Council to achieve annual efficiencies necessary to maintain essential services.

The key financial risks facing the IJB over the medium term are as follows:



Funding allocations – There is a level of risk that the Council and NHS Orkney can not afford to provide the level of finances in future years to cover the funding gap.

Pay awards – Cost pressures are directly impacted by any increase in pay awards.

Recruitment and retention – being unable to continue to recruit to key worker roles keeps agency staff costs at an all-time high.

Demographics – People in the older age group are most often in need of health and social care services. Within Orkney this is the largest increasing population group.

General inflation – An increase in inflation sees all costs affected which could be beyond the budgeted increase.

Contractual commitments – Contracts with third parties can see increases beyond inflated budget expectations.

Prescribing costs – Significantly increasing prescribing costs against a budget that has limited control available.

Care packages – There is an increasing complexity and number of care packages.

## Understanding the Financial Challenge

Inflation is increasing following increases to employer National Insurance contributions, household energy bills and Council Tax. Combining this with only one year finance settlements make it impossible to provide a definitive performance target over the medium term. However, several different scenarios have been costed that highlight the potential budget pressures on services. There is an assumed annual budget increase of 3% and cost increase as per the following:

Assumptions	2025/26	2026/27	2027/28
Staff costs	5%	4%	4%
Other costs	4%	4%	3%
Income	3%	3%	3%

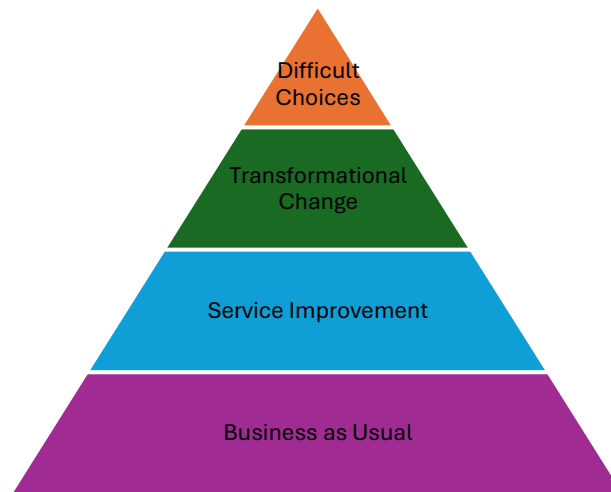
A few scenarios have been calculated which effectively tests “what if” and enables the IJB to determine the potential fluctuation which could exist within each mode, which would result in the following three-year funding gaps:

	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Worst	4,298	3,902	3,630	12,394
Most likely	4,093	3,716	3,457	11,267
Best	3,889	3,531	3,284	10,140

Assuming the “most likely” scenario is the outcome for the IJB over the next three financial years, the financial recovery plan will be based around a three-year funding gap of £11.3m and submitted to the Board to provide assurance that there are robust plans in place to align spend with the funding available. The plan will regularly be reported against, to give the Board confidence that progress is being made towards achieving a balanced financial position.

## Closing the Financial Gap

To get a better understanding of how to address demand versus ensuring delivery of safe sustainable services, the decisions required can be broken down as illustrated.



**Business as Usual** - In respect of most of our services we need to ensure that patients/service users receive the appropriate care based on their assessed need and, therefore, budgets and expenditure are managed through robust financial management redirecting funds throughout the course of the year to try and achieve an overall year end balanced position. However, it is recognised that we do not have the finances or workforce now let alone in the future to continue to do things as they have been done previously.

**Service Improvement** - This can be achieved by looking at current structures and processes, trying to use all the available resources, such as people and funds, in the best way possible to achieve Best Value. This is also managed by implementing a range of initiatives which will ensure services are delivered in the most efficient manner. And finally, by determining that the services purchased from the external market reflect the needs of the local population, deliver good quality support and align to the strategic priorities of the IJB.

**Transformational Change** – This requires that we change the way in which services are delivered to ensure that we are able to deliver safe and sustainable services in the future, considering demographic growth and increasing long term conditions. This is imperative for Orkney as the demographic profile continues to illustrate that the older population is estimated to increase.

Transformation and service redesign needs to focus on identifying and implementing opportunities to redesign services using alternative models of care in line with the ambitions of the IJB Strategic Plan.

Progressing work around the unscheduled care commissioning plan to address a shift in the balance of care away from hospital-based services to services delivered within the community. This within the context of a fragile primary care and community services infrastructure which is also needing redesigned.

A requirement to promote good health and wellbeing through realistic medicine, self-management of long-term conditions and intervening at an early stage. All of these measures will prevent escalation to more formal care settings and support people to remain within their own homes.

**Difficult Choices** – This will be the hardest to achieve as there might be a requirement for us to decommission current services that are not a main priority of the Strategic Plan. Therefore, we need to ensure that we are delivering the right services at the right time to the right people. Early intervention and prevention will be one of the key drivers in minimising the ongoing demands within services. It is imperative that all stakeholders have their say on the way forward of the future health and social care services in Orkney.

There are always new legislative and statutory requirements that must be adhered to, but this should not be a driver in minimising innovation and different ways of working.

Within the Integration Scheme it states that, throughout the financial year, the Board shall receive comprehensive financial monitoring reports. The reports shall set out information on actual expenditure and budget for the year to date and forecast outturn against annual budget together with explanations of significant variances and details of any action required. Any potential deviation from a breakeven position should be reported to the Board, NHS Orkney and Orkney Islands Council at the earliest opportunity.

The Orkney Integration Scheme requires that where it is forecast that an overspend shall arise then the Chief Officer and the Chief Finance Officer of the Board, in consultation with NHS Orkney and Orkney Islands Council, shall identify the cause of the forecast overspends and prepare a recovery plan setting out how they propose to address the forecast overspend and return to a breakeven position.

Given the predicted funding gap of £11.3m over the next three financial years, the financial recovery plan will need to cover objectives and targets being set and successes in meeting these to bring spend in line with budget.

The Board may also consider issuing further directions to NHS Orkney or Orkney Islands Council to bring forecast expenditure back in line with budget.