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Agenda Item: 8.

Integration Joint Board

Date of Meeting: 17 June 2026.

Subject: Draft Revenue Expenditure Outturn 2025/26

1. Purpose

1.1. To advise Members of the draft revenue expenditure outturn position for financial year 2025/26.

2. Recommendations

The Integration Joint Board is invited to note:

2.1. The draft revenue expenditure outturn statement in respect of the Orkney Health and Social Care Partnership, excluding Set Aside, for financial year 2025/26, as detailed at section 4.1 of this report.

2.2. That, for financial year 2025/26, the draft outturn position is an overspend position of £0.630 million. The total Integration Joint Board approved budget was £69.129 million (£81.8 million including £12.670 million Non-commissioned/Set Aside) and the draft outturn spend is £69.759 million.

2.3. The overspend position comprises:

- NHS Orkney commissioned service – £1.350 million underspend post removal of the £2.4 million savings target. Net of the £2.4 million savings this would have been a £1.05 million overspend.
- Orkney Islands Council commissioned services – £1.980 million overspend. Last year this was £3.556 million overspend.
- On a like for like basis (i.e. net of the £2.4 million NHS Orkney savings) the overspend has reduced from £4.4 million last year to £3 million this year i.e. a net improvement of £1.4 million. This is a £1.5 million improvement in Orkney Islands Council offset with a £100k adverse movement in NHS Orkney.

2.4. That the entirety of the NHS Orkney underspend can be attributed to the £2.4 million savings target that was set at the start of the financial year, until its removal at month nine. Vacancies in the Nursing team and Speech Therapy, together with higher than expected income generation from other health Boards were the key drivers for the underspend at NHS Orkney.

2.5. The draft revenue expenditure outturn statement in respect of the Set Aside budget for financial year 2025/26, as detailed at section 5 of this report, which indicates a year end balanced position.

2.6. That additional funding of £1.433 million was received via NHS Orkney to achieve a year end balanced position for Set Aside services.

2.7. The options available to NHS Orkney and Orkney Islands Council, as stated in paragraph 4.3.1.4 of the Integrated Resources Advisory Group Finance Guidance, namely:

- Make additional one-off payments to the Integration Joint Board.
- Provide additional resources to the Integration Joint Board which are then recovered in future years, subject to scrutiny of the reasons for the overspend and assurance that there is a plan in place to address this.

2.8. That the Health Board and the Council have agreed “subject to scrutiny of the reasons for the overspend and assurance that there is a plan in place to address the overspend, to provide additional resources to the Integration Joint Board which are then recovered in future years where an underspend position is achieved”.

3. Financial Summary

3.1. Within the Integration Joint Board, presentation of the figures is consistent with the Council’s approach. Positive figures illustrate an overspend and figures within a bracket show an underspend. This is the opposite way within NHS reports.

3.2. 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.

4. Financial Position

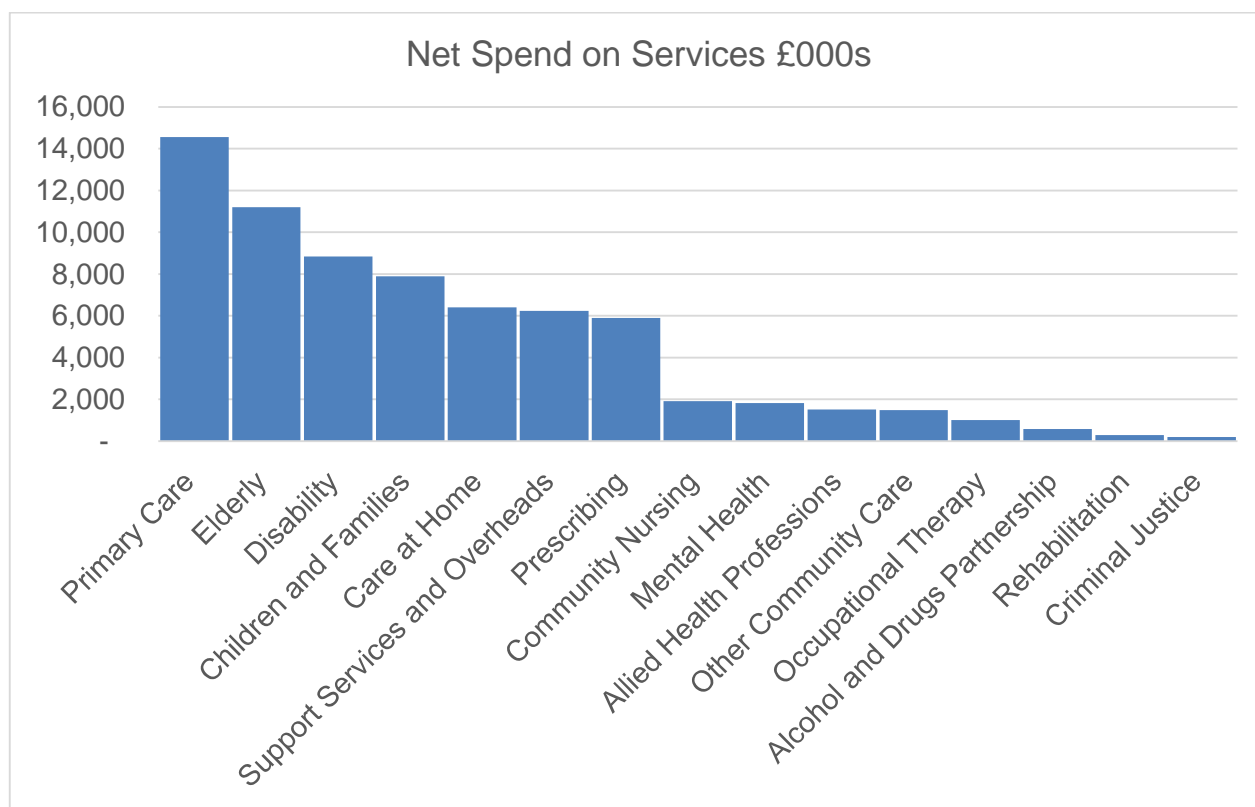
4.1. The following table shows the summary year end financial position, for delegated/commissioned services, excluding set aside, as at 31 March 2026.

	Full Year Spend	Annual Budget	Over/(Under) Spend	
IJB Commissioned Services	£000	£000	£000	%
Health	36,308	37,658	(1,350)	96
Social Care	33,451	31,471	1,980	106
Service Totals	69,759	69,129	630	101

4.1.1. The following table shows detailed year end financial position per service, for delegated services, excluding Set Aside, as at 31 March 2025.

	Full Year Spend	Annual Budget	Over/(Under) Spend	
IJB Commissioned Services	£000	£000	£000	%
Support Services and Overheads	6,232	6,391	(160)	97
Alcohol and Drugs Partnership	564	576	(12)	98
Children and Families	7,892	7,943	(51)	99
Prescribing	5,900	5,979	(79)	99
Elderly	11,203	9,752	1,451	115
Disability	8,844	8,127	716	109
Mental Health	1,817	2,450	(633)	74
Other Community Care	1,480	1,609	(128)	92
Occupational Therapy	993	1,035	(42)	96
Care at Home	6,396	5,953	443	107
Criminal Justice	183	244	(61)	75
Community Nursing	1,910	2,271	(362)	84
Primary Care	14,553	14,979	(425)	97
Allied Health Professions	1,512	1,489	23	102
Rehabilitation	281	331	(50)	85
Service Totals	69,759	69,129	630	101

4.2. The net spend can be illustrated as follows:



4.2.1. Workforce - There continues to be increasing recruitment challenges, whereby it is becoming more difficult to recruit to posts, as there are national shortages of qualified staff in a range of disciplines. Consequently, agency and locum staff costs continue to be the largest cause of overspend against budgets. In 2025/26 the agency spend was £6.0 million (in 2024/25 it was £5.8 million) and held at the same overall level as prior year in real terms. This was offset with a contra saving of £2.8 million in staff costs due to vacancies i.e. a net overspend of £3.2 million.

The Board's established budgeting process assumes no temporary staff requirements as management do not want this additional cost to be a standard expectation of services. However, existing workforce challenges in Orkney means the use of agency and locum staff is expected to continue and will continue to negatively impact outturn against budget in future years.

Permanent recruitment to social work management and frontline teams as well as social care frontline teams, including recruitment incentives via the Growing a Sustainable Social Care Workforce project and Growing our own Social Work schemes continue.

4.2.2. Outwith Orkney Placements and On Island Care - Significant expenditure is required for complex, specialised care cases, driving up costs for children and families services. Growing demand for services, including statutory child protection, has strained the budget in the past. However, this was an exceptional year, and a reversal of the trend with lower spend in both the adult (£137k) and child (£125k) placement costs – a total saving of £262k on last year (£2.438 million this year, £2.7

million last year). This is not a structural change so could yet revert back to previous year's levels again – as it is difficult to predict and manage the demand, as well as the mix and complexity of user needs.

4.2.3. NHS Orkney Services Underspend – There is £725k underspend in Primary Care Services. The Primary Care General Medical Services is currently underspending (£27k underspend) due in the main to vacancies. There are also underspends in Primary Care Administration (£265k underspend), Community Nurses (£331k) and Specialist Nurses (£106k underspend). Public Dental Services is £159k underspent. The dental underspends relate in the main to Senior Dental Officer and Dental Nursing.

Health and Community Care has a £607k underspend. Mental Health Underspends within the Health and Community Care Management Team (£141k underspend) and Intermediate Community Therapy Team (£45k underspend), as well as increased income from other Boards at £306k.

Primary Care Prescribing, is showing a £79k underspend. The Prescribing Unified budget is showing an underspend of £79k at the end of period 12 and the position includes a reduction in funding from Scottish Government for tariff transfer. This volatile cost area will continue to be closely monitored along with the accrual assumptions which are based on payments made two-months in arrears.

4.2.4. Movements from Last Financial Year in Council position – The following movements from 2024/25 to 2025/26 are notable:

Description	£ million (Savings)/ Increase from 2024/25 to 2025/26	Comments
2024/25 Overspend	3.5	
Budget Increase 2025/26	(2.1)	
Payroll Expenditure Increase Excluding Agency Spend	1.6	Circa £900k at 4% pay increases plus £700k extra pay costs for permanent staffing. Vacancies still remain at circa 1/3 of the establishment FTE.
Outwith Orkney Placements Decrease	(0.3)	Reduction from £2.7 million last year to £2.4 million this year.
Other Costs Net Increase	0.3	Includes £0.2 million agency increase which is real-terms stable. It is notable that the agency spend has not reduced though relative to the increase in real-terms increase in payroll/permanent staffing.

Description	£ million (Savings)/ Increase from 2024/25 to 2025/26	Comments
Increased Income - Fees and Charges	(0.6)	Increase in fee income from year to year. £2.3 million in 2024/25 to £3.0 million in 2025/26. The mix of users/residents paying for care can vary in any given year. 2025/26 was also the first year of income from Community Care Alarms/ Telecare quarterly charges and daycare charges, which jointly generated £250k additional income.
Reserves/NHS Orkney income Increase	(0.4)	
2025/26 Overspend	2.0	Net overall Council overspend has reduced from £3.5 million in 2024/25 to £1.980 million in 2025/26

5. Set Aside

5.1. The following table shows the year end position as at 31 March 2026:

Set Aside Services	Full Year Spend	Annual Budget	Over/ (Under) Spend		Explanation of Variance
			£	%	
Acute Services	2,449,925	2,206,253	243,672	111.0	YTD variance includes unfunded nurse agency spend
Medical Team – Junior Doctors	1,545,616	1,644,418	(98,802)	94.0	YTD variance includes vacancy at General Practitioner
Medical Team – Consultants	2,080,096	613,604	1,466,492	339.0	High cost locum and agency costs are impacting the overspend position
Assessment and Rehabilitation	1,726,568	1,740,457	(13,889)	99.2	
Hospital Drugs	1,609,932	1,465,000	144,932	109.9	Drugs issued by Pharmacy Department to Hospital Wards.
Acute Receiving	1,690,699	1,862,048	(171,349)	90.8	Rebased budgets 2025/26 - underspending due to current vacancies
Acute Mental Health Placements	(4,309)	-	(4,309)	-	Credit note from previous years
Sub Total	11,098,528	9,531,780	1,566,748	116.4	
Memorandum Budget - Off Island Acute Services:					
Unplanned Activity (UNPACS)	728,354	540,441	187,913	134.8	Expenditure for unplanned activity is unpredictable and can vary throughout the year
SLA Healthcare Purchasing Grampian Mental Health	471,318	822,970	(351,652)	57.3	Revised charge from NHS Grampian
SLA Healthcare Purchasing Grampian Block	174,096	174,096	-	n/a	
SLA Healthcare Purchasing Lothian	197,480	167,581	29,899	117.8	Revised charge from NHS Lothian
Sub Total	1,571,248	1,705,088	(133,840)	92.2	
Grand Total - Set Aside	12,669,775	11,236,868	1,432,907	112.8	
Additional funding	-	1,432,907	(1,432,907)		
Total Set Aside	12,669,775	12,669,775	-		

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):

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

7. Resource and financial implications

7.1. The draft revenue expenditure outturn indicates an overspend position of £0.630 million for financial year 2025/26.

7.2. Additional funding of £1.433 million was received from NHS Orkney to achieve a year end balanced position for Set Aside services.

7.3. After consideration, the Health Board and the Council agreed “subject to scrutiny of the reasons for the overspend and assurance that there is a plan in place to address the overspend, to provide additional resources to the Integration Joint Board which are then recovered in future years where an underspend position is achieved”.

8. Risk, equality and climate change implications

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

8.2. Over reliance on agency staff in respect of the Elderly Care, Disability and Care at Home services poses a significant risk to the Board’s finances and to the delivery of the outcomes of the Strategic Plan.

8.3. Reliance cannot be placed on year end additional funding being available in future years. There is therefore an ongoing risk that the current level of service provision may not be affordable in future years.

8.4. There are no equality implications arising from this report. Any future reductions in service delivery will need to be risk assessed and equality implications considered.

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. Author and contact information

11.1. Mohammed Sohail (Chief Finance Officer), Integration Joint Board. Email: mohammed.sohail@orkney.gov.uk, telephone: 01856873535 extension 2601.

12. Supporting documents

12.1. Annex 1: IJB Reserves/Holding Account.

Annex 1: IJB Reserves/Holding Account

	Reserves			Balance as at 31/3/26 £000
	Balance as at 31/03/25	Funds In	Funds Out	
	£000	£000	£000	
Primary Care	575	934	(788)	721
COVID-19	12			12
Hospital At Home	150	30		180
Integration Support/System Pressures	624	1,459	(268)	1,815
Alcohol and Drugs Prevention	810	239	(512)	537
Mental Health	976	1,251	(1,342)	885
Other*	139		(44)	95
Total Earmarked Reserves	3,286	3,913	(2,954)	4,245

*Note: This is in relation to smaller funding streams that gets allocated to cost centre once costs are known.