

Stephen Brown (Chief Officer)

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Agenda Item: 12

Integration Joint Board

Date of Meeting: 10 December 2025

Subject: Public Service Reform

1. Purpose

1.1. To approve a proposed Routemap to Reform for public services in Orkney for submission to the Scottish Government.

2. Recommendations

The Integration Joint Board is invited to note:

2.1. The work undertaken by the Integration Joint Board and its partners to date in progressing work around the Public Service Reform agenda.

It is recommended:

2.2. That Members approve the proposed Routemap to Reform for public services in Orkney, attached as Appendix 1 to this report.

2.3. That the Chief Officer be authorised to agree Memoranda of Understanding with the Scottish Government and other relevant agencies confirming that no action will be taken in respect of any decisions or measures taken, including local reallocation of resources, that are in accordance with the Routemap to Reform even if they do not necessarily align with existing legacy systems or processes.

3. Background

3.1. Orkney Islands Council and NHS Orkney are currently addressing a combined annual deficit of approximately £26 million. This represents an unsustainable financial position, which is exacerbated by ongoing demographic changes and public protection pressures, which means that all options for sustaining resilient and effective public services in Orkney need to be considered.

3.2. As part of a joint review of local governance, the Scottish Government and COSLA are jointly leading a workstream on public service reform. In particular, the Scottish Government has resourced and facilitated support to assess the feasibility of Single Authority Models for Orkney, Argyll and Bute, and the Western Isles.

3.3. The Scottish Government's Programme for Government 2025-26 includes a pledge, by the end of the current Parliament, to publish: *“Preferred models for Single Authority Models in Argyll and Bute, Orkney and Western Isles that have been developed jointly by local government and health and enable a shift towards prevention. This will include a plan and timeline for implementation, with at least one area transitioning to shadow arrangements.”*

3.4. The Scottish Government has offered to support Orkney, through Orkney Islands Council, with £300,000 of funding from its Invest to Save Fund, to support capacity to work with partners on a public service reform model for Orkney.

3.5. The Scottish Government has set a number of deadlines for submission of work. The Scottish Government has intimated that it expects Orkney Islands Council to liaise with the Integration Joint Board and NHS Orkney and submit a detailed reform model by 12 December 2025.

4. Four Principles

4.1. Early discussions have taken place between the Integration Joint Board, Orkney Islands Council and NHS Orkney. These discussions have proven productive in ensuring that there is senior leadership buy-in to the agenda. A set of principles has been established to guide the focus of the work moving forward, and these are listed on page two of the Routemap to Reform (page 2 of the Appendix). These principles are:

- There must be benefit to the community. Public Service Reform must deliver clear and measurable benefits to the community.
- Accountability to the Orkney community. The decision-makers of services to the public will be fully and transparently accountable to the people of Orkney.
- Understanding of the national situation. Local models of service delivery will relate to and work effectively with regional and national models.
- Reduced duplication. Key objectives will be to improve efficiency, pool resources, streamline bureaucracy and improve cohesion across Orkney's public services.

5. Terminology

5.1. Although the Scottish Government has asked that island areas (at least in the first instance) work on creating a “single authority model”, Orkney's recent history with working towards such a model does not sit comfortably with the terminology or indeed the approach as a starting point. It also unhelpfully implies that all public sector agencies could become part of a single organisation, when the reality is that there are no single models that could feasibly encompass the entirety of public services in Orkney.

5.2. Alongside this, there is an ongoing agenda of regionalisation of services across the NHS. It appears counter-intuitive to propose a new structure which inter-relates with regional arrangements that themselves are currently in the process of change.

5.3. Therefore, in addition to the four principles outlined in section 4 above, there is agreement among representatives of the Integration Joint Board, NHS Orkney and Orkney Islands Council that the approach to public service reform in Orkney should not begin with an entirely new set of joint governance arrangements in the way that would be expected with a “Single Authority Model”. Instead, the starting point should be on identifying areas of activity and responsibility in which the Integration Joint Board, Orkney Islands Council and NHS Orkney are all engaged and exploring opportunities to bring some of these together in order to enhance capacity and resilience in the immediate term and to seek efficiencies in the medium to longer term.

5.4. This alternative approach has been endorsed in principle by Scottish Government and COSLA officials. Accordingly, it is proposed to submit to the Scottish Government a “Routemap to Reform”, in which form will follow function. Governance and oversight arrangements will be considered and adapted, as changes in arrangements are agreed at a local level with transparency and support from regional and national participating partners.

6. Routemap to Reform

6.1. A proposed Routemap to Reform of public services (Model of Transition) is attached at Appendix 1 to this report. The Routemap sets out two key areas of focus: established shared working / shared services and streamlined governance.

6.2. The first area of focus is those services that are currently used by the Integration Joint Board, Orkney Islands Council and NHS Orkney to support the delivery of local frontline services. A joint lead steering group has been set up, containing representation from the Integration Joint Board, Orkney Islands Council and NHS Orkney. The steering group will identify initial priorities that have been agreed at a local level and scope out each service as currently being managed and delivered in each organisation. An assessment would then be undertaken around the feasibility of increased collaboration across teams in the short term, including pooling and sharing of resources, leading to achievement of efficiencies in the medium to longer term. Subject to the outcome of the above assessment and subsequent approval by the respective organisations, relevant services will be delivered together by local teams across agencies to support shared collaboration across the whole functional area, but, where feasible and agreed, they will operate under a responsible partner management structure based on the four principles. Migration towards a single operating structure for each service will be progressed as opportunities arise, subject to all partners being satisfied on an agreed set of associated outcomes to be achieved.

6.3. The second area of focus is the exploration of scope for streamlining the governance, performance monitoring and control functions that currently exist across the Integration Joint Board, NHS Orkney and Orkney Islands Council. It is expected that efficiencies will be possible through removal of duplication of: governance, performance monitoring, audit, administrative support and bureaucracy, which are currently split across three governance structures. It is proposed that any significant changes to governance – even if agreed – would not take effect until (at the earliest) after May 2027 when Council elections are due to be held. This would allow any proposed changes to be taken forward at a natural point of transition when normal

process dictates changes to governance affecting many public services across Orkney.

7. Memorandum of Understanding

7.1. Given the iterative nature of the reform process being proposed, the transition will take a number of years to implement fully. In order to facilitate progress, the Routemap proposes that a memorandum of understanding will require to be agreed with Scottish Government, Audit Scotland and other regulatory bodies and partners, to endorse and support the reform process and provide assurance for local partners that no enforcement or other regulatory action will be applied in respect of any decisions taken that are in accordance with both the model and the principles, including local reallocation of resources and service redesign, but which might not necessarily align with currently existing legacy systems or processes.

8. Scottish Government Grant Funding

8.1. Subject to approval by the Scottish Government, the aforementioned Invest to Save funding from the Scottish Government will be applied to progress development of the proposed Routemap to Reform in Orkney. This will include the recruitment and employment of a Strategic Project Manager and a Strategic Project Officer to support the partners as they embark on this transition process.

9. Next Steps

9.1. Subject to approval by the Integration Joint Board, NHS Orkney and Orkney Islands Council, the proposed Routemap to Reform (Model of Transition) will be submitted to Scottish Government by 12 December 2025.

9.2. Discussions will continue to take place between the Integration Joint Board, Orkney Islands Council, NHS Orkney, Scottish Government and COSLA on progressing the Public Service Reform agenda in Orkney, underpinned by the four agreed principles.

9.3. Regular updates will be provided to the Integration Joint Board, and approvals will be sought where required.

9.4. Updates will also be provided to the Community Planning Partnership.

10. 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.	Yes.
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.	Yes.
Leadership: To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	Yes.
Sustainability: To make sure economic and environmental factors are balanced.	Yes.

11. Resource and financial implications

11.1. Significant analysis would be required to assess the financial impacts of the routemap to reform and those arising from any operating structures that may be agreed in the future.

12. Risk, equality and climate change implications

12.1. Not applicable.

13. Direction required

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

NHS Orkney.	No.
Orkney Islands Council.	No.

14. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.

15. Authors and contact information

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16. Supporting documents

16.1. Appendix 1: Orkney's Routemap to Reform.

Orkney's Routemap to Reform

Orkney Islands Council, NHS Orkney and Integration Joint Board Proposed Model of Transition (Public Service Reform)

Introduction

Orkney Islands Council and NHS Orkney are currently addressing a combined annual deficit of approximately £26 million. This represents an unsustainable fiscal position, which is exacerbated by ongoing demographic changes and public protection pressures, which mean that securing more efficient joined up service provision is the best option for sustaining public services in Orkney.

The Scottish Government's Programme for Government 2025-26 includes a pledge, by the end of the current Parliament, to publish: *"Preferred models for Single Authority Models in Argyll and Bute, Orkney and Western Isles that have been developed jointly by local government and health and enable a shift towards prevention. This will include a plan and timeline for implementation, with at least one area transitioning to shadow arrangements."*

The Scottish Government has offered to support Orkney through Orkney Islands Council with £300,000 of funding from its Invest to Save Fund to support capacity to work with partners on a public service reform model for Orkney.

This work will fully explore how Orkney Islands Council, NHS Orkney and the Integration Joint Board locally can work more closely together to reduce duplication, find efficiencies, reduce financial deficits, and, ultimately, deliver sustainable services to local communities.

It is intended that any potential benefits would include the release of resources to protect frontline services and/or support the financial sustainability of NHS Orkney and Orkney Islands Council.

Four Principles

A set of principles has been established to underpin consideration of options for transitioning from the current arrangements to a future governance model for the public sector in Orkney:

These principles are:

- (a) There must be benefit to the community.** Public Service Reform must deliver clear and measurable benefits to the community.
- (b) Accountability to the Orkney community.** The decision-makers of services to the public will be fully and transparently accountable to the people of Orkney.
- (c) Understanding of the national situation.** Local models of service delivery will relate to and work effectively with regional and national models.
- (d) Reduced duplication.** Key objectives will be to improve efficiency, pool resources, streamline bureaucracy and improve cohesion across Orkney's public services.

Orkney Islands Council and NHS Orkney, as the largest public sector employers within Orkney, believe that the essential work that lies ahead should be planned and measured, seeking no detriment to service provision or adverse impacts on staff. The nature and pace of change should be agreed and controlled locally allowing participating organisations scope to transition and manage consequential structural and organisational impacts. Staff, stakeholders, communities, service users and Community Planning partners should be kept fully informed and consulted where relevant to ensure trust and transparency in the process and nature of change.

Terminology

Although the Scottish Government has asked that island areas (at least in the first instance) work on creating a “single authority model”, Orkney's recent history with working towards such a model does not sit comfortably with the terminology or indeed the approach as a starting point.

In addition, the term “Single Authority Model” is not always helpful as it implies that all public sector agencies could become part of a single organisation, when the reality is that there are no single models that could feasibly encompass the entirety of public services required in Orkney. There are approximately 22,000 people living in Orkney who need and expect access to the NHS and other essential public services provided at a local, regional and national level. It is important that terminology and language are considered and that

communications reassure the public and relevant staff groups that these services and structures will be part of the future models of service delivery – especially where these regional and national models are more efficient and effective in the provision of essential public services.

Alongside this, there is an ongoing agenda of regionalisation of services across the NHS. Whilst the Co-operation and Planning Directions 2025 (DL 2025/25) do not alter the duties or accountabilities of Health Boards, they do oblige Health Boards to come together and plan around specific areas, and also develop sub-national plans for financial sustainability. It would therefore be counter-intuitive to propose a new structure which inter-relates with regional planning arrangements that themselves are currently in the process of change.

Therefore, in addition to the four principles outlined above, there is consensus among representatives of Orkney Islands Council, NHS Orkney and the Integration Joint Board that the approach to public service reform in Orkney should not begin with an entirely new set of joint governance arrangements in the way that would be expected with a “Single Authority Model”. Instead, the starting point should be on identifying areas of activity and responsibility in which Orkney Islands Council, NHS Orkney and the Integration Joint Board are each engaged, and exploring opportunities to bring some of these together in order to enhance capacity and resilience in the immediate term and to seek efficiencies in the medium to longer term.

Under the Orkney Routemap to Reform, form will follow function. Governance and oversight arrangements will be considered and adapted, as changes in arrangements are agreed at a local level with transparency and support from regional and national participating partners.

We fully recognise the interdependent nature of the work of all local partners. There is an ever-increasing requirement to further align planning and delivery across traditional organisational boundaries. We understand, for example, that the significant workforce challenges being experienced in health and social care cannot be resolved without actions being taken in economic development, housing, childcare provision and education. We further understand that the current demands on many services will continue to rise exponentially unless the continuum of supports increasingly involve and include communities, community groups and third sector organisations. The aspiration outlined in the recently published Population Health Framework, and the recognition that prevention and earlier intervention is critical to this, cannot be delivered by statutory services alone.

It is respectfully suggested that the above approach aligns with the Scottish Government's commitments outlined in its Public Service Reform Strategy (published in June 2025), which seeks to encourage collaboration and integration between public sector organisations to create efficient services through removal of duplication and prioritisation of prevention as part of a plan to achieve £1 billion of savings over the next five years.

Orkney's Routemap to Reform – A Model of Transition

Within Orkney, the community relies on a range of frontline services that can only be delivered in the community locally. These services are under significant pressure from a demographic and resourcing perspective and are already operating at the limits of sustainability and capacity.

Our proposed approach is designed to strengthen and support local communities' ability to access essential services at as early a stage as possible.

As a partnership, we are viewing all these services as being in scope for strengthening how these services are supported. Our approach is to review how we can support these services through the most resilient and robust means in accordance with the principles.

Members and Officers working within the Integration Joint Board bring specific experience and understanding of how integration and joint service delivery have been taken forward to date and how this could be built up in the future, and they will be essential participants in this agenda.

A Model of Transition (or route-map to reform of public services) is proposed. This sets out two key areas of focus:

(1) Establishing Shared Working / Shared Services.

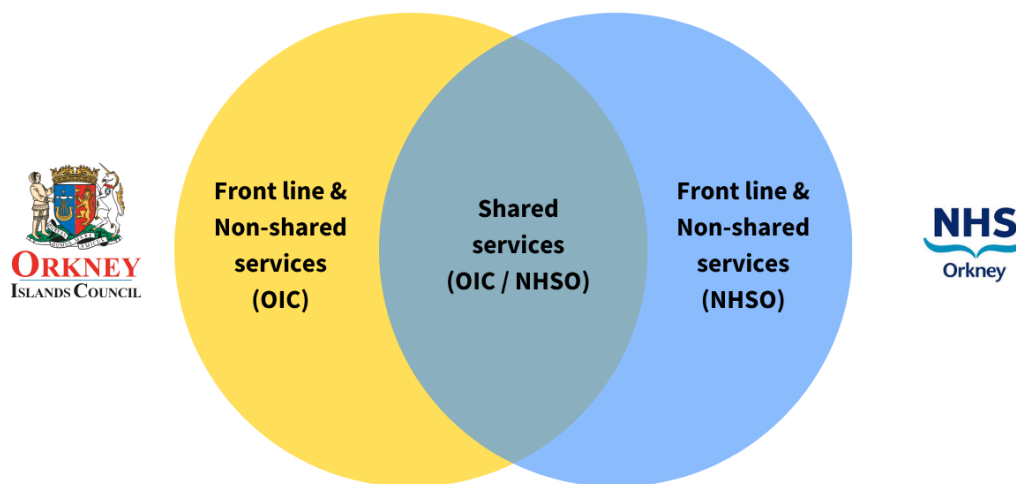
(2) Streamlined Governance.

1. Establishing Shared Working / Shared Services

- 1.1. This area of focus is those support services that are currently used by both Orkney Islands Council and NHS Orkney, to support the delivery of local frontline services which are performed, supported or accessed in the community on a regular basis. These are likely to include a range of performance management, strategic planning and development, and other support services that frontline activities rely on that would be the initial focus for conversations around the development of integrated approaches and early intervention and prevention.
- 1.2. No list has been drawn up at this stage. However, when this is done, consideration will need to be given to the challenges that may arise. For example, a shared Communications resource may, at least on the surface, seem an easier thing to deliver than, for example, a shared IT resource, particularly given that some of the IT solutions for NHS Orkney may require closer alignment and sharing of resource with other NHS Board areas.

- 1.3 A joint lead steering group has been set up, containing representation from Orkney Islands Council, NHS Orkney and the Integration Joint Board, and supported by the aforementioned grant funding from the Scottish Government's Invest to Save Fund. The steering group will identify initial priorities that have been agreed at a local level and scope out each service as currently being managed and delivered in each organisation. An assessment will then be undertaken around the feasibility of increased collaboration across teams in the short term, including pooling and sharing of resources, leading to achievement of efficiencies in the medium to longer term. The assessment will include consideration of options including the joint use of assets, facilities, knowledge and resources where appropriate.
- 1.4. Subject to the outcome of the above assessment, the steering group will agree and approve recommendations for early service changes, responding to demographic pressures and joint workforce challenges, and propose the mechanics for achieving such changes. Any recommendations approved by the steering group will then be taken through the respective governance processes of each organisation. It is envisaged that, subject to the agreement of the steering group and approval by the respective organisations, relevant support services will be delivered together by local teams across agencies to support shared collaboration across the whole functional area, but, where feasible and agreed, they will operate under a responsible partner management structure based on the four principles.
- 1.5. Migration towards a single operating structure for each service area, delivering agreed support across the wider public sector, will be considered by the steering group as opportunities arise and services are consolidated under responsible partner service governance. Migration will be agreed subject to all partners being satisfied on an agreed set of associated outcomes to be achieved. Savings will be secured in the meantime by greater collaborative working and joined up service delivery.
- 1.6. Part of this collaboration will include ongoing review of whether any aspects of service support could be more efficiently or effectively delivered regionally or nationally. If so, that will be pursued as an outcome. At all times the guiding principles will be followed wherever possible.
- 1.7. Any efficiencies and savings achieved through this process will be applied to support the ongoing resourcing of essential frontline services with a view to improving outcomes for communities in accordance with the principles.

- 1.8. Migration of services to a single operating structure will be an iterative process, which will require agreement by the steering group and approval by the respective organisations.
- 1.9. Line management and staff will be supported as they adapt to the model of transition and build for the future in accordance with the principles. The aim is to take forward this work in collaboration with local partners, and to move forward iteratively rather than go through a structure change conversation. This means that it is not anticipated that there will be any changes to individuals' terms and conditions of employment, but there will be a need to work more closely with partners and across teams.
- 1.10. A number of services may be assessed as unsuitable for local support because they are already being supported through national or regional ways of working that are delivering economies of scale. These ways of working and associated structures will be retained where they are more efficient and effective than a local solution would be.



2. Streamlined Governance

- 2.1. Exploration of scope for streamlining governance, performance monitoring and control functions will be undertaken. Subject to agreement, consideration may be given to the streamlining of systems of governance, performance monitoring and control that currently exist across NHS Orkney, Orkney Islands Council and the Integration Joint Board. It is possible that amendments to legislation and the existing Integration Scheme may be required to support this area of work as some functions require by law to be delegated to the Integration Joint Board. It is likely that specialist advice and support will be required to support this exercise including around identification of alternative models of governance and control or developing alternative approaches to support relevant functions and ensure that they are accountable to the community and remain efficient and effective. There may be the need for legislative or Scottish Government intervention and support for alternative approaches, and understanding and sign-off of change processes and timescales.
- 2.2. It is proposed that any significant changes to governance - even if agreed - would not take effect until (at the earliest) after May 2027 when Council elections are to be held. This would allow any proposed changes to be taken forward at a natural point of transition when normal process dictates changes to governance affecting many public services across Orkney.
- 2.3. Even as structural and governance arrangements are transitioned, staff will continue to be employed by their respective agencies. No immediate TUPE transfers of employment are therefore envisaged. There will be no requirement for changes to employment contracts, and the old reporting and service structures will simply be allowed to fall away as revised lead agency structures are built opportunistically when people move on through normal workforce transitions. Savings achieved in support of service costs can be refocused on reducing the frontline demands arising from demographic service pressures. It is expected that efficiencies will be possible through removal of duplication of governance, performance monitoring, audit, administrative support and bureaucracy currently split across three governance structures. Savings will be re-invested to support and strengthen resourcing of frontline services in accordance with the principles and with a focus on early intervention and prevention where appropriate.

Community Planning Partnership

In relation to further development of Orkney's Routemap to Reform, the other partners in the Orkney Community Planning Partnership will be kept regularly informed as the transition model evolves. If at any stage there are aspects of the reform process that partners wish to become involved in, they will be able to be accommodated by agreement.

Consultation and Engagement

There will be widespread and inclusive consultation and engagement as this will be essential to provide reassurance to communities and staff and to identify shared priorities and the best approach for all interests.

Memorandum of Understanding

Given the iterative nature of the reform process being proposed, while some early successes and progress will be identified and delivered, the transition will take a number of years to implement fully. In order to facilitate progress and ensure continuity of support for the agreed local approach, a memorandum of understanding will require to be agreed with Scottish Government, Audit Scotland and other key regulatory bodies and partners, to endorse and support the reform process and provide assurance for local partners that no enforcement or other regulatory action will be applied in respect of any decisions taken that are in accordance with both the model and the principles, including local reallocation of resources and service redesign, but which might not necessarily align with currently existing legacy systems or processes. It goes without saying that trust and respect will require to be maintained among all parties if the transition is to be successful, and visible support from regional and national partners will also be essential to create a permissive environment in which to build this trust and consensus.

Scottish Government Grant Funding

In the meantime, and subject to the approval by the Scottish Government, the aforementioned Invest to Save funding from the Scottish Government will be applied to progress development of the proposed Routemap to Reform in Orkney. This will include the recruitment and employment of a Strategic Project Manager and a Strategic Project Officer to support the partners as they embark on this transition process. Their work will include undertaking the scoping and assessment work referred to in sections 1.3 and 2.1 above and the design and development of revised operating structures where shared services are assessed as feasible.

Orkney Islands Council is also in receipt of an offer of grant funding of £15,000 from the Scottish Government for the facilitation of dialogue between Orkney Islands Council and NHS Orkney in support of the project. Two extremely positive sessions have already been facilitated by John Sturrock KC and it is anticipated that further facilitation and external support will be required to maintain progress and deliver public service reform.

Public engagement and consultation activities will also be arranged. In addition, there will be a requirement to commission professional advice from external organisations, which may include legal, financial, communications and other professional advice.

Costs

£75,000 to be allocated to any potential external specialist advice related to legal, finance, communications, etc.

£50,000 to be used for any necessary public engagement / consultation activities.

£20,000 for facilitation sessions hosted by John Sturrock KC and / or Professor Donna Hall CBE between Orkney Islands Council, NHS Orkney, the Integration Joint Board, the Scottish Government and COSLA.

£20,000 to be held in a contingency fund for any unforeseen costs not included or in excess of the above.

£150,000 to be allocated to the recruitment of two temporary policy and project support officers for a period of 18 months, including on-costs. Estimated costs are outlined in the table below:

Title	Strategic Project Manager
Role description	The Strategic Lead for Public Service Reform, reporting to the Policy & Communications Service Manager at Orkney Islands Council
Post duration	18 months temporary
Salary (+DIA)	£43,506 (£46,365 inc Distant Islands Allowance)
On-costs	£12,393.36 (approx.)
TOTAL SPEND	£88,137.54 (18 months)

Title	Strategic Project Officer
Role description	The support to the Strategic Lead for Public Service Reform, reporting to the Policy & Communications Service Manager at Orkney Islands Council
Post duration	18 months temporary
Salary (+DIA)	£28,742 (£31,601 inc Distant Islands Allowance)
On-costs	£8,099.34 (approx.)

TOTAL SPEND	£59,550.51 (18 months)
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Implementation period of above actions

To be determined following the above research, initial service collaboration and joint working in initial identified areas of opportunity should commence in early 2026 delivering initial improved working efficiencies and effectiveness. Substantive changes to governance and service performance and monitoring systems would be in line with the timescales set out in section 2.

Timeline

Friday 12 December 2025

If approved by Orkney Islands Council, NHS Orkney and the Integration Joint Board, Orkney Islands Council will submit the above Model of Transition to the Scottish Government for approval.

Monday 5 January 2026

If Model of Transition is approved by Scottish Government and funding allocated from their Invest to Save Fund – research and development work will be taken forward as outlined above, and the process of recruiting two research officers on temporary 18-month contracts will begin.

Thursday 7 May 2026

Scottish Parliament elections.

Friday 12 June 2026

Report due to Scottish Government on progress of Model of Transition and at six monthly intervals thereafter.

Thursday 6 May 2027

Orkney Islands Council elections.