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Agenda Item: 8

Integration Joint Board

Date of Meeting: 18 February 2026.

Subject: Revenue Expenditure Monitoring.

1. Purpose

1.1. To present the Revenue Expenditure Monitoring report for the period to 31 December 2025 for scrutiny.

2. Recommendations

The Integration Joint Board is invited to note:

2.1. The financial position of the Orkney Health and Social Care Partnership as at 31 December 2025 as follows:

- The year to date position in relation to NHS Orkney commissioned services is an underspend of £974k – as the £2,400k historic savings target is now stripped out.
- A current year to date (Month 9) overspend of £1,807k in relation to Orkney Islands Council commissioned services. This is an adverse movement of £678k on the Quarter 2 position.
- Set Aside services have required an additional £1,328k budget to match the actual spend.
- The full year projected variance on delegated services is £2,006k (£5,134k at September as the £2,400k NHS Orkney savings target was still in the numbers). This is made up of £3,200k overspend on Orkney Islands Council commissioned services and a £1,194k underspend on NHS Orkney commissioned services.

2.2. The balance within the earmarked reserves/holding account of £3,380k, as detailed in Annex 1.

3. Background

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.

3.3. Any potential deviation from a breakeven position should be reported to the Board, NHS Orkney and Orkney Islands Council at the earliest opportunity.

3.4. 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 overspend and prepare a recovery plan setting out how they propose to address the forecast overspend and return to a breakeven position.

3.5. A recovery plan shall aim to bring the forecast expenditure of the Board back in line with the budget within the current financial year. The recovery plan shall then be approved by the Board. Where an in-year recovery cannot be achieved then any recovery plan that extends into later years should ensure that over the period of the Strategic Plan forecast expenditure does not exceed the resources made available. Any recovery plan extending beyond in year shall also require approval of NHS Orkney and Orkney Islands Council in addition to the Board.

3.6. The Orkney Integration Scheme requires that where a recovery plan extends beyond the current year, any shortfall (the amount recovered in later years) will be charged to reserves held by the Board.

3.7. Where such recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the Board. Such arrangements should describe additional recovery plans and a clear formal agreement by the Board and the Parties to break even within a defined timescale.

3.8. The full year forecast projection is included in the report based on a detailed review of spend activity and the potential impact of recovery plans to reduce spend this financial year.

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

4. Main Financial Issues

4.1. Removal of Savings Target in IJB (£2,400k).

4.1.1. The historical £2.4 million NHS Orkney savings target has been removed for this and next financial year. This has been agreed with NHS Orkney and will now instead be reflected as a pressure in NHS Orkney – adjusted for any savings thereon.

4.2. Pressures/Reliefs

4.2.1. Spending should be at roughly the same level as last year in absolute terms circa £34 million - but this is actually circa £1 million better on last year due to the uplift in income/budgets from last year to this.

4.2.2. The forecast savings from last year are:

- £300k Out with Orkney Placements (Children).
- £200k Out with Orkney Placements (Adults).
- £200k savings/income on alarms/TEC due to the introduction of quarterly charges.
- £50k savings/income from day care charges introduced from this year.
- There is a saving of circa £100k in responder service costs – the underlying causes for this are yet to be investigated.

4.2.3. Overall staffing costs and agency remain close to last year at circa £28m (agency of circa £6 million in this), though there is a decrease in Children and Families of £300k agency (£1.1 million forecast from £1.4 million last year), but a corresponding increase in Adult Services, so no net gain/improvement.

4.2.4. On the NHS Orkney side the £1.194 million forecast underspend is attributable to vacancies, as well as lower than budgeted spends in the out of hours services in Primary Care Services.

4.3. Reserves

4.3.1. Reserves are held exclusively at NHS Orkney and are ring-fenced/restricted for the purposes intended. The Chief Officer is to review and decide how much can be released/appropriated to the bottom line in this financial year i.e. the related deliverables have been achieved in the specific areas.

4.3.2. Initial discussions, yet to be approved/finalised by the Board of NHS Orkney, have indicated a circa £1,100k appropriation to this financial year – with circa £300k of this to flow to Orkney Islands Council for Mental Health Initiatives. Once finalised the forecast will be updated accordingly.

5. Financial Position

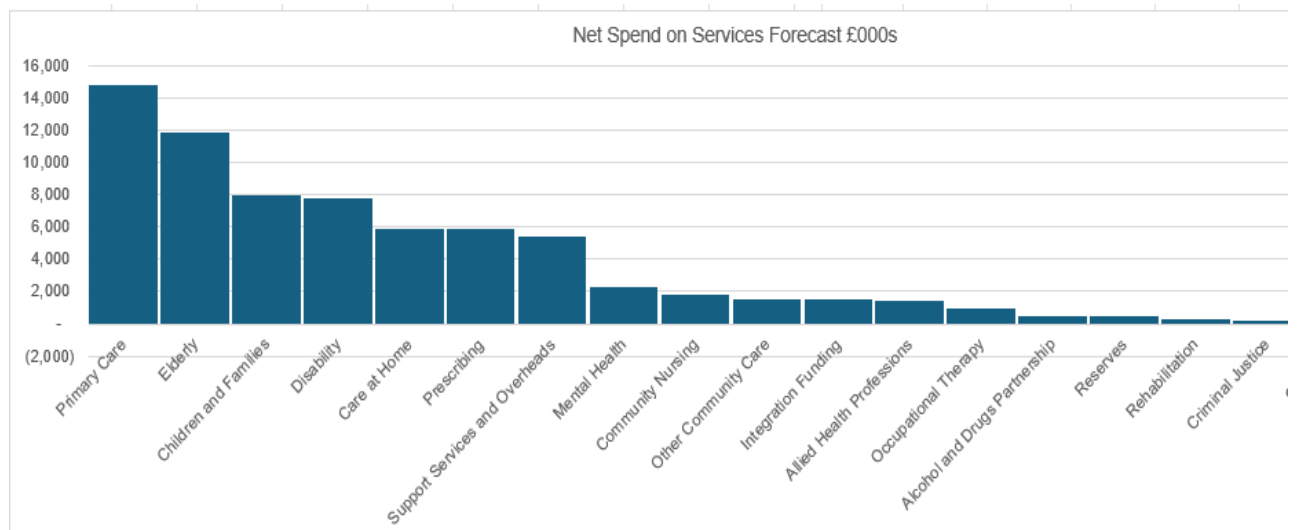
5.1. The following table shows the revised total budget allocation as at 31 December 2025 for delegated services commissioned.

| | Original Budget | Revised Budget | Budget Movement |
|------------------------|-----------------|----------------|-----------------|
| Partner | £000 | £000 | £000 |
| NHS Orkney | 32,579 | 36,225 | 3,646 |
| Orkney Islands Council | 31,575 | 31,414 | (161) |
| Service Totals | 64,154 | 67,639 | 3,485 |
| Set Aside | 10,258 | 11,187 | 929 |
| IJB Total | 74,412 | 78,826 | 4,414 |

5.2. The following table shows the current financial position as at 31 December 2025 for delegated services commissioned.

5.2.1. For Integration Joint Board delegated services the year to date overspend is £832k (£974k underspend in NHS Orkney, £1,807k overspend in Orkney Islands Council) and the full year projected overspend is £2,006k (£1,194k underspend in NHS Orkney, £3,200k overspend in Orkney Islands Council).

| | Year to Date Spend | Year to Date Budget | YTD Variance - Over/(Under) Spend | | Full- Year Forecast | Full- Year Budget | Full-Year Over/(Under) Spend | |
|----------------------------------|--------------------|---------------------|-----------------------------------|------------|---------------------|-------------------|------------------------------|------------|
| | £000 | £000 | £000 | % | £000 | £000 | £000 | % |
| IJB Commissioned Services | | | | | | | | |
| Support Services and Overheads | 2,381 | 2,387 | (6) | 100 | 5,373 | 5,237 | 136 | 103 |
| Alcohol and Drugs Partnership | 395 | 431 | (36) | 92 | 527 | 575 | (48) | 92 |
| Children and Families | 5,609 | 5,180 | 429 | 108 | 7,980 | 7,807 | 172 | 102 |
| Prescribing | 4,406 | 4,508 | (102) | 98 | 5,875 | 5,970 | (95) | 98 |
| Elderly | 8,311 | 7,426 | 885 | 112 | 10,916 | 9,155 | 1,762 | 119 |
| Integration Funding | 1,155 | 1,169 | (14) | 99 | 1,540 | 1,559 | (19) | 99 |
| Disability | 5,816 | 5,710 | 106 | 102 | 7,772 | 7,262 | 510 | 107 |
| Mental Health | 1,740 | 1,798 | (58) | 97 | 2,280 | 2,338 | (57) | 98 |
| Other Community Care | 991 | 1,157 | (167) | 86 | 1,542 | 1,609 | (67) | 96 |
| Occupational Therapy | 690 | 747 | (57) | 92 | 968 | 1,034 | (66) | 94 |
| Care at Home | 4,318 | 3,891 | 428 | 111 | 5,880 | 5,382 | 497 | 109 |
| Criminal Justice | 149 | 161 | (13) | 92 | 231 | 244 | (13) | 95 |
| Community Nursing | 1,374 | 1,676 | (303) | 82 | 1,832 | 2,235 | (403) | 82 |
| Primary Care | 11,078 | 11,282 | (204) | 98 | 14,796 | 14,974 | (179) | 99 |
| Allied Health Professions | 1,093 | 1,115 | (22) | 98 | 1,458 | 1,487 | (29) | 98 |
| Rehabilitation | 214 | 248 | (33) | 87 | 286 | 330 | (44) | 87 |
| COVID-19 | 0 | 0 | 0 | n/a | 0 | 0 | 0 | n/a |
| Reserves | 364 | 364 | (0) | 100 | 442 | 442 | 0 | n/a |
| Savings | 0 | 0 | 0 | n/a | (50) | 0 | (50) | n/a |
| Service Totals | 50,083 | 49,251 | 832 | 102 | 69,646 | 67,639 | 2,006 | 103 |
| Set Aside | 9,718 | 9,718 | 0 | n/a | 13,063 | 13,063 | 0 | n/a |
| IJB Total | 59,802 | 58,970 | 832 | 101 | 82,709 | 80,702 | 2,006 | 102 |



6. Set Aside

6.1. The following table shows the current financial position as at 31 December 2025.

| Set Aside Services | Year to Date Spend | Year to Date Budget | Over/ (Under) Spend | | Explanation of Variance |
|---|--------------------|---------------------|---------------------|--------------|--|
| | £ | £ | £ | % | |
| Acute Services | 1,854,088 | 1,643,410 | 210,678 | 112.8 | YTD variance includes unfunded nurse agency spend |
| Medical Team – Junior Doctors | 1,134,332 | 1,233,314 | (98,982) | 92.0 | YTD variance includes vacancy at General Practitioner |
| Medical Team – Consultants | 1,627,213 | 460,203 | 1,167,010 | 353.6 | High cost locum and agency costs are impacting the ytd overspend position |
| Assessment and Rehabilitation | 1,351,373 | 1,296,039 | 55,334 | 104.3 | YTD variance includes unfunded nurse agency spend |
| Hospital Drugs | 1,167,253 | 1,098,750 | 68,503 | 106.2 | Drugs issued by Pharmacy Department to Hospital Wards. |
| Acute Receiving | 1,262,023 | 1,379,612 | (117,589) | 91.5 | Rebased budgets 2025/26 - underspending due to current vacancies |
| Acute Mental Health Placements | - | - | - | n/a | 0 |
| Sub Total | 8,396,281 | 7,111,328 | 1,284,953 | 118.1 | |
| Memorandum Budget - Off Island Acute Services: | | | | | |
| Unplanned Activity (UNPACS) | 462,856 | 405,331 | 57,525 | 114.2 | Expenditure for unplanned activity is unpredictable and can vary throughout the year |
| SLA Healthcare Purchasing Grampian Mental Health | 575,296 | 617,228 | (41,932) | 93.2 | Revised charge from NHS Grampian incl rebate for 24/25 |
| SLA Healthcare Purchasing Grampian Block | 130,572 | 130,572 | - | n/a | 0 |
| SLA Healthcare Purchasing Lothian | 153,253 | 125,686 | 27,567 | 121.9 | Revised charge from NHS Lothian |
| Sub Total | 1,321,977 | 1,278,816 | 43,161 | 103.4 | |
| Grand Total - Set Aside | 9,718,258 | 8,390,144 | 1,328,114 | | |
| Additional funding | - | 1,328,114 | (1,328,114) | | |
| Total Set Aside | 9,718,258 | 9,718,258 | - | | |

7. 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. | No. |

8. Resource and financial implications

8.1. The year to date variance position is showing overspends in services delegated of £832k for Quarter 3 of financial year 2025/26.

8.2. The full year projected overspend for financial year 2025/26 for delegated services is £2,006k.

9. Risk, equality and climate change implications

9.1. 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.

9.2. The Integration Joint Board year to date position is an overspend against budget at the end of Quarter 3 totalling £1,807k. It is therefore likely that the Integration Joint Board will be in a significant overspend position at the year end date of 31 March 2026. This poses a significant risk to the Board in being able to continue current levels of service delivery.

9.3. There are no equality implications directly arising from this report, which relates to financial performance and monitoring. Any future reductions in service delivery will need to be risk assessed and equality implications considered.

10. Direction required

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

| | |
|-------------------------|-----|
| NHS Orkney. | No. |
| Orkney Islands Council. | No. |

11. Escalation required

Please indicate if this report requires escalated to:

| | |
|-------------------------|-----|
| NHS Orkney. | No. |
| Orkney Islands Council. | No. |

12. Author and contact information

12.1. Mohammed Sohail (Chief Finance Officer), Integration Joint Board. Email: mohammed.sohail@orkney.gov.uk, telephone: 0185687355 extension 2099.

13. Supporting Documents

13.1. Annex 1: Reserves/Holding Account.

Annex 1: Reserves/Holding Account

| | Balance as at 31/03/25 | Funds In | Funds Out | Balance as at 31/12/25 |
|--------------------------------------|------------------------------|--------------|----------------|------------------------------|
| | £000 | £000 | £000 | £000 |
| Primary Care | 575 | 934 | (888) | 621 |
| COVID-19 | 12 | | | 12 |
| Hospital At Home | 150 | | | 150 |
| Integration Support/System Pressures | 624 | 705 | | 1,329 |
| Alcohol and Drugs Prevention | 810 | 239 | (512) | 537 |
| Mental Health | 976 | 1,251 | (1,591) | 636 |
| Children and Family Services | 0 | | | 0 |
| Other | 139 | | (44) | 95 |
| Uplifts | 0 | | 0 | 0 |
| Total Earmarked Reserves | 3,286 | 3,129 | (3,035) | 3,380 |