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Agenda Item: 12.

Integration Joint Board

Date of Meeting: 2 September 2026.

Subject: Long Term Financial Plan.

1. Purpose

1.1. To consider the first 10 Year Long Term Financial Plan for the period 2026/27 to 2035/36.

2. Recommendations

The Integration Joint Board is invited to note:

2.1. That a Long Term Financial Plan has been prepared in response to Audit Scotland's expectation that Integration Joint Boards undertake robust, evidence-based long term financial planning.

2.2. That the 10 Year Long Term Financial Plan extends the methodology of the Medium Term Financial Plan 2025 – 2028 beyond its current three year horizon, using the confirmed 2026/27 approved budget of £82.141 million as its starting point.

2.3. The range of illustrative, “do nothing” cumulative funding gaps identified in the Long Term Financial Plan over the 10 year period, as follows:

- Best Case – £44.2 million.
- Most Likely Case – £60.8 million.
- Worst Case – £77.8 million.

2.4. That applying an illustrative transformation/recovery savings rate of 3% per annum from Year Two onward would reduce the Most Likely 10 year cumulative gap to approximately £30.2 million, though this rate is a planning illustration only and is not yet a Board agreed transformation trajectory.

2.5. The significant data and planning gaps identified in Section 14 of the Plan, most notably the absence of a refreshed Integrated Workforce Plan covering staff costs that represent approximately 70% of total spend.

It is recommended:

2.6. That the 10 Year Long-Term Financial Plan 2026/27 to 2035/36, attached as Appendix 1 to this report, be approved as a planning document, on the explicit basis that the projections for Years 3 to 10 are illustrative and subject to annual review.

3. Background

3.1. The Integration Joint Board has overspent against its approved budget in each of the last four financial years (2022/23 to 2025/26), with a cumulative overspend of circa £14.3 million over that period, funded through additional in-year contributions from NHS Orkney and Orkney Islands Council (the Parties) and drawdown of reserves.

3.2. The approved Financial Recovery Plan 2026/27 identified £3.056 million of savings against a known unmitigated overspend of £3.5 million, leaving a residual gap of £0.444 million. The approved 2026/27 budget of £82.141 million represents a £7.729 million (plus 10.4%) increase on 2025/26 £74.412 million original budget, reflecting both the Financial Recovery Plan and additional funding secured to support it.

3.3. Agency and locum staffing remains the single largest driver of overspend, costing £6.0 million in 2025/26 (£5.8 million in 2024/25) and generating a net overspend of £3.2 million even after £2.8 million of vacancy related payroll savings are taken into account.

3.4. The single year nature of Scottish Government, NHS Orkney and Orkney Islands Council funding settlements continues to be the dominant constraint on multi-year planning and is explicitly flagged in the Board's Risk Register (Risk 4: Annual Budget) as undermining the Board's ability to plan with confidence beyond the year immediately ahead.

3.5. This report relates to the Board's statutory duty to plan for financial sustainability under the Public Bodies (Joint Working) (Scotland) Act 2014 and directly supports delivery of the Strategic Plan 2025 – 2028's six Strategic Priorities and the nine National Health and Wellbeing Outcomes.

4. 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.	Yes.
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.

5. Resource and financial implications

5.1. Applying an illustrative 3% per annum transformation/recovery savings rate from Year Two reduces the Most Likely 10 year cumulative gap to approximately £30.2 million.

5.2. Total earmarked reserves stood at £4.245 million as at 31 March 2026, up from £3.286 million the prior year. These largely reflect ring-fenced funding streams rather than a general contingency, and the Financial Recovery Plan 2026/27 already assumes a further £0.5 million drawdown as part of closing the in-year gap. The Plan's own Risk Register flags reliance on reserves as unsustainable beyond the short term.

6. Risk and equality implications

6.1. 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.

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

6.3. 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.

7. Direction required

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

NHS Orkney.	No.
Orkney Islands Council.	No.

8. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.

9. Authors and contact information

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10. Supporting documents

101.1. Appendix 1: 10 Year Long Term Financial Plan.

10 Year Long Term Financial Plan 2026/27 to 2035/36

Orkney Integration Joint Board

Contents

1. Executive Summary

Audit Scotland has asked the Orkney Integration Joint Board (IJB) to produce a long term financial plan extending beyond the current Medium Term Financial Plan 2025 – 2028 (MTFP), aligned to the Strategic Plan 2025 – 2028. This document sets out that plan.

The starting position is challenging. The IJB has overspent against budget in each of the last four years (2022/23 to 2025/26), with a cumulative overspend of circa £14.3m over that period, funded through additional in-year contributions from NHS Orkney and Orkney Islands Council (the Parties) and drawdown of reserves. An approved Financial Recovery Plan 2026/27 identified £3.056m of savings, and the actual approved 2026/27 budget is £82.141m — a £7.729m (+10.4%) increase on 2025/26's £74.412m, reflecting both that recovery plan and the additional funding secured to support it.

This Plan takes that confirmed £82.141m 2026/27 budget as its starting point and projects 10 years forward to 2035/36, extending the MTFP's own scenario-planning methodology (Best/Most Likely/Worst) beyond its current three-year horizon. It is explicit that everything beyond Year Two is illustrative — built to show the scale, and shape of the challenge, not a Board agreed forecast. Year One (2026/27) reflects the known position: a £3.5m unmitigated overspend against the approved budget, offset by the agreed £3.056m Financial Recovery Plan, leaving a residual gap of £0.444m. Year Two (2027/28) is directly anchored to the MTFP's own published figure for that year (£3.284m - £3.630m across the three scenarios) rather than modelled — it is the one further year the MTFP itself already covers. Only from Year Three (2028/29) onward does this Plan extrapolate beyond confirmed, or published data, using a modest blended cost growth rate. On a “do nothing” basis, the annual gap widens steadily to between £5.9m and £13.6m a year by 2035/36 under the three scenarios modelled, with a 10 year cumulative gap of £44m - £78m.

This trajectory is not a prediction — it is the case for why transformation, not incremental savings, has to be the primary lever over the Plan’s period. The Plan therefore sets out the same four-tier framework as the MTFP (Business as Usual, Service Improvement, Transformational Change, Difficult Choices) applied across a 10 year horizon and aligns it explicitly to the six Strategic Plan priorities, so that financial sustainability and service transformation are planned together rather than as separate exercises.

Key Figures at a Glance

Metric	Value	Source
Annual Budget 2026/27 (this Plan’s starting point)	£82.141m	Approved Budget 2026/27
Annual Budget 2025/26 (for comparison)	£74.412m (+10.4% to reach 2026/27)	MTFP 2025 – 2028
Known unmitigated overspend 2026/27, before recovery actions	£3.5m	Confirmed 2026/27 position.

Metric	Value	Source
Financial Recovery Plan 2026/27 savings identified	£3.056m	Financial Recovery Plan actions, April 2026
2026/27 residual gap, after recovery actions	£0.444m	This Plan’s 10 Year Financial Model
4-year cumulative overspend, 2022/23 - 2025/26	Circa £14.3m	MTFP 2025 – 2028/ Financial Outturn Report 2025/26
MTFP 2025 – 2028 three-year funding gap (Most Likely, 2025/26-2027/28)	£11.267m	MTFP 2025 – 2028
Illustrative 10 year cumulative gap, do-nothing basis (Most Likely, 2026/27 - 2035/36)	Circa £60.8m	This Plan’s 10 Year Financial Model
Top rated financial risk (IJB Risk Register: “Budget Control”)	Very High (25)	Risk Register, June 2026

2. Purpose and Statutory Context

This Plan has been prepared to meet Audit Scotland's expectation, set out in its IJB finance and performance reporting, that IJBs move beyond reactive, single year budgeting toward robust, evidence-based long term financial planning that demonstrates a credible route to financial sustainability.

It builds directly on, and does not replace, two existing statutory and governance documents:

- The Strategic Plan 2025 – 2028, the IJB's statutory plan under the Public Bodies (Joint Working) (Scotland) Act 2014, setting out six Strategic Priorities and how the nine National Health and Wellbeing Outcomes will be met locally.
- The Medium Term Financial Plan 2025 – 2028, approved by the Board, which models the funding gap over the current three-year period under three scenarios.

This document extends the MTFP's own methodology to a 10 year horizon, using the actual approved 2026/27 budget (£82.141m) as its starting point and running to 2035/36, consistent with the Strategic Plan's own six Strategic Priorities. It sets out the governance route by which the illustrative Years Two to 10 figures will be tested, challenged and formally adopted.

3. Strategic Context

3.1. Alignment with the Strategic Plan 2025 – 2028

The Strategic Plan 2025 – 2028 confirms the continuation of six Strategic Priorities, agreed through engagement as still being the most relevant to Orkney's health and care needs:

- Tackling Inequalities and Disadvantage (overarching).
- Early Intervention and Prevention (overarching).
- Unpaid Carers.
- Supporting People to Age Well.
- Community Led Support.
- Mental Health and Wellbeing.

The MTFP 2025 – 2028 already sets out, priority by priority, how each links to financial planning (workforce investment for Ageing Well, community-based prevention investment and so on). This 10 year plan does not repeat that mapping in full; instead, Section 12 extends it across a longer horizon, testing which priorities require sustained transformation investment across the whole 10 years rather than a single Board cycle.

3.2. Why a 10 year (not a three year) Horizon Matters for Orkney Specifically

Two structural features of Orkney make the medium term (three to five years) horizon insufficient on its own:

- Demographic change is unusually fast and unusually concentrated. Orkney's population grew 14.25% between 2001 and 2022 (versus 7.5% for Scotland), driven overwhelmingly by older in-migration: the over-65 share rose from 17% (1982) to 25% (2022), against a 20% Scottish average, while the 0 - 15 share fell from 23% to 16% over the same period. This is a multi-decade shift, not a short term fluctuation, and its cost consequences (care at home, residential and nursing capacity, unpaid carer support) play out over a horizon longer than any single MTFP cycle.
- Capital decisions taken now (for example Hamnavoe House's Brinkies Wing short break facility, and the St Rognvald House key worker accommodation repurposing) carry revenue consequences for 10+ years and are not visible in a three year MTFP.

4. National and Local Context

4.1. National Context

Health and Social Care Scotland's analysis of all 32 IJBs anticipated 2025/26 budget positions found a combined financial gap of approximately £497.5m, an average of 5% of total available budget, with individual IJB gaps ranging from 2% to 11%. Main funding pressures cited nationally — prescribing, demand, pay pressures, contract inflation and employer National Insurance Contributions — mirror those driving Orkney's own position.

The single year nature of Scottish Government, NHS Board and Council funding settlements continues to be the dominant constraint on multi-year planning nationally and is explicitly flagged in the IJB's Risk Register (Risk 5: Annual Budget) as undermining the IJB's ability to plan with confidence beyond the year immediately ahead.

4.2. Local Context

Orkney's underlying economy is comparatively strong — employment at 88.3% (versus 74.7% Scotland), unemployment at 1.7%, and economic inactivity at 11.7% (versus 22.5% Scotland) — but this has not translated into IJB financial resilience, because the workforce pressures the Health and Social Care Partnership faces are sector-specific (health and social care recruitment) rather than general labour market weakness. Housing availability and cost is a material constraint on that recruitment: Orkney house price growth has run at double the Scottish average, and household growth (29.5% over 20 years, versus 16% for Scotland) is outstripping supply, particularly of one bedroom and accessible housing.

5. Current Financial Position

5.1. Recent Outturn History

The IJB has overspent against its approved budget in each of the last four financial years:

Financial Year	Budget (£000)	Actual Spend (£000)	Variance (£000)
2022/23	64,215	67,817	3,602
2023/24	67,612	73,212	5,600
2024/25	73,136	77,584	4,448
2025/26	81,800	82,430	630 (£3.03m if £2.4m NHS Orkney saving target accounted as prior year)
2026/27	82,141	Year in progress	3,500 budget overspend pre-mitigations; £444 post recovery plan.

Source: MTFP 2025 – 2028, page 10; Draft Revenue Expenditure Outturn 2025/26, paragraph 2.2; 2026/27 approved budget confirmed directly. The 2026/27 figure is the total approved budget including Set Aside and is the starting point for the 10 year model in Section 9.

5.2. 2025/26 Detail

Within the 2025/26 overspend, NHS Orkney commissioned services underspent by £1.350m (entirely attributable to a £2.4m in-year savings target that was subsequently removed at month nine — net of that target, NHS Orkney would itself have overspent by £1.05m), while Orkney Islands Council commissioned services overspent by £1.980m, an improvement of £1.5m on the prior year.

Agency and locum staffing remains the single largest driver of overspend: £6.0m in 2025/26 (£5.8m in 2024/25), offset by only £2.8m of vacancy related payroll savings — a net overspend of £3.2m attributable to workforce alone. This is consistent with the Strategic Plan's own assessment that recruitment gaps are the Health and Social Care Partnership's “biggest challenge” and with Risk 9 in the Risk Register (Recruitment, Development and Retention of Workforce — rated Very High).

5.3. Reserves Position

The total earmarked reserves stood at £4.245m as at 31 March 2026, up from £3.286m the prior year, but this reflects specific ring-fenced funding streams (Primary Care, Mental Health, Alcohol and Drugs Prevention, Integration Support) rather than a general contingency. The 2026/27 Financial Recovery Plan already assumes a further £500k drawdown of reserves as part of closing the in-year gap — reserves are being used as a bridge, not held as a long term buffer, which is unsustainable beyond the short term.

6. The Financial Recovery Plan 2026/27

A Financial Recovery Plan has been agreed for 2026/27, identifying £3.056m of savings against an underlying 2026/27 net overspend of £3.500m.

Several actions carry delivery risk explicitly noted by officers e.g. the agency staff costs reduction targets are described as “aspirational” and caveated against safe staffing levels.

This Plan is the foundation for Year Two of the 10 year model (Section 8) but is, by its own description, a one year bridge rather than a structural fix. Years Three to 10 require a different order of savings, transformation and service redesign rather than in-year efficiencies, which is addressed in Section 12.

7. Workforce

7.1. The Dominant Cost Driver and the Need for an Updated Workforce Plan

Approximately 70% of Orkney IJB's costs are staff costs. This single fact should sit behind almost every assumption in this Plan — pay awards, vacancy rates, agency reliance, and recruitment and retention all matter more to the 10 year trajectory than any other single variable, including the demographic and demand pressures discussed in Section 8. It is therefore a significant gap that the IJB does not currently have an up to date, Board approved Workforce Plan covering this Plan's 10 year horizon.

7.2. The Current Position

An Integrated Health and Social Care Three Year Workforce Plan was submitted to Scottish Government on 31 July 2022, meaning its horizon effectively ended around 2025. The IJB recognised the need to refresh it, which was strengthened by a recent internal audit, setting a target action date of 31 March 2027 for updating the plan. The IJB is working closely with colleagues across NHS Orkney and Orkney Islands Council to produce an updated Integrated Workforce Plan 2027 – 2030.

7.3. Agency Spend: The Clearest Symptom

The financial pressure this creates is already visible and worsening. Agency and locum staffing cost £6.0m in 2025/26 (up from £5.8m in 2024/25), and even after netting off £2.8m of vacancy related payroll savings, workforce alone drove a £3.2m net overspend in 2025/26 — the single largest overspend category identified anywhere in the current financial reporting (Section 5). Within Set Aside, locum costs ran at 339% of budget in 2025/26. None of this is a one off: the Strategic Plan describes workforce gaps as the “biggest challenge,” and the Risk Register rates workforce recruitment and retention as Very High (25) — tied with budget control and Isles Model of Care as the highest rated risk on the register.

7.4. Why This is an Island-specific Problem, Not Just a National One

Workforce shortages are a UK wide issue in health and social care, but Orkney's version is structurally harder to solve than the national picture, for two compounding reasons:

- Recruitment to remote, rural and island posts is inherently harder: the Strategic Plan identifies social care, social work, speech and language therapy, physiotherapy, dentistry and community nursing as the most difficult areas to recruit to, and notes that Orkney has seen a larger reduction in the proportion of working-age people available to take up health and social care careers than the national trend.
- Housing availability directly constrains recruitment. Orkney house price growth has run at double the Scottish average, household growth (29.5% over 20 years) is outstripping supply, and there is a specific, acute shortage of one bedroom housing relative to demand. The Council's own Essential Workers Housing Strategy shows migration of incoming essential workers being constrained by the lack of the right type, size and price of housing — meaning even a successful recruitment campaign for a permanent post can fail at the final hurdle because the person cannot find anywhere to live. This is precisely why the St Rognvald House Key Worker Accommodation Project (Section 10) matters financially as well as operationally: it is one of the only concrete, funded interventions currently addressing this specific constraint.

7.5. Implications for This 10 Year Plan

The financial model in Section 9 uses a single blended expenditure growth rate per scenario (3.0% - 3.8% per annum from Year Three) that implicitly assumes some normalisation of cost growth over time. It does not separately model a continuation, or worsening, of the current agency premium. If the underlying drivers described above — recruitment difficulty and housing constraint — are not addressed, there is a real risk that actual staff cost growth over the plan period runs above even the ‘Worst’ scenario modelled here, since agency and locum premiums (particularly the 339% overspend seen in some Set Aside locum cover) are structurally more expensive than substantive payroll costs, not just a timing issue that resolves itself. Equally, if the Workforce Plan gap is closed and recruitment/retention genuinely improves, including through housing interventions, the financial trajectory could improve faster than the ‘Best’ scenario suggests, since a shift from agency to substantive staff is one of the few savings levers that does not require reducing service volume.

GAP TO FILL: A refreshed Integrated Workforce Plan has been commissioned as a priority.

8. Demographic and Demand Drivers Over the Plan Period

The Strategic Plan identifies ageing demographics as the dominant long run driver of demand, and the figures support that:

Indicator	Value
Population growth, 2001 - 2022	+16.4% (Orkney) versus +6.9% (Scotland)
Population aged 65+, 1982 → 2022	17% → 25% (versus 20% Scotland average)
Population aged 0 - 15, 1982 → 2022	23% → 16%
Life expectancy	82.7 years (women) / 78.7 years (men)
Unpaid carers	Circa 3,500 (only 34% feel supported, down from 43% in 2022)
People with Community Care Alarm/Telecare (early 2025)	863
People receiving Care at Home (early 2025)	168
Household growth, last 20 years	29.5% (Orkney) versus 16% (Scotland)

Source: Strategic Plan 2025 – 2028, Sections 9 - 10.

Two consequences follow directly for this Plan. First, Orkney has no access to nursing care home beds within the islands (a point the Strategic Plan flags as "unusual"). As the Kirkjuvagr House transition completes, the IJB is actively considering converting some care home places to nursing care, which would be a materially different, and likely more expensive, cost base than current residential provision. Second, unpaid carer capacity — currently substituting for an estimated multiple of the entire formal social care budget — is showing signs of strain (the proportion of carers feeling supported fell from 43% to 34% between 2022 and last year) and cannot be assumed to expand indefinitely to absorb rising demand.

GAP TO FILL: This Plan does not yet include a formal Orkney-specific population/demand projection (e.g. National Records of Scotland or Public Health Scotland cohort projections) translated into service-level demand and cost. The 0.2% per annum 'demographic demand uplift' used from Year Three (2028/29) onward in the financial model (Section 9) is an illustrative placeholder, not an evidenced figure, and should be replaced once such a projection is available.

9. 10 Year Financial Modelling

9.1. Methodology

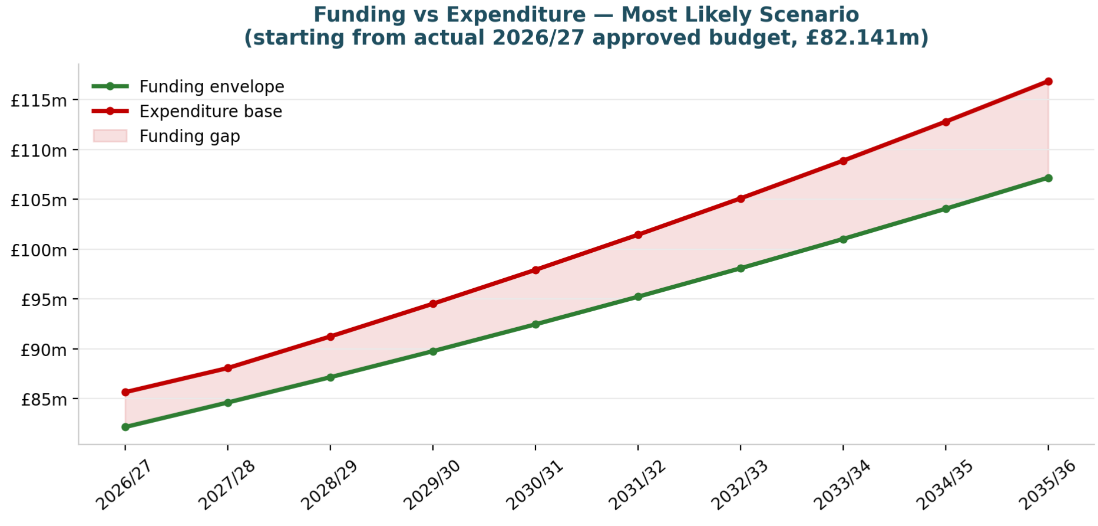
The MTFP 2025 – 2028 models three scenarios (Best/Most Likely/Worst) for the three year funding gap, based on differentiated assumptions for staff cost growth (4 - 5% per annum) non-pay cost growth (3 - 4% per annum), income growth (3% per annum) and funding growth (3% per annum). It publishes cumulative three year gap totals of £10.140m (Best), £11.267m (Most Likely) and £12.394m (Worst) over

2025/26 - 2027/28, using the 2025/26 approved budget of £74.412m as its starting point.

This Plan uses the actual, confirmed 2026/27 approved budget of £82.141m as its own starting point instead — a £3.304m (plus 4.2%) increase on the 2025/26 actual yearend budget of £78.837m, well above the MTFP's 3% planning assumption. Year One is not treated as balanced: against that £82.141m budget there is a known unmitigated overspend of £3.5m, offset by the agreed £3.056m Financial Recovery Plan, leaving a residual gap of £0.444m in 2026/27 — the model's actual, evidenced starting point, not an assumption. Year Two (2027/28) is anchored directly to the MTFP's own published figure for that year (£3.284m Best/£3.457m Most Likely/£3.630m Worst) — the one further year the MTFP itself already covers — rather than a modelled extrapolation. Only from Year Three (2028/29) onward does this Plan extrapolate beyond confirmed or published data: funding continues at 3% per annum, while the underlying (unmitigated) expenditure base grows at a modest blended rate per scenario — 3.0% (Best), 3.4% (Most Likely) and 3.8% (Worst) per annum — plus an illustrative 0.2% per annum demographic demand uplift.

9.2. Where the Gap Starts: The Confirmed 2026/27 Position

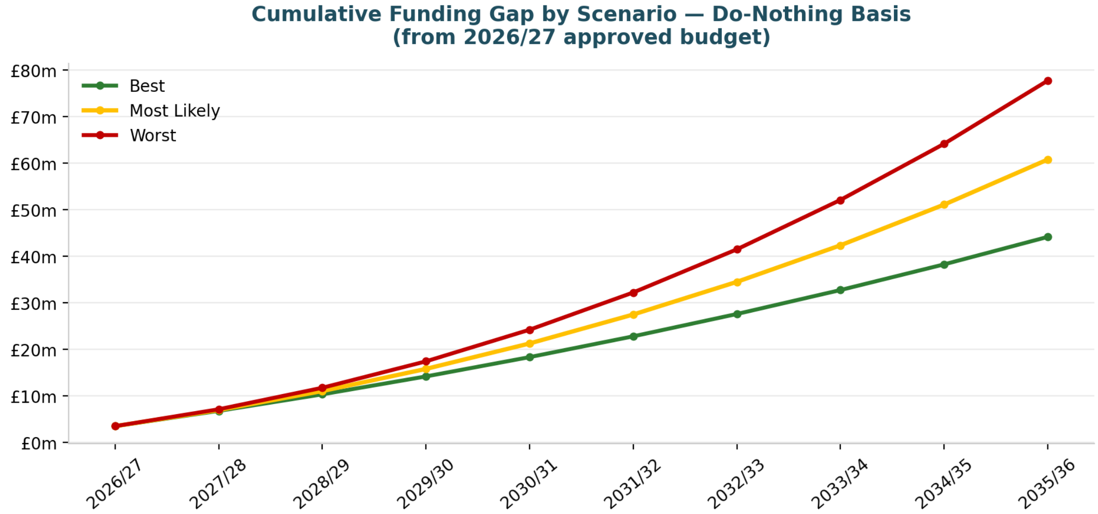
£82.141m (the approved budget), £3.5m (the known unmitigated overspend) and £3.056m (the agreed recovery savings) are not projections — they are the actual, confirmed 2026/27 position, and are the most reliable figures in this entire model. Everything from Year Two onward is illustrative extension using the MTFP's methodology, not confirmed data. The chart below shows funding and the unmitigated expenditure base starting £3.5m apart in 2026/27, then diverging further as costs are assumed to outpace funding growth through to 2035/36.



9.3. “Do nothing” Baseline: Illustrative Cumulative Funding Gap (£000)

Scenario	2026/27	2028/29	2030/31	2032/33	2035/36
Best	3,500	10,342	18,338	27,605	44,173
Most Likely	3,500	11,046	21,274	34,511	60,799
Worst	3,500	11,751	24,231	41,501	77,762

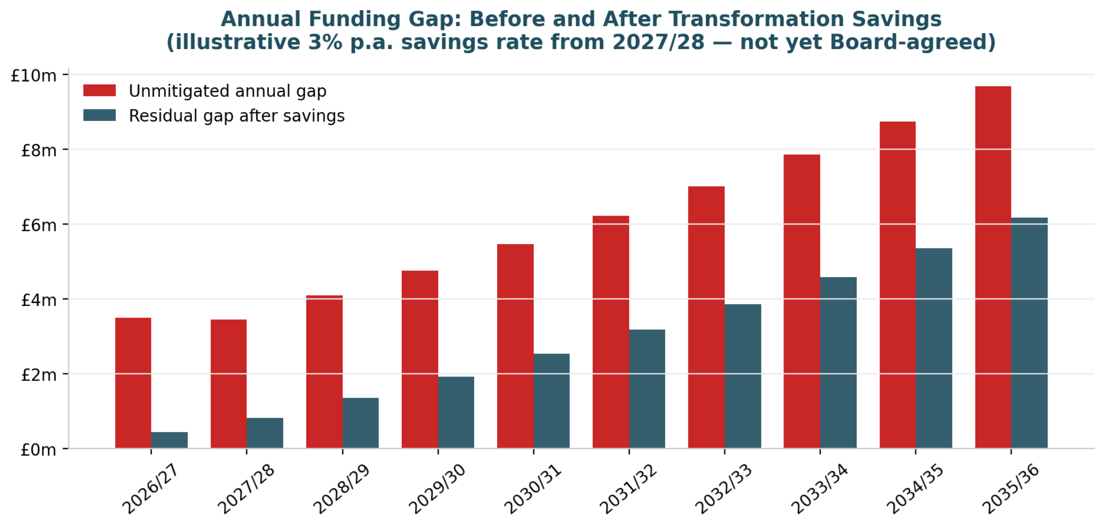
These are cumulative gaps before any Year Two to 10 mitigation is applied — see the mitigated outlook below for the effect of the known Year One recovery savings. The three year cumulative gap to 2028/29 (£10.3m - £11.8m) sits almost exactly on the MTFP's own published three year totals (£10.140m Best/£11.267m Most Likely/£12.394m Worst) — a strong sense check, since Years One to Two of this model are directly sourced from confirmed actuals and the MTFP's own published figures, not modelled.



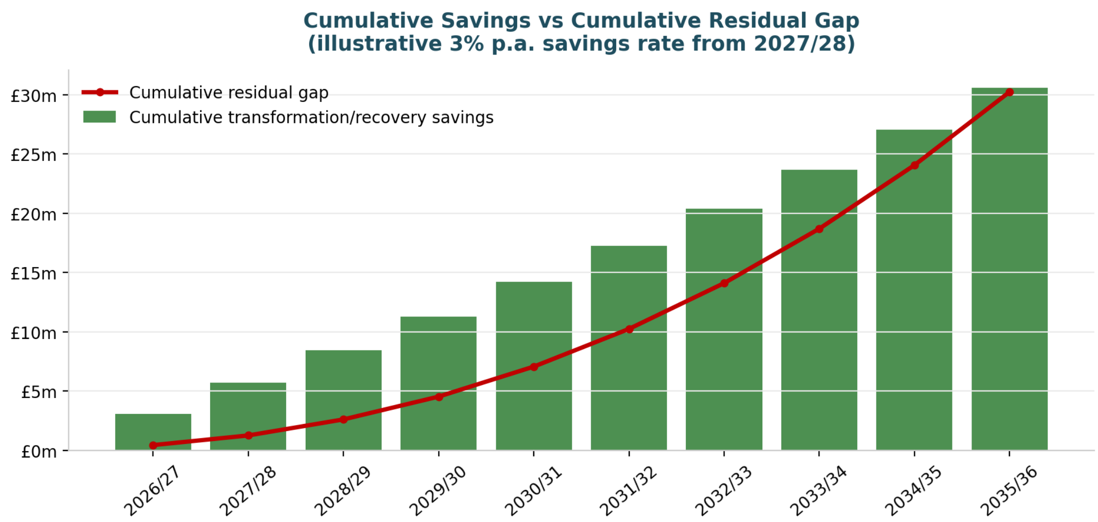
These figures are not a forecast, it is a ‘do nothing’ baseline, in the same spirit as the MTFP's own worst case scenario undershooting actual experience by 190% over the last three years (see MTFP 2025 – 2028, page 10) — a reminder that these models have historically understated the real pressure, not overstated it.

9.4. Mitigated Outlook: Applying Recovery and Transformation Savings

Applying the known £3.056m Financial Recovery Plan to Year One reduces the 2026/27 gap from £3.5m (unmitigated) to £0.444m (residual). From Year Two (2027/28) onward, this Plan applies an illustrative transformation/recovery savings rate of 3% of that year's unmitigated expenditure base, which generates savings rising from £2.6m in 2027/28 to £3.5m by 2035/36, a cumulative £30.6m of savings over the 10 years. The chart below shows the annual effect: the gap between the red (unmitigated) and navy (residual) bars is this savings line.



Shown cumulatively, that 3% per annum savings rate reduces the 10 year cumulative gap under the ‘Most Likely’ scenario from £60.8m (unmitigated, Section 9 above) to £30.2m — roughly halving it. The chart below tracks cumulative savings (bars) against the cumulative residual gap that remains (line).



GAP TO FILL: A flat 3% per annum savings rate is a planning illustration, not a Board agreed transformation trajectory — it has not been tested against what is actually deliverable, and a single percentage applied uniformly across 10 years is unlikely to reflect how transformation savings are actually realised (typically slower to start, then accelerating as programmes mature). The Board should replace this with a genuine, programme by programme savings trajectory once one exists.

10. Capital and Estate Considerations

Three estate decisions taken or in progress during the plan period carry long term revenue consequences:

- Kirkjuvagr House: replacing St Rognvald House during 2026/27, bringing all Council care homes to under 25 years old. Short term dual running costs of £152k are already captured in the 2026/27 Recovery Plan; the medium term opportunity (all care homes now having land for extra care housing, and the potential to designate some places as nursing care given Orkney's current lack of any nursing care home beds) is not yet costed in this Plan.
- St Rognvald House repurposing to a 42-bed key worker/agency accommodation facility: a £500k upfront capital investment expected to generate circa £200k per annum net revenue savings against current private rental costs, from an estimated occupancy date of October 2027. This is the only multi-year (beyond 2026/27) revenue saving currently identified with a costed profile and is reflected in the Recovery Plan actions in 2026/27. This will go a small way to the mitigation savings at £200k per annum and is the only saving over the 10 year period which can be reliably built in at this stage.
- Hamnavoe House, Brinkies Wing: a proposed 10 bed short break facility (circa £830k per annum staffing cost on current estimates, potentially higher with agency reliance) is approved pending resources, both financial and staffing, being identified.

11. Key Financial Risks

The IJB Risk Register (June 2026) rates Budget Control as Very High (current score 25) — the joint highest rated risk on the register alongside Isles Model of Care and Recruitment, Development and Retention of Workforce. If financial and demographic pressures are not effectively planned for and managed over the medium term (two to five years) the IJB will face budget deficits requiring a recovery plan — precisely the gap this 10 year Plan is intended to close.

Risk	Score	Relevance to This Plan
1. Savings Target	20: Very High	Unable to deliver existing savings targets or any new savings imposed by either party. Tests the same assumption Section 9's mitigated outlook relies on — an illustrative 3% per annum savings rate from 2027/28. If the IJB cannot deliver even its already-agreed savings (e.g. in the 2026/27 Recovery Plan's £3.056m), the residual gap reverts toward the larger unmitigated figures in Section 9.
2. Funding Resources	15: High	Uncertainty around the level and terms of future funding settlements and funding allocations. Directly underpins this plan's central simplifying assumption of flat 3% per annum. funding growth from Year Two - a product of single year settlements from NHS Orkney and Orkney Islands Council.
3. Inflationary Pressures	20: Very High	Inflationary pressures driving up costs, in turn wage pressures

Risk	Score	Relevance to This Plan
		The primary driver behind the model's blended expenditure growth rates (3.0% - 3.8% per annum from Year Three) and the ~70% staff cost weighting. Pay awards flowing from inflation are the single biggest swing factor in how fast the funding gap widens over the ten years.
4. Annual Budget	12: High	Failure to set a balanced budget by 1 April each year. A statutory and process risk that sits alongside, rather than inside, the financial modelling. Even with a well evidenced 10 year trajectory, repeated in-year delays to setting a balanced 1 April budget push the IJB toward reactive financial management rather than the planned, multi-year approach this document is trying to establish.
5. Budget Control	25: Very High	Failure of budgetary control processes The clearest evidence for why a 10 year plan is needed at all — the pattern of in-year overspends and additional Party funding requests (£3.6m - £5.6m annually since 2022/23) is precisely the reactive cycle this plan is trying to break through longer range planning rather than repeated single year recovery plans.
6. Future Demographics	20: Very High	Ageing population, more children with complex needs, increase in demand. The evidential basis for the illustrative demographic demand uplift applied in the model from Year Three onward. Orkney's over-65 population share is already 25% against 20% for Scotland and rising faster than the national trend — the dominant long-run cost pressure behind this entire plan.

12. Strategy to Close the Gap Over 10 Years

The MTFP 2025 – 2028 sets out a four-tier framework for closing the financial gap: Business as Usual, Service Improvement, Transformational Change, and Difficult Choices — in increasing order of both impact and difficulty. This Plan applies the same framework across the full 10 years, recognising that the balance between the tiers has to shift over time: early years rely more heavily on Business as Usual and Service Improvement (as in the Financial Recovery Plan2026/27), but Years Three to 10 cannot close a gap of the scale modelled in Section 9 without sustained Transformational Change, and realistically some Difficult Choices.

12.1. Business as Usual (Years One to Two, tapering)

Robust in-year financial management, redirecting funds to manage pressures, and delivery of the 2026/27 Financial Recovery Plan actions (Section 6). This tier alone cannot address a structural, demographically driven gap and its relative contribution should reduce from Year Three onward.

12.2. Service Improvement (Years One to Four)

Using existing resources, people and funds, more effectively: the ongoing NHS Orkney CRES efficiency programme and ensuring externally commissioned services are aligned to the Strategic Priorities and deliver demonstrable value.

12.3. Transformational Change (Years Two to 10, the Primary Lever from Year Three)

Changing how services are delivered, not just how efficiently current models run. Priority areas flagged across the source documents include:

- Shifting the balance of care from hospital-based to community-based services, building on the unscheduled care commissioning work already underway.
- Multi-professional care teams to intervene earlier and reduce escalation to crisis services.
- Community Led Support — embedding co-designed, locally-run models (Blether spaces, Community Wellbeing Coordinators) as a lower cost, higher resilience alternative to statutory only provision, particularly in the ferry linked isles.
- Reviewing the Isles Primary Care Model (Risk Register Risk 7) given its high cost to serve and Working Time Directive constraints.
- Considering nursing care home designation as part of the post Kirkjuvagr estate, to reduce reliance on high cost Outwith Orkney placements for the most complex needs.

12.4. Difficult Choices (from Year Three, Where Transformation is Insufficient Alone)

The Board may need to take decisions to decommission or reduce services that are not core to the Strategic Priorities, informed by the eligibility and needs assessment work already under a “high criteria requirement” for service provision. This is explicitly the hardest tier and requires stakeholder engagement before any decisions are proposed — it is flagged here as a planning reality for Years Three to 10, not as a recommendation of specific service reductions, which this Plan does not make.

GAP TO FILL: This section sets out the framework and direction, consistent with the MTFP, but does not yet contain a costed, year by year transformation programme (i.e. which specific service redesigns, in which years, saving how much). That costed programme — likely requiring a dedicated Transformation Plan or Programme Business Case — is the substantive piece of work still needed to convert Section 7's illustrative numbers into a credible 10 year trajectory.

13. Governance, Monitoring and Review

This plan will be governed through the IJB's existing financial governance arrangements:

- Comprehensive financial monitoring reports to the Board throughout each financial year, as required under the Integration Scheme, setting out actual expenditure and budget for the year to date and forecast outturn.
- Annual refresh of the underlying assumptions (funding growth, cost growth, demographic uplift) alongside annual budgetary planning.
- Reporting of progress against the Financial Recovery Plan to the Board, with escalation to NHS Orkney and Orkney Islands Council where a deviation from breakeven is forecast, as per the Orkney Integration Scheme.
- Annual review of the Risk Register (Section 11), with the Savings Targets (Risk 1) explicitly tracked against mitigation actions.

Given the scale of the illustrative Years Two to 10 gap in Section 9, it is recommended that the Board formally considers and approves (or amends) the long term assumptions at least annually, rather than treating this as a one off document produced solely for Audit Scotland's benefit.

14. Data Gaps and Recommended Next Steps

In the interest of transparency to both the Board and Audit Scotland, this section consolidates every point in the Plan flagged as “GAP TO FILL” above:

- A refreshed Integrated Workforce Plan (Section 7) — arguably the most significant gap in this document, given staff costs represent roughly 70% of total spend and the previous Three Year Integrated Workforce Plan's horizon ended around 2025.
- A formal Orkney-specific demographic and demand projection (Section 8), to replace the illustrative 0.2% per annum uplift used in the model.
- A Board agreed Years Two to 10 transformation savings trajectory to replace the illustrative flat 3% per annum savings rate currently in the model, ideally broken down into individually costed programmes rather than a single percentage (Section 9).
- A costed, year by year Transformation Programme translating the direction set out in Section 10 into specific service redesign decisions with savings profiles and delivery timelines.
- Confirmation from NHS Orkney and Orkney Islands Council of their own multi-year funding intentions (even indicative), to replace the simplifying 3% flat funding growth assumption used throughout this model.

15. Source Documents

- Orkney IJB, Draft Revenue Expenditure Outturn 2025/26.
- Orkney IJB, Medium Term Financial Plan 2025 – 2028.
- Orkney HSCP, Strategic Plan 2025 – 2028.
- Orkney IJB, Financial Recovery Plan Actions (April 2026).

- Orkney IJB, Risk Register (June 2026).
- Health and Social Care Scotland / Fraser of Allander Institute Economic Commentary, April 2025 (cited in MTFP 2025 – 2028).
- Companion file: Orkney IJB_10Yr_Financial_Model.xlsx — the editable financial model underlying Section 9.

16. Appendices

16.1. Appendix 1: Assumptions.

16.2. Appendix 2: 10 Year Projections.

Appendix 1: Assumptions

Baseline budget 2026/27 – actual approved budget (£000s)	£82,141
2026/27 known unmitigated overspend before recovery action (£000s)	£3,500
2026/27 Financial Recovery Plan savings (£000s)	£3,056
Residual 2026/27 gap (£000s)	£444
Transformation/recovery savings rate, % of expenditure base (applied from 2027/28) (£000s)	3.0%
2027/28 unmitigated funding gap, per scenario – directly anchored to the MTFP's own published figures	
Best (£000s)	£3,284
Most likely (£000s)	£3,457
Worst (£000s)	£3,630

Best Scenario (% per annum):

Financial Year	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
Funding growth	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Blended expenditure growth	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Plus demographic demand uplift*	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Effective expenditure growth**	3.0%	3.0%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

Most Likely Scenario:

Financial Year	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
Funding growth	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Blended expenditure growth	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Plus demographic demand uplift*	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Effective expenditure growth**	3.4%	3.4%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%

Worst Scenario:

Financial Year	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
Funding growth	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Blended expenditure growth	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Plus demographic demand uplift*	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Effective expenditure growth**	3.8%	3.8%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Notes: *Years 3 (2027/28) onwards. **Equals expenditure growth plus demographic uplift.

Appendix 2: 10 Year Projections

Best Scenario:

Financial Year	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding envelope	82,141	84.605	87,143	89,758	92,450	95,224	98.081	101,023	104,054	107,175
Expenditure base*	85,641	87,889	90,702	93,604	96,599	99,691	102,881	106,173	109,570	113,077
Annual funding gap*	(3,500)	(3,284)	(3,558)	(3,846)	(4,149)	(4,467)	(4,800)	(5,150)	(5,517)	(5,901)
Cumulative gap since 2026/27	(3,500)	(6,784)	(10,342)	(14,189)	(18,338)	(22,805)	(27,605)	(32,755)	(38,271)	(44,173)

Most Likely Scenario:

Financial Year	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**2035/36**
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding envelope	82,141	84,605	87,143	89,758	92,450	95,224	98,081	101,023	104,054	107,175
Expenditure base*	85,641	88,062	91,232	94,517	97,919	101,445	105,097	108,880	112,800	116,860
Annual funding gap*	(3,500)	(3,457)	(4,089)	(4,759)	(5,469)	(6,221)	(7,016)	(7,857)	(8,746)	(9,685)
Cumulative gap since 2026/27	(3,500)	(6,957)	(11,046)	(15,805)	(21,274)	(27,495)	(34,511)	(42,368)	(51,114)	(60,799)

Worst Scenario:

Financial Year	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding envelope	82,141	84,605	87,143	89,758	92,450	95,224	98,081	101,023	104,054	107,175
Expenditure base*	85,641	88,235	91,765	95,435	99,253	103,223	107,352	111,646	116,112	120,756
Annual funding gap*	(3,500)	(3,630)	(4,621)	(5,678)	(6,802)	(7,999)	(9,271)	(10,623)	(12,058)	(13,581)
Cumulative gap since 2026/27	(3,500)	(7,130)	(11,751)	(17,429)	(24,231)	(32,230)	(41,501)	(52,123)	(64,181)	(77,762)

Summary – Cumulative Funding Gap by Scenario:

Financial Year	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Best	3,500	6,784	10,342	14,189	18,338	22,805	27,605	32,755	38,271	44,173
Most Likely	3,500	6,957	11,046	15,805	21,274	27,495	34,511	42,368	51,114	60,799
Worst	3,500	7,130	11,751	17,429	24,231	32,230	41,501	52,123	64,181	77,762

Mitigated Outlook – Most Likely Plus Transformation/Recovery Savings:

Financial Year	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Unmitigated annual gap	3,500	3,457	4,089	4,759	5,469	6,221	7,016	7,857	8,746	9,685
Annual transformation/ recovery savings target	3,056	2,642	2,737	2,836	2,938	3,043	3,153	3,266	3,384	3,506
Cumulative transformation/ recovery savings	3,056	5,698	8,435	11,270	14,208	17,251	20,404	23,671	27,055	30,560
Residential annual gap after mitigation	(444)	(815)	(1,352)	(1,924)	(2,531)	3,177	3,863	4,591	5,362	6,179
Cumulative residual gap	444	1,259	2,611	4,535	7,066	10,244	14,107	18,697	24,059	30,238

Note: * indicates unmitigated figures.