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Agenda Item: 12

Integration Joint Board

Date of Meeting: 3 September 2025.

Subject: Financial Recovery Plan

1. Purpose

1.1. To present the draft Financial Recovery Plan for Members' approval.

2. Recommendations

It is recommended:

2.1. That the Board approves the draft Financial Recovery Plan 2025 – 2028, attached as Appendix 1 to this report.

3. Background

3.1. The Orkney IJB is responsible for the planning and delivery of integrated health and social care services in Orkney. It operates in partnership with NHS Orkney and Orkney Islands Council and is legally required to set a balanced budget each year.

3.2. The Medium Term Financial Plan was approved by the Integration Joint Board at its meeting on 2 July 2025, pending some small amendments.

3.3. The Medium Term Financial Plan highlights a range of pressures including:

- Rising demand due to demographic changes and complex care needs.
- Workforce challenges and reliance on agency staff.
- Inflationary pressures on contracts and supplies.
- Uncertainty in national funding allocations.

3.3. The “most likely” scenario outlined in the Medium Term Financial Plan forecasts an £11.3 million shortfall over the three-year period. This Recovery Plan is a direct response to that challenge and is intended to be reviewed and updated annually.

4. Key Highlights

4.1. The Financial Recovery Plan, attached as Appendix 1 to this report, is designed to:

- Address the funding gap through targeted recovery actions.
- Support delivery of the Strategic Plan and Strategic Delivery Plan.
- Improve financial resilience and operational efficiency.
- Provide a framework for monitoring progress and engaging stakeholders.

4.2. To achieve financial balance four key objectives have been identified:

- Achieve Financial Sustainability through budget reviews, cost controls, and funding alignment.
- Align Resources with Strategic Priorities by focusing investment on preventative and community based care.
- Improve Operational Efficiency and Workforce Resilience by reducing reliance on agency staff and strengthening local recruitment.
- Strengthen Governance and Stakeholder Engagement by ensuring transparency, accountability, and inclusive decision-making.

4.3. Section 6 of the Plan details the 11 operational levers to support financial recovery with a summary table detailing a summary of the purpose, lead and timescale.

4.4. Section 6.12 of the Plan details a summary of the key milestones for easy reference.

5. 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.

6. Resource and financial implications

6.1. As detailed in the Revenue Expenditure Monitoring Report for period 3 the quarter 1 year to date variance position is showing overspends in services delegated of £815k and of £435k for Set Aside services for quarter 1 of financial year 2025/26.

6.2. There is a risk that should service commitments activity continue in the same pattern the year end outturn position would be a significant overspend.

7. Risk, equality and climate change implications

7.1. 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.

7.2. The IJB projected year to date position, as highlighted in the Revenue Expenditure Monitoring Report for period 3, is an overspend against budget at the end of quarter 1 including Set Aside totals £1,249k. It is therefore likely that the IJB will be in a significant overspend position at the year end date of 31 March 2026. This poses a significant risk to the IJB in being able to continue current levels of service delivery.

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

8. Direction required

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

NHS Orkney.	No.
Orkney Islands Council.	No.

9. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.

10. Author and contact information

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11. Supporting documents

11.1. Appendix 1: Financial Recovery Plan.



Financial Recovery Plan 2025 – 2028

Orkney Integration Joint Board



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1. Executive Summary

The Orkney Integration Joint Board (IJB) faces a significant financial challenge over the next three years, with a projected funding gap of £11.3 million by 2028. This Financial Recovery Plan sets out a structured and achievable roadmap to restore financial sustainability while continuing to deliver high-quality health and social care services. It aligns with the [Strategic Plan 2025 – 2028](#) and the [Medium Term Financial Plan \(MTFP\)](#) and is built around four strategic objectives: financial sustainability, resource alignment, operational efficiency, and strengthened governance. The Plan includes detailed actions, timelines, and accountability mechanisms to ensure delivery and transparency.

2. Purpose

This Recovery Plan serves as a key planning document to guide the Orkney IJB's use of resources over the medium-term period 2025 – 2028. It is designed to:

- Address the projected funding gap through targeted recovery actions.
- Support the delivery of the Strategic Plan and Strategic Delivery Plan.
- Improve financial resilience and operational efficiency.
- Provide a framework for monitoring, evaluation, and stakeholder engagement.

3. Background

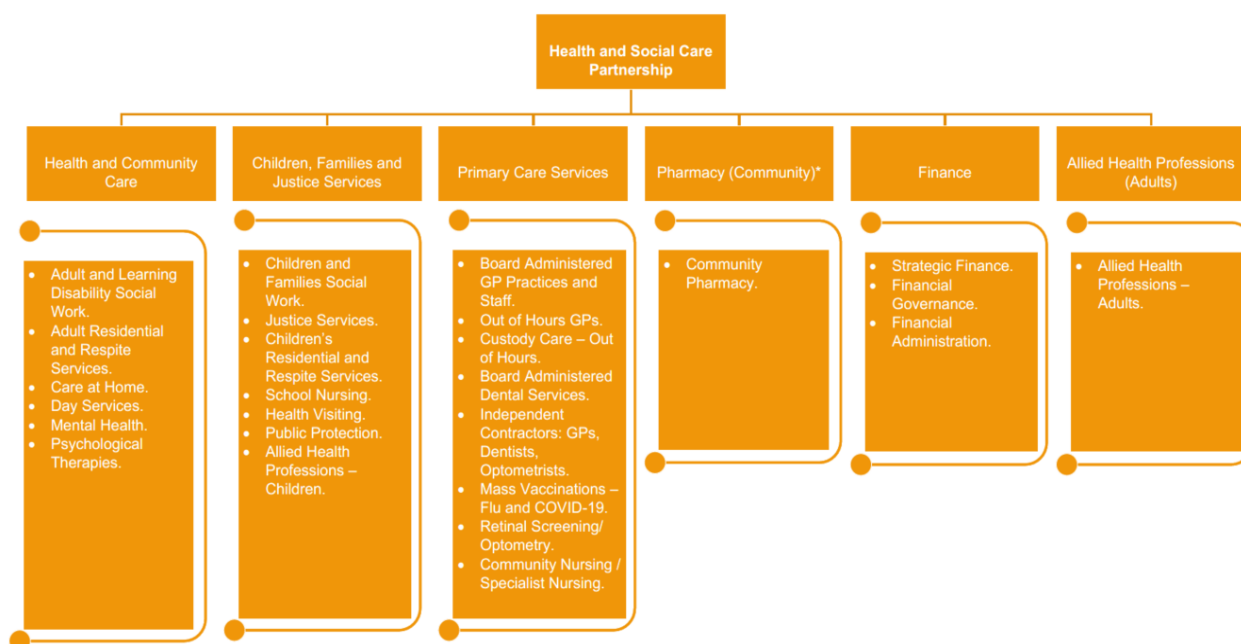
The Orkney IJB is responsible for the planning and delivery of integrated health and social care services in Orkney. It operates in partnership with NHS Orkney and Orkney Islands Council and is legally required to set a balanced budget each year. The MTFP highlights a range of pressures including:

- Rising demand due to demographic changes and complex care needs.
- Workforce challenges and reliance on agency staff.
- Inflationary pressures on contracts and supplies.
- Uncertainty in national funding allocations.

The “most likely” scenario outlined in the MTFP forecasts an £11.3 million shortfall over the three-year period. This Recovery Plan is a direct response to that challenge and is intended to be reviewed and updated annually.

3.1. Overview of our Services

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



Hospital Services:

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

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

3.2. Governance and Guiding Principles

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

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

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

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

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

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

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

4. Strategic Objectives

To guide recovery and transformation, the Orkney IJB has identified four key strategic objectives:

1. **Achieve Financial Sustainability:** Restore financial balance through improved budget understanding, cost control, and alignment with annual funding arrangements.

2. **Align Resources with Strategic Priorities:** Ensure funding and staffing are directed toward services that deliver the greatest impact, especially preventative and community-based care.
3. **Improve Operational Efficiency and Workforce Resilience:** Deliver services more efficiently while building a stable, skilled workforce that reduces reliance on costly agency staff.
4. **Strengthen Governance and Stakeholder Engagement:** Ensure robust oversight, transparent reporting, and meaningful involvement of partners and the public.

4.1 Strategic Objectives and Key Actions

4.1.1. Achieve Financial Sustainability

Key Action	Summary of Tasks	Timeline
Deep Dive Budget Review	Train budget holders, analyse actual versus planned spend, identify inefficiencies, develop improvement plans	Quarter 3 – Quarter 4 2025/26 (Foundation) Quarter 1 – Quarter 2 2026/27 (Implementation)
Annual Funding Alignment	Confirm partner contributions, map funding to pressures, adjust plans, establish quarterly reviews	Quarter 3 2026/27 – Quarter 2 2027/28 (Stabilisation)
Cost Control Protocols	Monthly variance reporting, spending thresholds, escalation triggers, manager training	Quarter 3 2027/28 – Quarter 2 2028/29 (Sustainability)

4.1.2. Align Resources with Strategic Priorities

Key Action	Summary of Tasks	Timeline
Strategic Commissioning Framework	Define outcomes, map spend, co-design with stakeholders, approve framework	Quarter 4 2025/26 – Quarter 1 2026/27 (Foundation)
Service Decommissioning	Identify low-impact services, assess risks, develop transition plans, reinvest savings	Quarter 2 – Quarter 3 2026/27 (Implementation)

Key Action	Summary of Tasks	Timeline
Preventative Care Investment	Expand anticipatory care, partner with third sector, allocate funding, monitor outcomes	Quarter 4 2026/27 – Quarter 2 2027/28 (Realignment) Quarter 3 2027/28 – Quarter 2 2028/29 (Evaluation)

4.1.3. Improve Operational Efficiency and Workforce Resilience

Key Action	Summary of Tasks	Timeline
Workforce Audit and Redesign	Audit roles and gaps, redesign teams, pilot new models	Quarter 3 – Quarter 4 2025/26 (Foundation)
Recruitment and Retention Strategy	Launch campaigns, develop career pathways, offer incentives	Quarter 1 – Quarter 3 2026/27 (Implementation)
Digital Transformation	Assess readiness, train staff, evaluate impact	Quarter 4 2026/27 – Quarter 2 2027/28 (Optimisation) Quarter 3 2027/28 – Quarter 2 2028/29 (Sustainability)

4.1.4. Strengthen Governance and Stakeholder Engagement

Key Action	Summary of Tasks	Timeline
Financial Recovery Oversight Group	Establish group, monthly reviews, quarterly reporting, adjust plan	Quarter 3 – Quarter 4 2025/26 (Foundation)
Performance Dashboards	Design dashboards, publish updates, train managers, inform decisions	Quarter 1 – Quarter 2 2026/27 (Implementation) Quarter 3 2026/27 – Quarter 2 2027/28 (Embedding)
Stakeholder Engagement	Host forums, incorporate lived experience, feedback loops	Quarter 3 2027/28 – Quarter 2 2028/29 (Evaluation)

5. Current Financial Challenges

The Orkney IJB's financial position is shaped by a range of structural and operational pressures. These include:

- **Projected Budget Gap:** Estimated £11.3 million by 2028 under the “most likely” scenario in the MTFP.
- **Rising Demand:** Ageing population and increasing complexity of care needs.
- **Workforce Pressures:** Recruitment challenges and high agency reliance.
- **Inflationary Costs:** Impacting supplies, contracts, and staffing.
- **Funding Uncertainty:** Dependence on Scottish Government allocations and partner contributions based on prior year budgets with uplifts and approved service pressures.
- **Service Delivery Challenges:** Geographic isolation and rurality increase costs and limit economies of scale.

6. Operational Levers Supporting Financial Recovery

To deliver on the strategic objectives and address the projected funding gap, Orkney IJB will activate the following operational levers. These levers represent the practical mechanisms through which financial recovery will be achieved.

6.1. Service Requirements

Purpose: Ensure services align with statutory duties, strategic priorities, and population needs.

Key Tasks:

- Conduct a comprehensive service mapping exercise.
- Identify statutory vs. discretionary services.
- Use population health data and demand modelling to forecast future needs.
- Engage stakeholders in redesign proposals.

Lead: Chief Officer.

Timescale: Quarter 3 – Quarter 4 2025/26.

6.2. Staffing Establishments

Purpose: Align workforce capacity and skill mix with service demand and strategic goals.

Key Tasks:

- Audit current staffing levels across all delegated services.

- Identify gaps, duplication, and opportunities for role redesign.
- Develop a workforce plan linked to the Strategic Delivery Plan.
- Engage with staff and unions on proposed changes.

Lead: Chief Officer, HR Lead and Heads of Service.

Timescale: Quarter 3 2025/26 (audit); Quarter 4 2025/26 – Quarter 2 2026/27 (implementation).

6.3. Agency and Locum Staffing

Purpose: Reduce reliance on temporary staffing to improve continuity and control costs.

Key Tasks:

- Review agency and locum expenditure by service area.
- Introduce tighter controls and approval processes.
- Develop internal capacity and flexible staffing models.
- Monitor impact on service quality and budget.

Lead: Chief Finance Officer and Heads of Service.

Timescale: Quarter 3 – Quarter 4 2025/26 (controls); Quarter 1 – Quarter 2 2026/27 (alternatives).

6.4. Staff Training and Development

Purpose: Build workforce capability to deliver new models of care and improve retention.

Key Tasks:

- Align training programmes with strategic priorities.
- Launch trauma-informed care and anticipatory planning modules.
- Coordinate training across NHS Orkney and Orkney Islands Council.
- Evaluate training outcomes and impact.

Lead: Heads of Service.

Timescale: Quarter 4 2025 – Quarter 2 2026/27.

6.5. Recruitment Levels

Purpose: Address recruitment challenges and build a sustainable local workforce.

Key Tasks:

- Track vacancy rates and time-to-fill metrics.

- Launch targeted recruitment campaigns for priority roles.
- Develop “grow-your-own” pathways including apprenticeships.
- Collaborate with housing, education, and community partners.

Lead: HR and Communications Teams.

Timescale: Quarter 4 2025 – Quarter 2 2026/27.

6.6. Charging Levels

Purpose: Ensure charging policies are fair, transparent, and financially sustainable.

Key Tasks:

- Review current charging policies for non-statutory services.
- Benchmark against other IJBs and local authorities.
- Assess financial impact and equity implications.
- Consult with service users and carers.

Lead: Chief Finance Officer.

Timescale: Quarter 3 – Quarter 4 2025/26.

6.7. Disestablishment of Non-Critical Functions

Purpose: Reallocate resources from low-impact functions to priority areas.

Key Tasks:

- Identify functions not contributing to strategic outcomes or statutory duties.
- Conduct impact assessments and equality analysis.
- Develop transition plans for affected staff and service users.
- Reinvest savings into preventative and integrated care.

Lead: Chief Officer.

Timescale: Quarter 1 – Quarter 2 2026/27.

6.8. Third Sector Commissioned Services

Purpose: Ensure commissioned services deliver value for money and align with strategic goals.

Key Tasks:

- Review all third sector contracts and outcomes.
- Engage providers in co-designing cost-effective models.
- Introduce outcome-based commissioning frameworks.

- Monitor performance and impact.

Lead: Chief Finance Officer and Procurement Teams.

Timescale: Quarter 1 – Quarter 2 2026/27.

6.9. Direct Payment Approach and Provision

Purpose: Promote Direct Payments as a flexible, person-centred option for care delivery.

Key Tasks:

- Audit current uptake and expenditure.
- Develop guidance and support for users managing their own care.
- Promote Direct Payments through public engagement.
- Monitor outcomes and financial impact.

Lead: Self-Directed Support Lead.

Timescale: Quarter 2 – Quarter 3 2026/27.

6.10. Reviews of Policies and Procedures

Purpose: Streamline governance and operational processes to support agile decision-making.



Key Tasks:









- Audit existing policies for relevance and efficiency.
- Remove duplication and outdated procedures.
- Embed continuous improvement cycles.
- Ensure alignment with national guidance and local priorities.

Lead: Chief Officer.

Timescale: Quarter 3 2025 – Quarter 2 2026/27.

6.11. Operational Levers Summary

Lever	Purpose	Lead	Timescale
 Service Requirements	Align services with statutory duties and demand	Chief Officer	Quarter 3 – Quarter 4 2025/26
 Staffing Establishments	Match workforce to service needs	Chief Officer, HR Lead	Quarter 3 2025/26 – Quarter 2 2026/27

Lever	Purpose	Lead	Timescale
 Agency and Locum Staffing	Reduce temporary staffing costs	Chief Finance Officer, Heads of Service	Quarter 3 2025/26 – Quarter 2 2026/27.
 Staff Training	Build capability for new care models	Heads of Service	Quarter 4 2025/26 – Quarter 2 2026/27
 Recruitment	Strengthen local workforce	HR and Communication	Quarter 4 2025/26 – Quarter 2 2026/27
 Charging Levels	Ensure fair and sustainable charges	Chief Finance Officer	Quarter 3 – Quarter 4 2025/26
 Disestablishment	Reallocate resources from low-impact functions	Chief Officer	Quarter 1 – Quarter 2 2026/27
 Third Sector Commissioning	Align contracts with strategic goals	Chief Finance Officer, Procurement	Quarter 1 – Quarter 2 2026/27
 Direct Payments	Promote flexible, person-centred care	Self Directed Support Lead	Quarter 2 – Quarter 3 2026/27
 Policy & Procedure Review	Streamline governance and operations	Chief Officer	Quarter 3 2025/26 – Quarter 2 2026/27

6.12. Summary of Key Milestones

Year	Milestone	Outcome
2025/26	Budget reviews, workforce audit, governance setup	Baseline established
2026/27	Service redesign, recruitment strategy, digital pilots	10–15% cost savings
2027/28	Balanced budget, full rollout of reforms	Financial breakeven

Year	Milestone	Outcome
2028/29	Evaluation and sustainability	Long-term stability and improved outcomes

7. Conclusion

This Financial Recovery Plan provides a clear and actionable roadmap for restoring financial sustainability while maintaining service quality. It reflects the Orkney IJB's commitment to transformation, transparency, and partnership working. With disciplined implementation and strong leadership, the Board can meet its financial challenges and deliver better outcomes for the people of Orkney.