



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

INTEGRATION JOINT BOARD – IJB Budget 2026/27 and 3 year plan

PURPOSE OF REPORT

1. To approve IJB budget for the period 2026/27 and note the 3-year plan.

COMPETENCE

2. The Integration Joint Board (IJB) is required to agree a balanced budget on the basis of the funding delegated by NHS Western Isles and Comhairle nan Eilean Siar.

SUMMARY

3. In accordance with the Western Isles Integration Scheme, the IJB is required to approve a balanced budget on the basis of funding delegated by NHS Western Isles and Comhairle nan Eilean Siar (CnES). This has been an extremely challenging process with both of the IJB's parent bodies experiencing significant financial pressure.
4. The following are assumptions that have been made preparing the budget:
 - NHS Western Isles will receive a 2% uplift on base and that has been passed onto the IJB delegated budgets.
 - CnES Social Care pay budgets have been uplifted by 3.5%.
 - Increase funding for Social Care of £1.914m (Adult Social Care Living Wage £1.102m, revised SG distribution formula £812k) has been received and £190k for contribution to 2026/27 local authorities pay award.
 - Increase in NHS Distant Islands Allowance share passed onto IJB delegated budgets
 - Known inflationary uplifts have been included within the 3-year budget
 - Agency costs are not budgeted for, all pay budgets are calculated on substantive pay.
 - Independent Care Home fees for 2026/27 were calculated at the last tender round and included at the agreed rate.
 - CnES Residential Care charges have been increased by 5%.
5. As of 2nd March 2026, the initial budget gap for the IJB was £4.140m excluding savings and any financial flexibility and reserves.

DUE DILIGENCE

6. The Integrated Resources Advisory Group (IRAG) guidance sets out the process that should be followed by councils and NHS Boards in calculating the budget allocation for their IJB for the functions that have been delegated. This includes taking into account historical patterns of spend, likely cost pressures, demographic changes which present significant challenge in terms of workforce and demand for services and agreed service development proposals.



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7. The budget setting process for the IJB is set out in the Integration Scheme. The financial processes of each partner organisation are governed by their own financial instructions and are subject to auditor scrutiny on an annual basis.

25/26 BUDGET PROPOSAL

Summary

8. The 2026/27 budget initially required for the delegated and set aside functions is £89.554m, as shown in table below, which results in an initial budget gap of £4.140m. After earmarked reserves are included, anticipated Scottish Government Grants, reserves and savings including and unavoidable vacancies (for both partners), this brings the net budget to a break-even position.

	26/267		
	NHS £'000	CnES £'000	Total £'000
Gross Cost of Services	59,905	44,341	104,246
Income (SC)	-	10,552	10,552
Total Core Funding	58,554	31,000	89,554
Intial Budget Gap	-1,351	-2,789	-4,140
Savings/Reserves			
Vacancies - unavoidable	993	500	1,493
Procurement Savings	40	-	40
Prescribing Target	40	-	40
Financial Flexibilites	-	-	-
General Reserves	278	442	720
LA Earmarked Reserves	-	1,847	1,847
Net Gap	0	0	0
Gross Gap	2.3%	9.0%	4.6%
Net Gap	0.0%	0.0%	0.0%

9. To reiterate, anticipated cost of delivery service includes projected inflation, increases in care home rates, pay uplift across the Health and Social Care partnership. The expenditure budget also assumes that the specific funds will be fully utilised i.e. Primary Care Improvement Fund. The above figures do not include any further changes made to staff terms and conditions.





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SAVINGS PROPOSALS

10. The gap after vacancy targets and other savings are utilised is £2.567m. Reserves will be used to cover the remaining gap to bring the budget to a break-even position
11. The IJB have been using reserves for many years to close the budget gap, specifically in Social Care. These included reserves provided by NHS Scotland for Covid, and any increased uplifts awarded. The table below shows the levels of predicted year end reserves from 2025/26 to 2028/29 that can be carried forward at the end of each year. **To note specific reserves, have a caveat that money can only be spent for the reason the IJB was given the allocation/grant for and therefore cannot be put towards the funding gap for example Alcohol and Drugs Partnership, Primary Care Funds.**

	25/26 Y/E	26/27 Y/E	27/28 Y/E	28/29 Y/E
	£'000	£'000	£'000	£'000
Earmarked	1,036	83	-	-
Specific	3,904	1,697	820	410
General	815	373	-	-
Total	5,755	2,154	820	410

12. Each partner will make efficiencies through grip and control measures. NHS Western Isles has been issued with a self-assessment financial efficiency checklist. An example of grip and control measure are below:
- Suspending and reviewing recruitment for non-patient or client facing vacancies.
 - Essential travel only to be submitted for consideration and approval.
 - All services to review maximum use of Teams, Near Me, Attend Anywhere.
 - Teams/hybrid approach the default for meetings, off island(s).
 - Comprehensive review of National Distribution Centre and Excel usage.
 - Review all fixed-term contracts.
 - Reduce or end all supplementary staff where possible and employ through direct engagement models.

THREE YEAR PLAN

13. The draft 3-year budget plan is shown overleaf. If the IJB does not make a high level of recurring savings each year and if the level of funding available is not increased than by 2028/29 the Board could be looking at a £5.430m gross initial budget gap and a net £3.650m gap.



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14. With that level of gap then changes in service will need to be made over and above some of the choices that will have to be made to allow the Board to break even in 2026/27. Work linking financial savings and long-term strategies for Health and Social Care needs to start immediately, specifically as many will need to be consulted on and would possibly trigger change management processes in both partners.

	26/27	27/28	28/29
	Total	Total	Total
	£'000	£'000	£'000
Expenditure			
IJB Management	6,963	7,065	7,183
Alcohol and Drugs	926	926	926
Adult Social Services	42,862	44,148	45,472
Allied Health Professionals	3,760	3,835	3,911
Community Nursing	9,431	9,619	9,812
Dental Services	3,668	3,741	3,816
Mental Health Services	4,498	4,588	4,680
Associate Medical Director	20,583	21,148	21,734
Acute Set Aside	11,555	11,905	12,262
Gross Total	104,246	106,975	109,797
Income and Charges SC	10,552	10,869	11,195
Partner Funding	89,554	91,345	93,172
GAP	(4,140)	(4,761)	(5,430)
Savings/Financial Flexibility			
Vacancies - unavoidable	1,494	1,500	1,500
Procurement Savings	40	40	40
Prescribing Target	40	40	40
NHS Earmarked Reserves	278	300	-
Financial Flexibilities	-	205	200
General Reserves	442	373	-
LA Earmarked Reserves	1,847	712	-
NET GAP	0	(1,591)	(3,650)

To note IJB Management include Primary Care Improvement Funds; Integration Funds (includes allocation for CnES given through NHS allocations), resource transfers and the Management costs of both NHS and Adult Social Services.





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RISKS

15. The risks below are general financial risks, risk associated with savings plan which will include the risk of non-achievement regardless of financial risk, service risk or political risk.
16. The poor workforce demographics on the island and loss of 38 bedded care home are resulting in ongoing high levels of delayed discharges and unmet need which require the continuous staffing of contingency beds. **The risk is £1,000k cash and £3m notional costs.** Some of the £1,000k cash may sit in non-IJB budgets.
17. The continuous and increasing risk of not being able to recruit to key medical posts and GPs in the new 2C practices will result in the use of agency or locum staff with a possibility of no agreed national framework and hourly demand rates increasing. **The risk is £400k.**
18. The risk of new packages of care including transfers from Children Services and breakdown of existing care arrangements **the risk is £400k.**
19. It is anticipated that there will be continued pressure on all prescribing budgets due to a) above inflationary increases, b) increasing elderly population with increased levels of co-morbidity and c) increases in new drugs not yet out with patent. **The risk is £1,000k**
20. Shortage of psychiatrists will result in continued pressure on the Mental Health budget due to the need to use Agency Locums. Work is underway to reduce the risk but will not be in situ for the first part of the financial year. **The risk is £500k**
21. Reduction in population, increasing health needs, reducing workforce population are all contributing to increasing requirement for resources both finance and staffing. The finance risk in any year could be between **£1m to £2m.**

RECOMMENDATIONS

22. It is recommended that members of the IJB:
 - a) Approve the break-even budget position for 26/27
 - b) Note the 3-year gaps at paragraph 14 respectively.
 - c) Note on-going cost pressures and risks that will need to be mitigated where possible

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