

NHS Devon Integrated Care System

Finance Report

Month 4 – 2024/25

1. Financial Performance to date

The presentation of the Devon Integrated Care System's (ICS) Finance Report seeks to provide the necessary assurance to the Board on the financial position of the ICS for the year ending 31 March 2025.

This report details the ICS financial position as at 31 July 2024.

As part of the 24/25 planning round, Devon ICS submitted a final deficit plan of £80m. The ICS forecasting at month 4 is to deliver the plan for the year. The year to date position at month 4 is adverse by £2.8m, reflecting the financial impact of industrial action.

The ICS is reporting £33.4m efficiency achievement in the first quarter of the year. This is £0.2m above plan. The forecast is to achieve the savings plan of £213.3m.

At the planning stage risks of £88m were identified of which £17m were mitigated, resulting in a net risk of £71m. Gross risks by month 4 increased to £105m, driven primarily by risks relating to the efficiencies programme. However, total mitigations also rose to £62m leaving a net risk of £43.5m.

The committee can take **satisfactory assurance** that the plan to date is delivering, subject to the unforeseen impact of industrial action.

2. Financial Position

As at month 4 the Devon ICS is reporting a year to date £54.6m deficit against a planned deficit of £51.8m. The cumulative position at month 4 is adverse by £2.8m, reflecting the financial impact of industrial action. The forecast for the year is currently on plan with a £80m deficit. The year to date and forecast position as at 31 July 2024 is as follows:

Organisation	Year to date			Forecast		
	Plan surplus / (deficit) £000	Actual surplus / (deficit) £000	Variance favourable / (adverse) £000	Plan for the year surplus / (deficit) £000	Forecast surplus / (deficit) £000	Variance favourable / (adverse) £000
Devon ICB	9,475	9,473	(2)	28,419	28,419	0
Devon Partnership NHS Trust	1,398	1,398	0	3,591	3,591	0
Royal Devon University NHS FT	(11,877)	(12,316)	(439)	(9,763)	(9,763)	0
Torbay and South Devon NHS FT	(24,525)	(25,001)	(476)	(47,672)	(47,672)	0
University Hospitals Plymouth NHST	(26,254)	(28,111)	(1,857)	(54,575)	(54,575)	(0)
Total	(51,783)	(54,557)	(2,774)	(80,000)	(80,000)	0

3. Efficiencies

The ICS is reporting £33.4m efficiency achievement in the first quarter of the year. This is £0.2m above plan. The forecast is to achieve the plan of £213.3m.

The DPT position YTD is impacted by the phasing of schemes as they have matured. Whereas, the UHP over performance YTD is related to early achievement of non recurrent savings, which is forecast to come back to plan.

The ICS has delivered against the significant step-up in planned delivery in month 4.

Organisation	Year to date			Forecast		
	Plan CIP delivery £000	Actual CIP delivery £000	Variance fav / (adv) £000	Plan for the year £000	Forecast £000	Variance fav / (adv) £000
Devon ICB	2,769	2,805	36	37,228	37,228	(0)
Devon Partnership NHS Trust	4,761	3,894	(867)	15,739	15,759	20
Royal Devon University NHS FT	10,651	10,545	(106)	63,610	63,610	0
Torbay and South Devon NHS FT	5,030	5,036	6	39,900	39,900	0
University Hospitals Plymouth NHS Trust	10,054	11,159	1,105	56,801	56,803	2
Total	33,265	33,439	174	213,278	213,300	22

The plan for the year identifies 30% of savings as non-recurrent. At month 4, there is a shortfall in recurrent savings of £5m, which has been offset by delivery of non-recurrent savings £5.2m ahead of the plan at this point in the year. Providers expect to return to the planned proportions of recurrent and NR savings by the year-end as schemes mature.

None of the efficiencies target remains unidentified at month 4 thus demonstrating scheme maturity progressing. 57% of forecast relates to schemes rated as fully developed, (M03 44%).

Efficiencies	Annual Plan		Year to date				
			Plan CIP delivery		Actual CIP delivery		Variance fav/(adv)
	£000	%	£000	%	£000	%	£000
Recurrent	150,076	70%	25,706	77%	20,661	62%	-5,045
Non-recurrent	63,202	30%	7,559	23%	12,779	38%	5,220
Total	213,278		33,265		33,439		174

Risks to the delivery of the system CIP plan are:

- The profile of savings is strongly skewed to the second half of the year, with 71% of the savings plan profiled for delivery in H2.
- Recurrent CIP has not been delivered fully to plan as at Month 4. The shortfall of £5m (15%) is offset by the non-recurrent savings achievement, which has been recognised earlier in the year than planned.
- High risk schemes are at 23% (M3 25%)

Based on the above there is **limited assurance** around delivering the the full efficiency requirement.

Proposed mitigations:.

- The ICB CFO holds monthly Financial Assurance Reviews with all providers where the recurrent vs non-recurrent delivery risk was discussed.
- Trusts have achieved a reduction in unidentified efficiencies to zero by the end of Month 4 and this will be followed by reviewing the progress of scheme maturity monthly.
- Trusts have been requested to de-risk efficiency plans so that less than 20% of the efficiency plan is high risk by end of Month 5 and are on target to achieve this.

4. Financial Risks

At the planning stage risks of £88m were identified of which £17m were mitigated, resulting in a net risk of £71m. Gross risks by month 4 increased to £105m, driven primarily by risks relating to the efficiencies programme. However, total mitigations also rose to £62m leaving a net risk of £43.5m.

There is currently therefore only **limited assurance** regarding management of the financial risks identified by the system as they remain significant.

The ICB has a risk on the corporate risk register relating to 'Delivery of the System Control Total for 2024/25' with a residual risk score of 16 (4 Likelihood x 4 Impact).

The following controls and assurances are in place to manage this risk:

- Establishment of Programme Management Office (PMO) and review and escalation processes for variance from agreed trajectory.

- Integrated Care System (ICS) monthly finance report for escalation to Finance and Planning Board (FPB), and Senior Leadership Group.
- System Recovery Plan (which is encapsulated in the 2024/25 operational and financial plans) in place. This is a dynamic plan that continually assesses progress against system-wide savings, identification of new schemes and performance against key finance and performance trajectories.
- System Vacancy Control Panel in place to prevent an increase in workforce growth and to support a reduction in running costs.
- Triple Lock Sign-Off Process in place for all revenue investments above £100k, with sign-off required by the organisation, system and NHS England (NHSE) regional team.
- Cost Improvement Programmes (CIPS) in place that contain cost reduction strategies that aim to identify and implement measures to achieve cost savings and efficiency improvements while maintaining or enhancing the quality of healthcare services provided to patients.

5. Workforce, including agency

The ICS is reporting a less than 0.1% (£5.8m) adverse expenditure against plan at month 4, of which £1.8m relates to industrial action pay costs. The forecast indicates a £4.3m adverse expenditure, which is offset by additional funding receipts such as consultant pay award funding.

Class	Year to date (excl capitalised)			Full Year (excl capitalised)			WTE current month		
	Plan £000	Actual £000	Variance fav/(adv) £000	Full Year Plan £000	Forecast £000	Variance fav/(adv) £000	Plan wte	Actual wte (per PWR)	Variance fav/(adv)
Substantive	556,569	560,467	-3,898	1,663,036	1,674,178	-11,142	32,045	31,573	472
Bank	28,873	30,487	-1,614	76,062	72,690	3,372	1,257	1,612	-354
Agency	13,808	14,103	-295	37,566	34,064	3,502	469	596	-127
	599,250	605,057	-5,807	1,776,664	1,780,932	-4,268	33,772	33,781	-9

Trusts reported an overspent position YTD of £0.3m against plan on agency costs at month 4 (M03 £0.4m adv). The forecast indicates the favourable position has increased to £3.5m (M03 £1.9m fav).

TSD is 83% (£1.9m) adverse to plan year to date (M03 75%; £1.3m) and expects improvements from implementation of agency price caps and increased workforce controls (panel and roster scrutiny). Forecast is to achieve plan.

Off framework agency staff are low numbers and specific actions are being taken to address each individual. Some instances are due to continuation of contracts to their end to avoid penalties. Situation monitored in detail by Workforce Development Group.

Organisation	Agency expenditure: year to date			Forecast		
	Plan £000	Actual £000	favourable / (adverse) £000	Plan for the year £000	Forecast £000	favourable / (adverse) £000
Devon Partnership NHS Trust	3,411	3,738	(327)	8,506	9,766	(1,260)
Royal Devon University NHS FT	6,350	4,590	1,760	18,530	13,770	4,760
Torbay and South Devon NHS FT	2,322	4,252	(1,930)	5,657	5,657	0
University Hospitals Plymouth NHST	1,725	1,523	202	4,873	4,871	2
Total	13,808	14,103	(295)	37,566	34,064	3,502

NHSE set a system level agency cap of £51.1m (2.9% of total pay) in 2024/25. The system has planned to restrict agency costs to £37.6m (2.1% of pay costs). The forecast position indicates that this target will be achieved.

Further mitigations are in place through the Workforce Delivery Group which is focused on 5 priority areas that will drive down both workforce numbers and costs. The priority areas are:

- Temporary staffing (medical and non-medical) - To improve service and workforce resource planning, such that the requirement for temporary staffing is understood, in advance, and managed. Overall shift from agency to bank to substantive
- Workforce Transformation - To develop a co-ordinated approach to addressing workforce needs for the present and future. To design a standardised approach to planning the workforce resource, to get the best out of a limited resource.
- Rostering - To gain the maximum benefit from planning staff resources through rostering tools.
- Medical Productivity - Aim to create a system wide approach to improving the administration and management of the job-planning process. Focus on “non-standard” job plan expectations, but with the understanding that this will be a long term shift.
- Workforce Controls - Continuation of standard good practice that has evolved in recent years, pushing down on non-standard approaches to recruiting and challenging the need for all new staff.

The committee can take **satisfactory assurance** that the workforce controls and priority areas will deliver the workforce cost and WTE reductions.

6. Capital

System Capital (Including impact of IFRS 16)

	Plan YTD £'000	Actual YTD £'000	Variance YTD £'000	Plan Year Ending £'000	Allocation Year Ending £'000	Forecast Year Ending £'000
Devon Partnership NHS Trust	947	422	525	10,333	8,480	10,333
Royal Devon And Exeter NHS Foundation Trust	4,427	3,905	522	50,528	35,827	50,528
Torbay And South Devon NHS Foundation Trust	4,410	3,795	615	22,071	17,472	22,071
University Hospitals Plymouth NHS Trust	14,893	5,160	9,733	54,396	43,597	54,396
Total Provider charge against allocation	24,677	13,282	11,395	137,328	105,376	137,328

Year to date providers are £11.4m below plan in relation to capital expenditure, this is in part due to delays whilst plans are reprioritised due to limited capital.

Devon providers have a total allocation of £105.4m which includes the £20m system IFRS16 allocation for the first time. Forecast expenditure currently matches the initial plan, however providers are reassessing their priorities in order to manage within the IFRS16 allocation and late £5m capital allocation reduction that was a requirement of the 12th June final plan submission.

7. Assurance and Recommendations

Based on the discussions held with ICS organisations and review of the financial and workforce reports from each organisation it is recommended that the overall level of assurance that the ICS will achieve the planned forecast outturn for 2024/25 as at Month 4 is as follows:

Section	Assurance	Trend from previous month
Overall assurance	Satisfactory	No change
Financial performance	Satisfactory	No change
Savings and efficiencies	Limited	No change
Financial risks	Limited	No change
Workforce	Satisfactory	No change