

NHS Devon Integrated Care Board

One Devon (ICS) Finance Report M6

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N/A

Executive summary

The presentation of the One Devon Integrated Care System (ICS) Finance Report seeks to provide the necessary assurance on the financial position and risk relating to the ICS financial plan for the year ending 31 March 2025.

The report details the One Devon ICS financial position for the period ended 31 August 2024 against the finance plan submitted for the financial year 24/25 on the 12 June 2024.

This report is accompanied by an 'Integrated Care System Financial Performance and Assurance Review' slide pack that has been developed for NHS Devon to use as part of its monthly financial assurance reviews that it carries out with the Trusts.

NHS Devon carried out financial assurance reviews with all Trusts in September 2024.

The assurance ratings in this report are based on the outcomes of the review meetings and are 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

Committees that have previously discussed/agreed the report, and outcomes of that discussion

NHS Devon Executive reviewed this report on 05 November 2024. It was also reviewed by the Finance and Performance Committee at its meeting on 14 November 2024.

Key recommendations and actions requested

AGREE the overall assurance level relating to the financial position of the One Devon Integrated Care System of **satisfactory** and that adequate plans are in place to mitigate the risks relating to the delivery of planned savings and efficiencies and to the management of the financial risks identified at plan stage.

Impact on NHS Devon objectives

Objective	Impact
Improve population health	All
Improve services and reduced unwarranted variation	
Make more efficient use of our resources	
Develop our culture and how we operate	

Outline the implications of matters covered in this report for the following areas

Area	
Quality of services	None
Health inequalities	None

Workforce	None
Resources and finance	Delivery of financial sustainability
Legal	None
Digital and Data	None
Engagement and consultation	None

One Devon (ICS) Finance Report M6

Financial Performance to date

1. The presentation of the One Devon Integrated Care System's (ICS) Finance Report seeks to provide the necessary assurance on the financial position of the ICS for the year ending 31 March 2025.
2. This report details the One Devon ICS financial position as at 30 September 2024.
3. As part of the 2024/25 planning round, One Devon ICS initially submitted a deficit plan of £85.4m. This position was revised to a deficit plan of £80.0m, against which finances have been monitored since month 2, with the £5.4m improvement being managed through a system risk share. In month 6 the receipt of £80m non-recurrent deficit funding, phased in the second half of the year, has enabled the One Devon ICS to forecast delivery of a balanced outturn for 2024/25.
4. The year to date position at month 6 is adverse by £0.7m, reflecting the residual unfunded element of industrial action.
5. The One Devon ICS is reporting £66.6m efficiency achievement in the first 6 months of the year. This is £5.7m above plan. The forecast is to achieve the plan of £213.3m.
6. 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 6 have reduced to £94m, driven in majority by risks relating to the efficiencies programme, resulting in a net risk of £35m which is an improvement of £6.1m on month 5.
7. The committee can take **satisfactory assurance** that the plan to date is delivering subject to the unforeseen impact of industrial action.
8. The headline messages in the following sections are considered in further detail in the attached 'Integrated Care System Financial Performance and Assurance Review' slide pack (Appendix 1). This slide pack has been developed to support obtaining an increased in-depth financial assurance from the organisations within the system.

Financial Position (see detail in Section 1 of the ICS Financial Review Pack)

9. In month 6 the receipt of £80m non-recurrent deficit funding phased in the second half of the year has enabled the One Devon ICS to forecast delivery of a balanced outturn for 2024/25.

10. As at month 6 the One Devon ICS is reporting a year to date £15.9m deficit against an plan deficit of £15.2m. The cumulative position at month 6 is adverse by £0.7m, reflecting the financial impact of the proportion of industrial action that was unfunded. The forecast for the year is currently at breakeven. The year to date and forecast position as at 30 September 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	14,210	14,210	(0)	28,419	28,419	0
Devon Partnership NHS Trust	1,974	1,974	0	3,591	3,591	0
Royal Devon University NHS FT	(11,059)	(11,051)	8	(2,790)	(2,790)	0
Torbay and South Devon NHS FT	(9,622)	(9,622)	0	(13,624)	(13,624)	0
University Hospitals Plymouth NHST	(10,701)	(11,404)	(703)	(15,596)	(15,596)	(0)
Total	(15,198)	(15,894)	(696)	(0)	0	0

11. A straight-line extrapolation of the year to date spend predicts a £85.4m deficit. This run-rate forecast can be bought back to a balanced position once non-recurrent allocations and efficiencies to be delivered in H2 are taken into account.

Efficiencies (see detail in section 2 of the ICS Financial Review Pack)

12. The One Devon ICS is reporting £66.6m efficiency achievement in the first 6 months of the year. This is £5.7m above plan. The forecast is to achieve the plan of £213.3m.

13. The Devon Partnership NHS Trust (DPT) position YTD is impacted by the phasing of schemes as they have matured. Whereas, the University Hospitals Plymouth NHS Trust (UHP) over performance YTD is related to early achievement of non recurrent savings, which is forecast to return to plan.

14. The One Devon ICS has delivered against the significant step-up in planned delivery since quarter 1.

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	4,645	4,722	77	37,228	37,228	(0)
Devon Partnership NHS Trust	7,408	7,030	(378)	15,739	15,730	(9)
Royal Devon University NHS FT	21,187	22,484	1,297	63,610	63,610	0
Torbay and South Devon NHS FT	10,648	10,663	15	39,900	39,900	0
University Hospitals Plymouth NHS Trust	16,994	21,677	4,683	56,801	56,802	1
Total	60,882	66,576	5,694	213,278	213,270	(8)

15. The 2024/25 plan is that 70% of savings as recurrent and is on forecast to deliver. At month 6, 56% of year to date efficiency was recurrent (59% M5), against a plan of 75%.

16. At month 6, there is a shortfall in recurrent savings of £6.3m, which has been offset by delivery of non-recurrent savings £12m ahead of the plan at this point in the year. Providers expect all but £1.8m of efficiencies to return to the planned proportions of recurrent and non-recurrent savings by the year-end as schemes mature.

	Year to date			Forecast		
	Plan CIP delivery £000	Actual CIP delivery £000	Variance benefit / (adverse) £000	Plan for the year £000	Forecast £000	Variance benefit / (adverse) £000
Recurrent efficiencies	45,985	39,727	(6,258)	150,076	148,234	(1,842)
Non-recurrent efficiencies	14,897	26,849	11,952	63,202	65,034	1,832
Total	60,882	66,576	5,694	213,278	213,268	(10)
Recurrent %	75.5%	59.7%		70.4%	69.5%	
Non-recurrent %	24.5%	40.3%		29.6%	30.5%	

17. None of the efficiencies target remains unidentified at month 6 with scheme maturity progressing. 71% of schemes are rated as fully developed (57% M5) and high-risk schemes have reduced from 18% to 10%.

18. 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 efficiencies has not been delivered fully to plan as at Month 6. The shortfall of £6.3m is offset by the non-recurrent savings achievement, which has been recognised earlier in the year than planned.
- High risk schemes are at 10% (18% M5).

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

20. Proposed mitigations:

- The ICB Chief Finance Officer holds monthly Financial Assurance Reviews with all providers where the recurrent vs non-recurrent delivery risk is 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 worked on de-risking efficiency plans so that less than 20% of the efficiency plan is high risk by end of month 5 and have reduced this further to 10% at the end of month 6.

Financial Risks (see detail in section 3 of Financial Review Pack)

21. 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 6 have reduced to £94m, driven in majority by risks relating to the efficiencies programme resulting in a net risk of £35m which is an improvement of £6.1m on month 5.

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

	DPT £000	RDUH £000	TSD £000	UHP £000	ICB £000	System £000	System Prior month £000
Total risks	-3,498	-28,667	-20,245	-24,039	-17,354	-93,803	-103,539
Total mitigations	0	22,384	11,067	8,000	17,354	58,805	62,331
Unmitigated risk per PFR	-3,498	-6,283	-9,178	-16,039	0	-34,998	-41,208

23. NHS Devon 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).

24. 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.
- Monthly Finance and Performance Assurance packs developed with monthly meetings with all providers.
- System wide implementation of finance playbook.
- Run Rate analysis developed locally to inform risk profile.

Workforce, including agency (see detail in section 4 of the ICS Financial Review Pack)

25. The One Devon ICS is reporting a less than 0.1% (£8.7m) adverse expenditure against plan at month 6. Of this total, additional income to offset pay costs above the plan of £7.3m has been received, resulting in an unfunded variance of £1.4m. The forecast indicates a £17m adverse expenditure, which is offset in part by additional funding receipts such as externally funded posts and packages of care which were not in place at planning stage.

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	838,059	841,972	-3,913	1,669,041	1,675,146	-6,105	32,157	31,830	327
Bank	42,129	46,169	-4,040	76,062	86,010	-9,948	1,195	1,372	-177
Agency	20,212	21,004	-792	37,566	38,558	-992	448	572	-123
	900,400	909,145	-8,745	1,782,669	1,799,714	-17,045	33,800	33,774	26

26. Trusts reported an overspent position YTD of £0.8m against plan on agency costs at month 6 (M5 £0.6m adv). The forecast indicates the adverse position at year end is £1m.

27. TSD is £2.7m adverse to plan year to date (M5 £2.4m), however the rate of deterioration is reducing.

28. Off framework agency staff are low numbers and specific actions are being taken to address each individual case. Some instances are due to continuation of contracts to their end to avoid penalties. Situation is monitored in detail by the Workforce Delivery 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	4,908	5,647	(739)	8,506	9,978	(1,472)
Royal Devon University NHS FT	9,390	7,082	2,308	18,530	14,164	4,366
Torbay and South Devon NHS FT	3,359	6,065	(2,706)	5,657	9,711	(4,054)
University Hospitals Plymouth NHST	2,555	2,210	345	4,873	4,705	168
Total	20,212	21,004	(792)	37,566	38,558	(992)

29. 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 lower target will be overspent by £1m.

30. 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 RSP team have concluded a workforce control audit which will be reviewed by providers to agree further actions required.

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

Organisational Positions

32. Sections 6-9 of the attached Financial Assurance and Performance packs provide the detail for each organisation within the system. The detail of the NHS Devon position is contained within a separate report.

Capital

System Capital (Including impact of IFRS 16)

Organisation	Plan	Actual	Variance	Plan	Allocation	Forecast	Variance to Plan
	YTD	YTD	YTD	Year Ending	Year Ending	Year Ending	Year Ending
	£'000	£'000	£'000	£'000	£'001	£'000	£'000
Devon Partnership Trust	2,206	1,128	1,078	10,333	8,480	9,764	569
Royal Devon University NHS FT	8,111	8,470	(359)	50,528	35,827	54,703	(4,175)
Torbay and South Devon NHS FT	7,253	5,001	2,252	22,071	17,472	19,073	2,998
University Hospitals Plymouth Trust	24,131	9,755	14,376	54,396	43,597	49,070	5,326
	41,701	24,354	17,347	137,328	105,376	132,610	4,718

33. Year to date provider spending is £14.3m below plan in relation to capital expenditure, this is in part due to delays whilst plans were reprioritised due to capital allocation of less than plan.

34. Devon providers have a total allocation of £105.4m which includes the £20m system IFRS16 allocation. Forecast expenditure currently £4.7m below plan, but above allocation by £27.2m. Clarification is being sought from NHSE on whether the system should be managing to plan or allocation and whether national contingency will be available.

35. Providers are reporting that capital limitations are impacting operational delivery. A review of operational and clinical risks across the system around the limitations in capital over the MTFP period has been commissioned and the first draft has been reviewed. Additional analysis has been requested and a final report is due in November.

36. Appendix 2 is the capital slide pack for Month 6 that was reviewed with the region during October which provides further detail. (to follow)

Productivity

37. The Devon system has seen significant productivity improvements year to date compared to the first four months of 2023/24, with an improvement of 7%.

38. This is primarily driven by higher activity growth despite industrial action earlier in the year. This improvement is the best in the southwest and more than double the national improvement.

Organisation	M1-4 compared to prior year		
	Inflated Adjusted	Cost Weighted	Implied Productivity
Royal Devon University NHS FT	5.5%	14.4%	8.4%
Torbay and South Devon NHS FT	0.9%	4.6%	3.7%
University Hospitals Plymouth NHS	5.5%	13.3%	7.3%
Devon	4.3%	11.7%	7.0%
National	4.0%	6.9%	2.8%

Assurance and Recommendations

39. 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 6 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

40. The NHS Devon Board is requested to **AGREE** the overall assurance level relating to the financial position of the One Devon Integrated Care System of **satisfactory assurance** and that adequate plans are in place to mitigate the risks relating to the delivery of planned savings and efficiencies and to the management of the financial risks identified at plan stage.