South Devon Healthcare NHS
NHS Foundation Trust

Torbay and Southern Devon Health and Care NHS
NHS Trust

Acquisition of Torbay and Southern Devon Health and Care NHS Trust by South Devon Healthcare NHS Foundation Trust

In partnership with Torbay Council and South Devon and Torbay Clinical Commissioning Group

Risk-Share Agreement

Contents

1 Purpose of agreement

To facilitate the development of integrated health and social care and secure the quality of services. Changing the model of care through creating a stable financial environment for multi-year investment and aligned financial incentives. The future model of care will provide more proactive and preventative care, delivering:

- A shift away from incentivising activity volume growth (in acute services);
- A focus on population groups that are experiencing greatest demographic growth (the very young and the more elderly);
- A shift towards incentivising improved overall system capacity and the use of alternatives to acute admission (including development of community based care);
- To simplify and ease contractual processes and negotiations, to make time for more productive and developmental activities;
- To maximise the use of health and social care funds for care, rather than organisational and administrative processes;
- To maintain levels and quality of service despite reducing real terms resourcing;
- To reduce the volatility arising from individual organisations' exposure to demand and cost changes;
- To support a long-term contract for services between the parties; and support Heads of Terms for agreements between the parties and any regulatory authorities.

2 Parties to agreement

Commissioners:

- South Devon and Torbay Clinical Commissioning Group (SDTCCG) *(Lead: Simon Davies)*
- Torbay Council *(Lead: Martin Phillips)*

Providers (Integrated Care Organisation - ICO):

- South Devon Healthcare NHS Foundation Trust (SDH) *(Lead: Paul Cooper)*
- Torbay and Southern Devon Health and Care NHS Trust (TSD) *(Lead: Mark Hocking)*

The process of developing the agreement has been to understand each of the parties needs from the agreement and then build these into the principles and operational mechanism to deliver a mutually acceptable framework. This has included oversight from the Non-Executives and Governors from the South Devon Healthcare NHS Foundation Trust and Torbay and Southern Devon Health and Care Trust, the GP Governing body of the South Devon and Torbay Clinical Commissioning Group and elected members, and the Mayor from Torbay council. The agreement has also been formally approved by the local authority through their Full Council meeting (pt2).

3 Key principles behind risk-share

1. A financial and service baseline will be agreed for a period of five years, on a rolling basis. Variance from this baseline will trigger the risk-share mechanism;
2. The risk share mechanism focuses on variance in actual costs incurred by the ICO. For the purposes of this risk-share agreement the cause of variance in costs (i.e. demand or efficiency) is not important – the impact will be shared regardless of origin;
3. Variances from planned cost in the ICO will be shared between the parties in agreed proportions. The impact of negative and positive variances will be mirrored;

4. Variances from plan will be calculated on the total income and expenditure position of the ICO. This includes all commercial activities and all NHS commissioned services. Therefore, variances arising in services commissioned by NHS England (including specialised services), NEW Devon, and Public Health will also trigger implementation of the risk share agreement;

5. As part of this agreement, and by committing to a five year funding envelope defined by current baseline adjusted for expected growth / contraction in their allocations going forward, commissioners are committed to maintaining planned levels of spend for the duration of this agreement. This envelope recognises that prevailing national economic conditions plan for a real terms decrease. Any downward change to planned resource availability will require re-specifying service commitments to be deliverable within available resources. Any upward change to planned resource availability will also require joint consideration of the service commitments. Such allocation changes, in either direction will, other than by agreement be limited to the overall percentage change applied to the relevant commissioner's overall allocation;

6. Enhancements to elective care pathways delivered by the ICO will deliver a better patient experience and it is therefore expected that patient choice will support the ICO's market share in this area. The impact of patient choice will be accommodated through funding transfer arrangements as part of this agreement. These could increase or decrease the ICO income and will be calculated with reference to the planned and actual level of elective activity delivered in the ICO;

7. The planned ICO cost enables a sufficient margin on income to provide a 1% surplus to the ICO over the five years of this agreement. This surplus may be reduced by adverse cost variances shared through this agreement;

8. This agreement requires a long term commitment from all parties. The initial five year duration for the agreement is set to enable the ICO to recover set up costs and to deliver the 1% target surplus on a sustainable basis. Beyond this point it is recognised that parties may wish to reduce the duration to three years;

9. All parties should seek to minimise costs to the system as a whole where possible and to maximise the utilisation of all public expenditure;

10. Sufficient transparency around the cost base of the ICO and CIP plans, along with associated transparency around commissioner (financial and commissioning) plans will be a prerequisite for the successful operation of the risk share agreement;

11. Where parties have a responsibility to commission services, set prices, or enter into agreements which may affect the cost of the ICO, these responsibilities will be exercised with due regard to the risk share agreement, and the parties to it. Early and sufficient transparency around such arrangements will be the expectation;

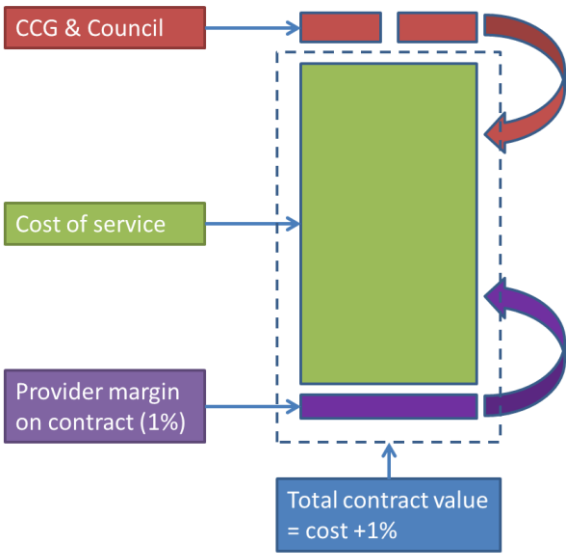
12. The impact of unplanned changes to commissioner funding envelopes will be managed in accordance with key principle five above.

4 Description of risk-share mechanism

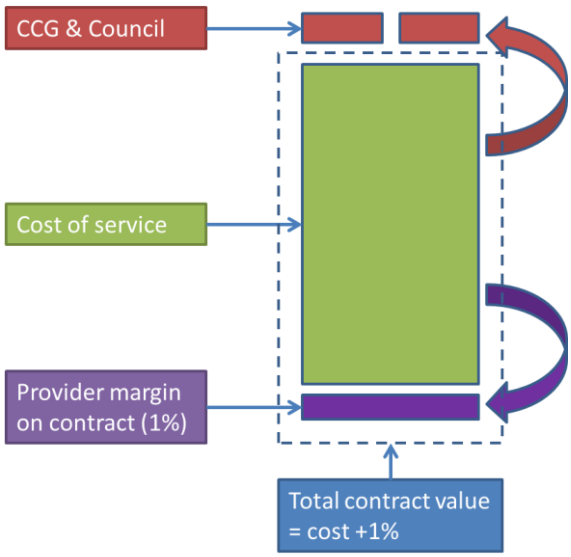
1. **Agree baseline**: A planned level of service commitment and ICO spend on these services will be agreed for an initial five year fixed period. The agreement will move to a rolling three year period beyond this point;
2. **Commit resources**: Commissioners will agree to commit the necessary resources to meet the baseline level of service as described in current plans, allowing for a 1% surplus for the ICO;
3. **Deliver service efficiencies**: The ICO will deliver agreed levels of efficiency improvements throughout the period;
4. **Manage variance**: Any variance in the planned financial performance of the ICO, as initially captured in the LTFM (baseline summarised in Appendix A on page 13). This may be subsequently amended by agreement, and will be shared according to proportions described below;
5. **Changes to risk share contributions:** Changes to risk share contributions will normally only arise where they follow a shift in baseline resource between commissioning organisations not already described in current plans. Changes in baselines already described in current plans will not give rise to alterations in the risk share contributions set out above.

Party	Share	Practical application
ICO (currently SDH and TSD)	50%	Overspend: All costs incurred within ICO Underspend: All costs incurred within ICO
TSDCCG	41%	Overspend: Share of variance is paid to ICO Underspend: Share of variance is withheld from ICO
Torbay Council	9%	

This is represented diagrammatically:



To agreed proportions (CCG 41%; TC 9%, ICO 50%), participants fund any deficits in the planned ICO position



To agreed proportions (CCG 41%; TC 9%, ICO 50%), participants gain from any surpluses in the planned ICO position

5 Scope of risk-share mechanism

Contract between the current SDH and CCG	
Elective services (planned)	In
Non-elective services (urgent)	In
All other services (e.g. PTS)	In
Contract between the current TSD and CCG	
Continuing healthcare (live cases)[1]	In
Continuing healthcare (retrospective cases)	Out
Community health services	In
Contract between the current SDH and Torbay Council	
Public health	In
Contract between the current TSD and Torbay Council	
Public health	In
Adult social care	In
Other relevant factors[2]:	
Other sources of income to SDH	In
Other sources of income to TSD	In
Supporting people	Out
Joint equipment store	Out
Devon social care	Out
West Devon contract with NEW Devon CCG	In
Additional non-clinical service resource allocations e.g. Consultant Merit Awards, etc.	In
Impact of Care Act and other regulatory changes	In

[1] There will be a requirement to continue managing the distinction between health and social care for South Devon patients, unlike for Torbay patients where the commissioning is fully integrated. It is assumed that proportion of people receiving continuing healthcare is aligned between Torbay Council and Devon County Council.

[2] Any surplus or deficit the ICO makes from activities outside the scope of the risk share agreement may be factored into the agreement (and, therefore effect the financial position of all parties) by mutual agreement of the parties as described in Section 7 (page 8).

6 Definition of baseline

The baseline will be defined as follows:

Service commitments

The services provided by SDH and TSD at the end of 2014/15 will define the baseline range of services to be provided by the ICO once formed.

The level of activity provided within each service will not be explicitly measured as part of this risk share agreement, as payments will not be made on an activity basis. However, activity will be recorded and reported as per other regulatory requirements, and for the purposes of service analysis and improvement (in concert with commissioners and national initiatives).

Although income will not be linked to activity, should costs exceed income an understanding the driver(s) for a deficit will be essential to help identify solutions. Many of the costs in the ICO will continue to be linked to levels of demand, understanding variances between planned and actual demand will therefore be a requirement of this agreement.

Both commissioners five year financial plans are described explicitly in the ICO final business case (FBC) and form a key component of the financial baseline within the ICO LTFM. A summary is provided in the appendix, page 13.

The CCG and the acute trust have agreed Heads of Terms for the 2015/16 contract which describes the mechanism to achieve the necessary opening recurrent baseline. These Heads of Terms identify the treatment of the associated opening baseline risks and will be applied in advance of the ICO Risk Share Agreement being applied.

The specification and mode of delivery of services may be changed by the ICO (undertaking relevant consultation where necessary) in order to better meet the needs of the community while continuing to deliver against the above frameworks.

Shifts in services, either into or out of the ICO will result in a cost change to the baseline of the ICO but will otherwise not affect the operation of the agreement (except insofar as they are so material they would trigger other aspects of the agreement). In other words, where commissioners incur net costs or savings as a result of the shift in service, these will be borne by the commissioners.

Performance Management

The ICO will meet the requirements of all statutory performance frameworks for these services. These frameworks are as follows:

- The Monitor risk assessment framework
- The Single Outcomes Framework which is currently under development by the parties.

The Commissioners and the ICO are committed to the delivery of all performance standards in the standard NHS contract. It is recognised that imposed penalties will not in and of themselves enable achievement of standards and may run counter to the aims of the risk share agreement. Any penalties which are calculated under the NHS standard contract will be used in full to address the performance issues for which it was identified.

It is recognised that penalties may apply in two distinct circumstances - planned and unplanned.

- Where an unplanned penalty is applied, i.e. a breach of performance standard which was not planned, this will be subject to management as described above;
- Where the breach is planned (i.e. agreed in advance with Commissioners), e.g. backlog patients impacting on RTT or managing diagnostic waiting times, etc. then this will be subject to a more proactive approach describing the plan to the commissioner upfront. In these circumstances penalties will not be levied.

It is the Commissioner and Trust intention that as many breaches of performance standards as possible fall into the planned category and are managed in the way set out above.

Service costs

The cost baseline will be defined and agreed for the services described above over the initial 5 year period. This will set out a profile of the total cost of ICO health and care services for the relevant population for this period and analysed by commissioner.

The initial cost will be determined by the indicative resource availability information provided by the commissioners in advance of this agreement, which has been informed by historic service costs alongside key service changes for 2015/16.

This cost baseline will be set out in the final ICO LTFM in support of the Transaction Agreement as submitted to Monitor and the Trust Development Authority (TDA) for the purpose of regulatory assessment. A summary is provided in the appendix on page 13.

As a general principle the ICO will be supported to make a 1% surplus on its services, and a 1% margin will be applied on the total planned service cost within this agreement. Changes to surplus can however be considered as part of level 2 and level 3 risk share considerations (below).

Arrangements for the appropriate recovery of VAT in line with current arrangements between the Council and Torbay and Southern Devon Health and Care NHS Trust insofar as they will relate to the on-going services provided by the ICO will be considered alongside this arrangement. Further guidance on the VAT implications of Better Care Fund, and in particular as it relates to this arrangement, will be considered alongside this arrangement.

Financial Mechanism

The basic model of payment underpinning the risk share agreement is seeking to move from a historic negotiated contract based on an initial agreement of likely future demand and income under tariff to a longer term, planned level of income, in line with commissioner funding, which seeks to better enable the ICO to move settings of care from more to less acute settings. The current and planned cost of the ICO along with anticipated efficiencies will inform the payment model, alongside a view of current and future commissioner funding. This will be supported through greater transparency for commissioners around the current cost base of the ICO, as well as sight of and input to investment (particularly capital and workforce) plans and reciprocally, greater transparency of commissioner funding and associated spending plans. Both commissioners and provider will evaluate the value for money of this approach as a minimum in the context of national standard contract terms and conditions and current national tariff.

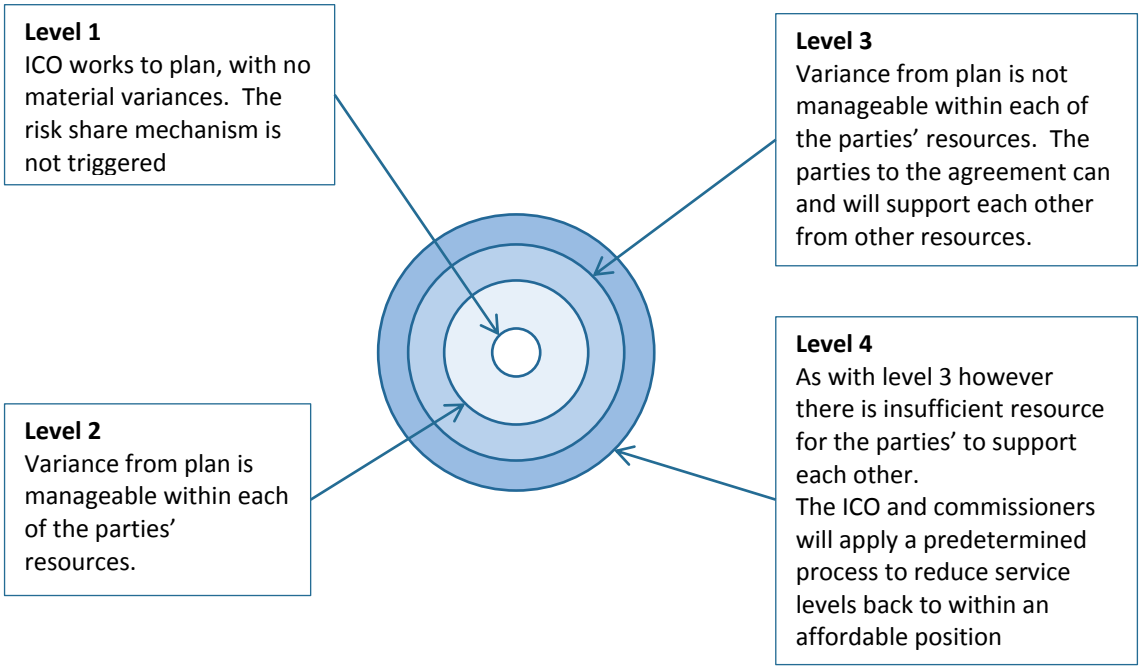
Payments for the delivery of services (as per the agreed capitation baseline) will be made monthly.

Variance between actual costs and the baseline will be reviewed in arrears on a quarterly basis. If actual costs are higher than the agreed baseline then the relevant additional share will be paid to the ICO for the quarter, in accordance with agreed risk share proportions. If actual costs are less than the agreed baseline then that month's contract payment will be reduced to account for underspend in the quarter, in accordance with agreed gain share.

This mechanism to apportion the variance will apply at each of the levels 2, 3 and 4 of extraordinary measures that are described in section 7 below.

7 Cooperation and extraordinary measures

The core mechanisms within this risk share agreement aim to incentivise a reduction in cost of health and care across the community, and reduce the risk to individual parties through sharing the impact of adverse (or positive) financial performance between the parties.



These mechanisms are summarised as "Levels 1 & 2" below:

Level	Description	Action
Level 1	Agreed plan is met with no material variance	Contract sums are paid on a monthly basis.
Level 2	Variance from plans is manageable within normal flexibilities available to parties	The risk share mechanism is applied as described herein, with variations applied on a quarterly basis.

It is possible that external events or extraordinary pressures may lead to a situation where one or more parties to this agreement struggle to meet their contractual commitments. This is a particular risk in the public sector where new rules or budget changes can be imposed without warning and in a short time period.

The parties have agreed to operate in a spirit of cooperation to meet challenges to the local community over the life of this agreement. As such the parties will consider flexibilities they may have in order to support each other.

The following table (describing escalation levels 3 and 4) indicates how the parties will aim to support each other in such circumstances.

Level	Description	Action
Level 3	One party raises concerns meeting their obligations within the agreement. The other parties have capacity to support the troubled party. These issues may be raised by the risk share oversight group which meets on a quarterly basis.	Support may be provided through the following routes (this list is not exhaustive): Mutual agreement to flexible management of financial commitments within the contract period. Consideration of how services and funds that are out of scope of the risk share agreement (see page 2) but have a potential impact on other parties could contribute towards the wider group's sustainability. Consideration of other (potentially third party) routes of support that could be drawn upon to support the wider group's sustainability.
Level 4	One party raises concerns about meeting their obligations within the agreement. The other parties do not have capacity to support the troubled party. These issues will be raised by the risk share oversight group. It is anticipated that this would occur infrequently (for instance as part of an annual review) and with significant notice.	Solutions may be drawn from the following routes, which would only be considered where other options have been exhausted, and where the parties agree the chosen option would be a "least harm" approach (this list is not exhaustive): Consideration of potential changes to service scope or specification in order to reduce costs while meeting statutory demands. Consideration of potential for one or more parties to compromise delivery of expected performance or financial standards on a temporary basis, alongside a plan to resolve the situation and put the agreement onto a more sustainable position.

8 ICO Care Model investment and transitional funding

Under this type of collaborative agreement both commissioners and the provider have needs of assurance that are different than under a PbR contract type. Commissioners are seeking assurance around the investments necessary to deliver the care model changes and other significant investments and the ICO provider is seeking assurance from commissioners in their role as system managers in managing demand.

ICO Investments: All investment business cases are considered through the Joint Leadership Group in the run up to the ICO. As the ICO we move to business as usual a strategic meeting (in addition to the normal contracts meeting) will be initiated between the ICO and commissioners to review the system performance and the planned strategy for the short, medium and longer term. This should be the formal vehicle for securing CCG support for major service development plans and contract changes. The Trust acknowledges that the main commissioner will want to have some discussion on any significant spend that increases capacity whether capital or revenue and there will be regular dialogue between relevant directors to ensure the CCG is informed before any material decisions are taken. The Commissioner recognises that general operational revenue or capital will need to be committed to maintain services and this agreement will not slow that necessary spend to maintain a commissioned service.

Commissioner demand management: The ICO will need to respond to demand pressure arising from elective and emergency referrals and the CCG role managing system demand will be key in controlling these pressures. In addition to considering the ICO response including its investment response to pressures, the newly convened strategic review group will also consider the actions being taken to support demand management and the effectiveness of these actions.

9 Treatment of funds released through "underspends"

The parties anticipate that in the absence of special circumstances, any underspend achieved by the ICO should be pooled, and an appropriate cross-party body would be involved in deciding how such funds are invested in future health and care services. A group such as the Pioneer Board or JoinedUp Cabinet may be appropriate for this role.

In circumstances where one or more parties are under extreme financial pressure, the parties agree that any of such parties may need to retain underspends for internal use.

10 Legal basis of agreement

This agreement will take the form of a contract between the parties with an initial term of five years, leading to a three year contract renewed annually on a rolling basis beyond the first five years.

This agreement is designed to sit alongside and complement the existing contracts for services between the two provider trusts (that will become the ICO) and the commissioners. It will not override any of the service quality or administrative elements of those contracts, but will supersede all financial components of these contracts.

11 Governance/control

A risk share oversight group will be created, with initial membership based on the group developing this agreement. It will operate in shadow form from the 1st April 2015 and operate through to the start of the ICO. Administration for the ***RSA Oversight Group*** will be through the CCG finance lead Simon Bell. They will act to ensure the risk share mechanism is ready to operate from the expected start date of the 1st October 2015. They will have a particular responsibility to consider the medium term operation of the risk share agreement and

provide early advice around likelihood of maintaining risk at level 1 or 2 of the agreement and consider and recommend actions where this is not the case.

Services and cost plans will be reviewed annually, and the rolling contract renewed by the risk share oversight group. Mutually agreed changes will be accounted for as the rolling contract is refreshed each year. This will include review of future government funding plans, and 'horizon scanning' of likely cost and demand pressures.

Financial and service performance against plan, along with review of performance and quality standards will be formally reviewed in the bi-monthly meeting of a contract review group. This will be chaired by an executive director of the CCG. All parties to the risk share agreement will be members of this contract review group.

Each respective organisations statutory responsibility and internal governance mechanisms remain unaffected by this agreement.

12 Contract Variation

Variation to the agreement is possible through the consent of all parties. This may include the addition of new services or reflecting the provider's intention to withdraw from provision or subcontract a service. It may also reflect the commissioner's decision to tender services provided by the ICO.

All parties to the agreement will work together to fully assess the impact of the proposed variation and will be given sufficient time to enable due diligence to be carried out. The specifics of any change will determine the level of materiality and therefore the period of time required for due diligence. However it is envisaged that 3 months will be sufficient in most instances to provide a full impact assessment. This will be followed by a 6 month notice period for the variation to take effect.

Variations will normally be managed through the annual review of the contract, therefore unless the parties agree an alternative start date variations will commence on the 21st April each year.

13 Dispute resolution

All parties are expected to operate in good faith and with transparency with regard to the agreement. Where disputes around the operation of this agreement arise it is expected that the Risk Share Oversight Group will, in the first instance, seek to understand the dispute and either agree remedies or else agree and describe the parameters of the dispute for further consideration.

As it will be important in terms of on-going operation of the agreement to seek to resolve all disagreements locally where the risk share oversight group cannot reach agreement, a special meeting of Chief Executive Officers of the parties will be convened to consider the dispute as described by the risk oversight group and agree a solution.

In the unlikely event that parties to the agreement consider that external mediation is required to resolve a dispute, and with due consideration for the likely impact on the on-going success of the agreement, an external mediation provider will be appointed and all parties to this agreement agree to be bound by the final judgement reached.

The external mediator will be the Centre for Effective Dispute Resolution. The costs of the mediation will be borne by the parties to this agreement equally.

14 Contract Termination

This agreement has been put in place as a medium to long term means of managing the risks relating to volatile funding arrangements alongside increasing demand for care. There is also an expectation that this agreement will help to facilitate service reconfiguration over the course of the agreement.

This agreement should ensure that the first step for any party who wishes to change or withdraw from the agreement should be to sit down with the other parties to understand the circumstances and identify an appropriate solution that best meets the needs of the local population and balances the interests of the parties. Therefore there is no explicit premature termination clause within this agreement.

The duration of this agreement is set to allow sufficient time for the ICO to make the necessary service changes and investments and to achieve the resulting efficiencies. The modelling has indicated that this will be achieved of the first 5 years of the ICO and this period has therefore been agreed as the initial duration of the contract. At the end of the initial 5 year term the contract term will revert to a rolling 3 years.

During this time all efforts will be made to support each other in the event that individual parties' become financially distressed. However if one party is not in a position to continue the agreement the notice period is 12 months. This period of time is required for the other parties to the agreement to conclude their own exit plans. At the end of this notice period the default contractual terms set out in the NHS standard contract will apply. For the acute aspects of the business this will be payment by results (PbR) and for the community aspect of the business the traditional cost plus contract terms will apply to the extent PbR tariff have not been developed.

Force majeure

There may be a small number of exceptions to the above, which account for circumstances where there is a very serious catastrophe or event that threatens the health of the local population on a large scale or the existence of any of the parties as a going concern.

One of the partners shall not be deemed in default of this Agreement, nor shall it hold the other Parties responsible for, any cessation, interruption or delay in the performance of its obligations (excluding payment obligations) due to earthquake, flood, fire, storm, natural disaster, war, terrorism, armed conflict, or other similar events beyond the reasonable control of the Party provided that the Party relying upon this provision:

1) gives prompt written notice thereof, and

2) takes all steps reasonably necessary to mitigate the effects of the force majeure event.

For clarity most changes in government policy or funding would not be covered by this force majeure clause. We can reasonably anticipate that there will be changes in policy and funding in the life of this agreement and such changes should not signal an end to the relationships described in this agreement. The purpose and spirit of this agreement is to:

1) Recognise the level of uncertainty in health and care services and the existence of local risk

2) Ensure that the parties collaborate to prepare for and manage such risks for the medium-long term

3) Share the financial impact of any residual risk and benefit

15 External references

This risk share agreement will be referenced within the following documents:

- The Business Transfer Agreement
- The contract for services between the ICO and SDTCCG – financial schedules
- Torbay Council – The Annual Strategic Agreement
- The SDH Final Business Case
- The TSD Divestment Business Case

16 Signatures

Signed on behalf of **South Devon and Torbay Clinical Commissioning Group (SDTCCG)**

Signature: …… Name: ……..

Signed on behalf of **Torbay Council**

Signature: …… Name: ……..

Signed on behalf of **South Devon Healthcare NHS Foundation Trust** (SDH)

Signature: …… Name: Mairead McAlinden, CEO

Signed on behalf of **Torbay and Southern Devon Health and Care NHS Trust** (TSD)

Signature: …… Name: ……..

17 Appendix A – Baseline income and costs

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
INCOME					
South Devon & Torbay CCG (Community) [1]	60.4	62.2	64.1	66.1	68.2
South Devon & Torbay CCG (Acute) [2]	160.4	162.6	164.9	167.2	169.6
Torbay Council ASC	38.0	36.5	35.6	34.7	33.9
Other operating revenue [3]	115.7	117.6	120.5	121.7	124.4
Non-operating revenue	-6.0	0.0	0.0	0.0	0.0
Total income	**374.5**	**378.9**	**385.1**	**389.7**	**396.1**
COSTS					
Employee Benefit expenses	-210.1	-206.4	-200.7	-198.8	-198.8
Drug expenses	-27.1	-29.1	-30.8	-32.8	-35.0
Clinical supplies and services expenses	-30	-30.6	-31.9	-33.1	-34.5
Adult Social Care	-39.4	-38.9	-38.4	-37.9	-37.4
Other Expenses	-57.2	-54.5	-55.6	-58.3	-61.8
PFI operating expenses	-0.9	-0.9	-0.9	-1.0	-1.0
Non-operating expenses	-17.7	-21.5	-21.6	-23.8	-21.1
Total costs	**-382.5**	**-382.0**	**-380.0**	**-385.7**	**-389.6**
NET SURPLUS / DEFICIT	**-13.9**	**-3.1**	**5.2**	**4.0**	**6.6**
Normalised surplus / deficit	**-7.4**	**-0.6**	**6.2**	**6.5**	**6.6**

Notes

[1] The TSD CCG element of ICO income combines the growth rates of the CCG assumptions on CHC and the balance of TSD budgets.

[2] The baseline value is consistent with the opening contract identified in the Heads of Terms and the Standard NHS contract. As the Trust and commissioners secure the savings needed to manage the costs down by £2.2M in year and £4.4M recurrently this will reduce the contract value to the target level of £156M.

[3] The transaction finance from commissioners has been excluded from clinical income, but is included in Other Operating Revenue, this is separately referenced in the Transaction Agreement.

18 Appendix B – Summary extract from long term financial model (LTFM)

	2015/16 Plan £m	2016/17 Plan £m	2017/18 Plan £m	2018/19 Plan £m	2019/20 Plan £m	2020/21 Plan £m
Income and Expenditure						
Income	374.5	378.9	385.1	389.7	396.1	404.1
Operating expenses	(364.8)	(360.5)	(358.4)	(361.9)	(368.5)	(375.5)
EBITDA	**9.7**	**17.6**	**25.8**	**27.8**	**27.6**	**28.5**
Non-operating revenue	(6.0)	-	-	-	-	-
Non-operating expenses	(17.7)	(21.5)	(21.6)	(23.8)	(21.1)	(20.6)
Net surplus / (deficit)	**(13.9)**	**(3.1)**	**5.2**	**4.0**	**6.6**	**7.9**
Nominalised surplus	(7.4)	(0.6)	6.2	6.5	6.6	7.9
...included in the above :						
Impairment	(0.5)	(2.5)	(1.0)	(2.5)	-	-
Investment in ICO transition Costs	(3.4)	(3.6)	(1.2)	(0.5)	(0.6)	-
ICO Merger Synergies	0.9	1.0	0.0	0.0	0.0	0.0
ICO Care Model	1.6	3.3	1.7	0.1	0.1	0.1
Continuous Improvement Plan (CIP)	15.2	11.8	13.5	11.6	9.9	11.0
	4.2%	3.3%	3.8%	3.2%	2.7%	2.9%
Cash balance and key movements						
Cash Balance	**27.8**	**19.0**	**19.4**	**22.3**	**25.5**	**29.5**
Capital Expenditure	(29.1)	(27.8)	(15.9)	(15.2)	(9.3)	(9.3)
Loans & leases Drawdown	31.6	14.5	5.4	5.5	0.2	0.3
Key Metrics						
EBITDA Margin	2.6%	4.6%	6.7%	7.1%	7.0%	7.1%
ICO changes as % of cost	(0.7%)	(1.2%)	(0.5%)	(0.0%)	(0.0%)	(0.0%)
CIP as % of Cost	(4.2%)	(3.3%)	(3.8%)	(3.2%)	(2.7%)	(2.9%)
I&E Surplus Margin	(3.7%)	(0.8%)	1.3%	1.0%	1.7%	2.0%
Continuity of Service Measures						
Liquidity Ratio Rating	4	2	2	3	3	4
Capital Servicing Capacity Rating	1	2	3	3	3	3
Continuity of Service Risk Rating	**3**	**2**	**3**	**3**	**3**	**4**