Chapter 7

Risk

7. Risk

Introduction

7.1 The Board of Directors has overall responsibility for managing risk. It recognises the importance of monitoring and managing those risks which have the potential to threaten the achievement of its strategic goals proactively.

7.2 The Board has established effective arrangements to do this and to ensure that prompt and proportionate action is taken at the first sign that a risk may be materialising or where there is evidence that the mitigating action it has sanctioned is not proving effective.

7.3 OUH aims to operate a mature and structured approach to risk that strikes a balance between being excessively risk averse and exposing the organisation to risks that are insufficiently controlled. The former could prevent the Trust from being able to seize strategic opportunities for improvement, whilst the latter could allow threats to its strategy and performance to materialise. Achieving this balance is based on a process of setting the Trust's level of appetite for a particular risk based on its risk maturity, agreeing an appropriate tolerance for this, delegating the authority to manage within this tolerance and ensuring that appropriate on-going monitoring is in place.

7.4 Risks are clearly linked to the Trust's strategic objectives and, with the progressive implementation of its Risk Management Strategy, the organisation intends to increase the sophistication with which it assesses, manages and monitors risk.

7.5 This chapter sets out OUH's overall approach to risk management and summarises the systems and processes employed. It provides an overview of the latest assessment of key risks facing the Trust's business plan and the sensitivity of its financial projections to these risks if they were to materialise.

Summary of principal risks

7.6 The Trust reviews its strategic objectives each year as part of its business planning cycle. The strategic objectives are supported by a set of annual corporate objectives.

7.7 At Board level, the Trust monitors the principal risks to the delivery of its strategic objectives through its Board Assurance Framework (BAF) and by regular reviews of a Corporate Risk Register (CRR). Divisions and corporate departments monitor and manage risks against the corporate objectives, escalating any risk which may impact at Trust level.

7.8 The seven risk areas identified are outlined below. These relate to the delivery of OUH's business plan following authorisation as a Foundation Trust. Each represents a broad set of related risks which are elaborated upon in text which also describes the mitigating actions which are currently being implemented, planned or considered. All risks are assessed for likelihood and consequence.

7.9 It is important to note that only some of these risks would have a direct impact on income, cost and liquidity. The remaining risks would only be likely to have an adverse financial impact in the medium to long term if no action was taken to address them.

7.10 The Board has agreed on the articulation of the overarching risk headings contained within the BAF and CRR. It has been agreed that the principal risks identified concern the maintenance of the quality of patient services, operational performance and financial stability; and that the majority of the other risks described in the BAF or CRR have an effect or impact on these principal risks. For example, the Trust's ability to transform services through the positive engagement of its workforce or to engage with its stakeholders and partners has a direct impact on the quality of its services.

Risk	Modelled In Downside?	Risk Score at 17/9/14	Target Risk Score
Failure to maintain quality of patient services			
Inaccurate reporting due to failures in the Picture Archiving and Communication System (PACS)	No	16	8
Failure to achieve a safe and efficient patient transport service	No	9	4
Failure to provide safe care for inpatients with diabetes	Included Risk 1a	12	3
Delays for spinal service patients	Included Risk 3b	12	3
Failure to maintain safe staffing levels and skill mix	Risk 1b	12	3
Impact on quality of services as a result of excessive use of agency staff	No	9	6
Loss of income from CQUIN targets	Risk 1a		
Failure to maintain financial sustainability			
Failure to deliver the required levels of cost improvement	Risk 2a	16	9
Pension cost pressures not funded in tariff	Risk 2b		
Adverse impact on balance sheet from calls on R&D income	Risk 2c		
Negative impact of changes to specialist services tariffs	Risk 2d		
Negative impact of reforms to urgent care tariffs	Risk 2e		
Failure to maintain operational performance			
Failure to reduce delayed transfers of care	Risk 3a	20	12
Failure to deliver national A&E standard	Risk 3b	16	6
Failure to deliver national 18 week referral to treatment standards	Risk 3b	12	3
Failure to deliver national access standards for cancer	Risk 3b	9	6
Failure to achieve sustainable contracts with commissioners			
Above plan non-elective and A&E activity	Risk 4a		
Activity plans prove unaffordable to commissioners (QIPP and Better Care Fund)	Risk 4b	16	6
Failure to sustain an engaged and effective workforce			
Failure to recruit and retain high quality staff in specific areas	Risk 5	16	8
Failure to effectively control pay and agency costs	Included Risk 5	16	9
Inadequate staffing levels in maternity service	No	9	4
Failure to achieve midwife supervision ratios	No	12	4
Insufficient provision of training, appraisals and development	No	9	3
Failure to achieve the required transformation of services			
Failure to deliver improvements to out of hours care – Care 24/7	Risk 6a	12	4

Risk	Modelled In Downside?	Risk Score at 17/9/14	Target Risk Score
Tie failure between EPR and CRIS leads to data inaccuracy and non-delivery of planned savings	Risk 6b	9	3
Inability to meet Trust need for capital investment			
Failure to obtain capital financing loans	Risk 7a	12	6
Shortfall in charitable donations for radiotherapy developments	Risks 7b		

7.11 It should be noted that the chart above is not a comprehensive list of every risk within the Trust's Corporate Risk Register (CRR). Rather, it provides a summary of those issues that present a significant long term risk to the achievement of the Trust's strategic objectives.

7.12 The CRR also includes risks escalated from Divisional or corporate directorate risk registers that have been included for specific implementation and active monitoring by the Trust Management Executive over a shorter time period. For example, in May 2013 the Trust had a risk relating to the management of its bed and mattress stock included on the CRR, with this risk being actively managed at a corporate level to ensure that the replacement bed stock and works to improve the environment in the bed store were completed within the expected timescale. Similarly, other risks have been added to the Corporate Risk Register and de-escalated once Trust-wide issues have been resolved.

Failure to maintain quality patient services

7.13 This encompasses risks that threaten the delivery of agreed patient safety, patient experience and effectiveness priorities as set out in the Quality Strategy, with a consequent impact on clinical care, patient safety and reputation. Poor service quality would include failure to deliver the quality aspects of contracts with commissioners and potential breaches of CQC regulations.

7.14 Risks identified in the table above include the risk of inaccurate reporting and poor data quality due to failings in the radiology Picture Archiving and Communication System (PACS). This problem results in significant delays in loading images, impacting on the effectiveness of MDTs and in addition there are situations where the incorrect image may be displayed. This clearly presents a significant risk of clinical error and an impact on patient safety. It is being managed by the PACS team and has been escalated to the system provider with a system upgrade in April 2014. Contingency plans of manual checks and the use of modality workstations for reporting are in place.

7.15 Patient transportation has been identified as a risk due the impact that deficiencies in the service have on patient experience with patients left waiting for transport to arrive and subsequently late for appointments and because of the impact on patient safety of delays in dialysis. South Central Ambulance Service NHS Foundation Trust (SCAS) are the third party providers of transportation under contract to the CCGs in Swindon and Oxfordshire. Regular meetings take place to influence service quality and to improve contractual arrangements with a long term plan for contracts to be held between Trust and Service Provider.

7.16 Annual national inpatient diabetes audit benchmarks and local information compared with national data highlighted concerns in relation to the Trust's care of inpatients with diabetes. Specifically these were in relation to high levels of medication errors, low involvement of diabetes specialists in care, and high rates of hypoglycaemia amongst inpatients. The Trust held a risk summit dedicated to these issues and is implementing the 'Think Glucose' approach across the Trust. An action plan for improvement is under regular review by TME.

7.17 Large demand for spinal surgery coupled with the scaling back of services elsewhere has resulted in long delays in the Trust's Spinal Service. This has left OUH unable to deliver care within national access standards, creating an impact on both patient experience and delivery of performance

standards. These pressures are being addressed through the appointment of two additional surgeons, the outsourcing of routine work to other providers and the temporary closure of the service to new referrals outside the Thames Valley, Brackley and Byfield region.

7.18 The need to deliver and maintain safe staffing levels, including out of hours cover, is at the forefront of maintaining a high quality of care to patients. OUH has focused on using the most appropriate evidence-based tool (Safer Nursing Care Tool) to calculate patients' levels of acuity and dependency. The Trust triangulates these data with professional judgement from its senior nursing teams to determine the appropriate safe levels of staff for its clinical areas. Daily real time monitoring of safe staffing levels on all sites is being implemented with an electronic tool in use by ward staff and reporting of staffing levels occurs at meetings on all four sites with twice daily email escalation. The above supports reporting to the Board which includes the status of nurse staffing levels. Future plans include the development of an electronic tool to measure acuity.

7.19 Linked to safe staffing levels is the risk that excessive use of agency staff may pose a risk to the quality of service delivered as a result of a failure to provide adequate staffing trained at an appropriate level and to achieve continuity in the standard of care. Both local and overseas recruitment campaigns are underway to reduce the Trust's reliance on agency staffing. To mitigate risks the Trust uses only recognised agencies to ensure competencies are assessed and the local induction of agency staff is documented according to Trust policy.

7.20 Whilst the Oxfordshire contract for the 14/15 financial year protects the Trust from a loss of income as a result of the non-attainment of local CQUIN targets (though those relating to specialist services still apply), the Trust will need to continue to work to ensure that these are delivered so as not expose itself to financial risk in future years.

7.21 The risk that delivery of cost improvement programmes (CIPs) may impact on service quality has also been considered. This risk was de-escalated from the Corporate Risk Register as the current process was felt to be robust. The Trust requires that an assessment is made of the potential impact of workforce plans and CIPs on quality through review and agreement by the Chief Nurse and the Medical Director to ensure that deleterious proposals are rejected. This process is fully embedded and working across the Trust.

7.22 Failure to manage risks in relation to quality could also increase the likelihood of other risks being realised. Failures to maintain quality and their impact on reputation could lead to a loss of activity through patient choice if patient experience deteriorates, and could also affect the recruitment and retention of staff. The latter could in turn increase the requirement for bank and agency usage which presents a risk to the quality of care delivered by these temporary staff as well as increased costs. Similarly, a financial impact may be felt should lapses in service quality result in a failure to achieve CQUIN targets and a resultant loss of income, although this risk is excluded from the Oxfordshire contract for the 2014/15 financial year only.

7.23 Overall mitigations to quality risks include a focus on meaningful benchmarks for quality with regular review at Trust and Divisional levels. Specifically, the NHS Operating Framework notes the need for trusts to examine, understand and explain their Summary Hospital Mortality Indicator (SHMI) figures and to act where performance is falling short. Mortality figures are regularly considered by the Clinical Outcome Review Group as highlighted in Chapter 9.

7.24 The implementation of *Delivering Compassionate Excellence* and *Listening into Action* (described in Chapter 8) help to embed change and, together with the delivery of the Trust's Quality Strategy, will mitigate risks to quality. These will also facilitate cultural change to reinforce the actions and policies that sustain high quality services. In addition, the implementation of a Trust-wide patient feedback management system will provide a mechanism to identify and prompt timely action to address emerging issues.

7.25 Establishing a network for innovation and operational clinical networks (see Chapter 4) will deliver benefits in maintaining and improving quality of outcomes and patient experience whilst assisting in

sustaining and growing specialist services. The Trust has worked with local partners to create the Oxford AHSC and Oxford AHSN (described in Chapter 5).

Failure to maintain financial sustainability

7.26 A significant element of the risk of failure to maintain financial sustainability is that of not achieving a level of cost improvement plans (CIPs) that are sufficient to make the financial plans viable. This includes a failure to control pay and agency costs as well as the risk that an insufficient proportion of CIPs deliver savings recurrently.

7.27 An additional financial risk is the possibility that pension cost pressures may not be funded in the national tariff, requiring additional mitigating measures in the future to meet an increased implied efficiency.

7.28 A risk also exists that the timing of calls upon Research and Development funding could impact upon the Trust's cash balances on the Statement of Financial Position.

7.29 A further risk which has been assessed is the impact of further specialist services for which the Trust currently negotiates a local tariff being covered in future by a national one. This is on the basis that such pricing is likely to be even more stringent in driving efficiencies to keep costs within tariff.

7.30 The Trust has also modelled the risk of changes to the urgent care tariffs, such that a proportion of non-elective activity is transferred from Payment by Results to block contract arrangements. This transfers the risks associated with activity growth to the provider.

7.31 Mitigation of these risks is mainly underpinned by ensuring the development of a robust, long term CIP programme with Divisional ownership and sufficient programme office support. This should include service redesign to make pathways more efficient and is likely to move delivery of some services outside of the Trust. This programme is subject to a rigorous performance management regime and the quality impact assessment process as outlined above and in Chapter 6.

7.32 Ultimately plans will need to be developed for additional mitigating measures to be held as contingencies, including 'radical' strategic disinvestments such as site rationalisation and the sale of assets.

Failure to maintain operational performance

7.33 Failures to meet national access standards have a significant impact on patient experience and on the Trust's income and expenditure. Penalties for breaches of contractual standards have increased significantly in value from 1 April 2014 although, as for CQUINs, this risk is excluded from the Oxfordshire contract for the 2014/15 financial year only.

7.34 The challenges and actions associated with OUH meeting access standards are outlined in Chapter 2.

7.35 Oxfordshire's high number of delayed transfers of care has presented a long-standing challenge and has a significant impact on the flow of patients through the acute system. This in turn has a direct effect on the Trust's performance in relation to the national Emergency Department four hour waiting time target. Mitigations include the further development of the Trust's Supported Hospital Discharge Service. The Trust will also undertake further collaborative work with Oxford Health on integrated care pathways as described in Chapter 5. The Trust is undertaking targeted work to improve patient flow, strengthen leadership and to release downstream beds. It has also set up a Discharge Assurance Group to review its own operational processes to support the best possible flow of patients through OUH's services.

7.36 The Trust must also maintain rapid access to cancer treatment and meet the national referral to treatment time standards for elective care. Work to improve access in both areas of care is described in Chapters 3 and 5. The Trust's plan to address its waiting list backlog will see Trust-wide standards for referral to treatment time recover during 2014. This plan has been discussed and agreed with key commissioners and the NHS Trust Development Authority (TDA) and is intended to meet the national standards and to maintain waits at a sustainable level for the future.

Failure to achieve sustainable contracts with commissioners

7.37 Although contracts are in place for 2014/15, failure to agree sustainable contracts with commissioners in future years would impact on the assumptions in the LTFM and the affordability of services for the health economy as a whole. Contracts will need to be affordable for commissioners whilst also including activity levels sufficient for OUH and its commissioners to meet waiting time standards.

7.38 This requires clear and consistent plans across the healthcare system and that the Trust is able to respond nimbly to requirements to flex its capacity upwards or downwards. Dialogue continues to identify, agree and progress actions that reduce risks for commissioners and to address issues of demand management and affordability. However, the Trust has continued to see an increase in activity levels that has a financial impact on its commissioners.

7.39 It is recognised that Oxfordshire CCG's constrained financial position will continue to present a challenge in delivering sustainable contracts and that the 'Better Care Fund' further reduces commissioner flexibility in allocating funding.

7.40 For 2014/15 the 'cap and collar' contract arrangement agreed with Oxfordshire CCG presents a risk to OUH should activity grow beyond the point where it becomes unfunded. However, during 2014/15 the Trust is protected against exposure to the risk of performance and CQUIN penalties for Oxfordshire activity although this is an interim measure and a fully compliant contract is anticipated for 2015/16. Trends from recent years indicate a risk that non-elective and A&E activity levels will rise ahead of commissioner plans, creating continuing financial pressure for the local healthcare economy.

7.41 Pressures also exist in specialised service contracting with NHS England, OUH's largest commissioner by contract value.

7.42 Mitigations include internal performance controls and continuing liaison with commissioners to develop contingencies where required. The relationship with commissioners is actively monitored through commissioner alignment meetings.

7.43 Where demand management successfully reduces activity, the Trust needs to be prepared to actively remove stranded costs and recognises that delays in removing any stranded fixed costs pose a risk to its own financial performance.

Failure to sustain an engaged and effective workforce

7.44 Risks related to workforce include the failure to secure a high quality workforce supply in an international job market. This applies particularly to specific areas where recruitment has proved difficult. It is recognised that relatively high levels of employment locally and an improving economic position in the region may necessitate an increase in pay costs if such a workforce is to be retained. Failure to manage this will impact on other risks such as the maintenance of quality and the patient experience, the successful delivery of CIPs and the Trust's ability to provide activity levels that meet its income plans.

7.45 Challenges in relation to recruitment and retention will also impact on the risks of high agency usage outlined above. As well as presenting a risk to quality of care this also threatens the Trust's ability to control pay costs.

7.46 The adoption of dedicated recruitment campaigns and a rolling programme of recruitment will mitigate these risks. As outlined above, the Trust is engaging in both local and international recruitment campaigns. A new Recruitment and Retention Strategy is currently in development linked to improved recruitment processes.

7.47 A specific risk is the potential for poor staffing levels within the Maternity Service. Peaks in workload are managed using on call hospital and community staff creating an impact on the community service such that postnatal visits and clinics are delayed or cancelled and continuity of care is affected. Staff may also be at increased risk of stress and related issues as a result.

7.48 A related issue is failure to recruit Supervisors of Midwives at a ratio of 1:15 as recommended by the Nursing and Midwifery Council which generates a risk of inadequate support to junior midwifery staff.

7.49 Recruitment of midwives is under way, with a specific campaign to recruit more midwives to the 2014-15 intake. Interim mitigating actions are the use of staff on zero hours contracts to cover shifts and the use of Birth Rate + to monitor the acuity of patients against staffing levels.

7.50 A further risk highlighted through the staff survey is insufficient provision of effective appraisals and of appropriate education and development opportunities. This is likely to reduce staff motivation and morale whilst increasing turnover, exacerbating issues outlined above. An electronic process for recording appraisals is now in place to ensure consistency of approach with a multi-professional Education and Training Strategy to be established.

7.51 OUH will need to be aware of the risk that a failure to engage staff and trade unions in change management could result in increased industrial action, and so to engage in effective communication and partnership working with trade union representatives and staff.

7.52 Mitigation plans to deal with these risks include an active staff engagement programme and the implementation of the Trust's values through recruitment and appraisal processes. Strong Board and Divisional leadership will be supported by leadership development and education to enable effective working and change orientation.

Failure to deliver the required transformation of service delivery

7.53 Transforming the way in which the Trust delivers services is essential to ensuring its success over the coming years. OUH recognises that there is a range of risks to delivering the required transformation.

7.54 A specific example is the need to deliver the Care 24/7 Project to improve out of hours care to address the risks that exist due to multi-site working and super-specialization should there be inadequate team working out of hours. This can result in poor patient experience and suboptimal clinical outcomes. A series of risk summits have been held to agree principles and identify solutions for each site with the Care 24/7 Programme in place and monitored via TME. A series of work streams have been developed and the programme is managed by the Associate Director of Clinical Services. The out of hours rota is now available via the Intranet to improved communication.

7.55 A further example is the failure of data accuracy due to implementation of the Electronic Patient Record (EPR) where there is a deficiency in the link between EPR and CRIS. The Trust's current financial plans assume efficiency savings as a result of this development. The current failures can result in referrals not being entered accurately or processed to the correct referrer and to examinations not being booked and reports not sent to the appropriate referrer. To mitigate this impact Radiology is reporting all failures for resolution and will not reject requests without first contacting the clinician to discuss. Meetings are on-going to discuss the failures with CRIS and to ensure a pathway between EPR and CRIS.

7.56 In order to achieve the level of change that will be necessary, the Trust will develop a flexible, open and innovative organisational culture consistent with its values and maintain a focus on longer term planning, removing barriers to the implementation of new models of care. It will also be important that the Trust maximises clinical advantages from EPR, where possible.

7.57 The risks of not doing so impact on the patient experience and on operational performance and could affect the ability of services to achieve long term sustainability. Mitigation will require the delivery of a phased programme of change, with active staff engagement (as mentioned in risk 5 above), with clear accountability and management arrangements built around strong governance and assurance processes.

Failure to deliver required capital investment

7.58 In order to deliver its strategic goals whilst maintaining and developing its infrastructure so as to continue to provide safe and high quality services, the Trust will need to commit to a significant level of capital investment over the period covered by the Integrated Business Plan. It is recognised that there is a risk that the organisation will have insufficient capital to finance these various requirements.

7.59 Specific risks underlying this concern include a failure to obtain capital loans to the required level and the failure to obtain charitable funding to support projects where this is currently anticipated.

7.60 This risk is mitigated by a prudent business planning approval process to ensure that programmes of investment are based on a strong financial case and that investments are justified. In addition the Trust Board needs a clear overview of all investments to ensure that these are appropriately scheduled to ensure affordability over time.

Financial implications

7.61 The Trust works to mitigate each of the key risks described above in specific terms. The following assessment focusses on those elements of the risks which have a clear and measurable financial component and therefore have similarly quantifiable mitigations.

7.62 The first table overleaf summarises the financial impact of each Downside risk (that has a clear and measurable financial component) on the combined Downside scenario.

7.63 The second table summarises the impact of applying individual mitigations specific to each risk (where they can be applied) on the mitigated Downside scenario.

7.64 The third table summarises the impact on the mitigated Downside scenario of applying a set of further, more radical, global mitigation measures.

Dr Raman Uberoi, Consultant Radiologist, with interventional radiology equipment

Summary of impact on Base Case of each individually modelled risk after applying probabilities in the Downside scenario

	Retained Surplus					
	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Base case	8.1	9.7	11.6	11.1	10.4	10.0
Individual Impact of Unmitigated Downsides *						
Failure to maintain quality of patient services - CQUIN	-0.7	-2.4	-2.4	-2.4	-2.5	-2.5
Failure to maintain quality of patient services - Staff ratios	0.0	-3.3	-3.4	-3.5	-3.5	-3.6
Failure to maintain financial sustainability - CIP	0.0	-6.5	-11.5	-16.2	-21.3	-27.2
Failure to maintain financial sustainability - Pension costs (tariff)	0.0	-4.9	-14.1	-14.4	-14.7	-15.0
Failure to maintain financial sustainability - R&D	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Failure to maintain financial sustainability - Specialist services tariff	0.0	-2.7	-2.8	-2.8	-2.9	-2.9
Failure to maintain financial sustainability - Urgent care tariff	0.0	-1.8	-2.4	-3.0	-3.6	-4.2
Failure to maintain operational performance – delayed transfers of care	0.0	-4.4	-4.5	-4.6	-4.8	-4.9
Failure to maintain operational performance - Penalties	-0.7	-2.1	-2.1	-2.1	-2.1	-2.1
Failure to achieve sustainable contracts with commissioners – activity above plan	0.0	-0.4	-0.9	-1.4	-2.0	-2.6
Failure to achieve sustainable contracts with commissioners - Affordability	0.0	-5.0	-7.9	-9.1	-9.1	-9.0
Failure to sustain an engaged and effective workforce - Recruitment and retention (agency pressures)	0.0	-1.5	-2.3	-3.1	-4.0	-5.0
Failure to deliver required transformation of services - Care 24/7	0.0	-1.6	-2.5	-3.3	-4.3	-5.2
Failure to deliver required transformation of services - EPR (CRIS)	0.0	-3.5	-3.6	-3.8	-3.9	-4.0
Inability to meet Trust need for capital investment - capital loans	0.0	-0.0	0.1	0.4	0.4	0.3
Inability to meet Trust need for capital investment - Radiotherapy donations	0.0	0.0	-2.2	-1.5	-0.6	-0.0
Interest receivable/(payable) on adjusted cash balance	-0.0	-0.1	-0.5	-2.5	-4.7	-7.2
Other combining effects	0.0	0.1	0.5	0.7	0.9	1.7
Total impact of all downsides	**-1.4**	**-40.2**	**-62.6**	**-72.8**	**-82.5**	**-93.3**
Total downside case	**6.8**	**-30.5**	**-51.0**	**-61.7**	**-72.1**	**-83.2**

*After applying a probability for each risk crystallising in the Downside scenario as set out on page 179.

Summary of impact on Downside Case after applying specific mitigations against each risk in the mitigated Downside scenario

Total downside case	**6.8**	**-30.5**	**-51.0**	**-61.7**	**-72.1**	**-83.2**
Impact of individual Mitigations *						
Failure to maintain quality of patient services - CQUIN	0.0	-0.3	0.9	0.9	0.9	0.8
Failure to maintain quality of patient services - Staff ratios	0.0	0.0	0.0	0.0	0.0	0.0
Failure to maintain financial sustainability - CIP	0.0	1.6	5.8	8.3	11.0	14.5
Failure to maintain financial sustainability - Pension costs (tariff)	0.0	0.0	0.0	0.0	0.0	0.0
Failure to maintain financial sustainability - R&D	0.0	0.0	0.0	0.0	0.0	0.0
Failure to maintain financial sustainability - Specialist services tariff	0.0	0.0	0.0	0.0	0.0	0.0
Failure to maintain financial sustainability - Urgent care tariff	0.0	0.0	0.0	0.0	0.0	0.0
Failure to maintain operational performance – Delayed transfers of care	0.0	0.0	0.0	0.0	0.0	0.0
Failure to maintain operational performance – Penalties	0.0	-0.2	0.8	0.8	0.7	0.7
Failure to achieve sustainable contracts with commissioners – Activity above plan	0.0	0.0	0.4	0.6	0.8	1.1
Failure to achieve sustainable contracts with commissioners - Affordability	0.0	0.0	1.9	4.1	6.3	6.6
Failure to sustain an engaged and effective workforce - Recruitment and retention (agency pressures)	0.0	-0.3	0.5	1.3	2.2	3.1
Failure to deliver required transformation of services - Care 24/7	0.0	-0.4	0.7	1.5	2.4	3.3
Failure to deliver required transformation of services - EPR (CRIS)	0.0	-0.4	3.6	3.8	3.9	4.0
Inability to meet Trust need for capital investment - capital loans	0.0	0.0	0.0	0.0	0.0	0.0
Inability to meet Trust need for capital investment - Radiotherapy donations	0.0	0.0	0.0	0.0	0.0	0.0
Interest receivable/(payable) on adjusted cash balance	0.0	-0.0	0.2	0.7	1.5	2.5
Combining effects	0.0	0.0	-0.0	-0.1	-0.1	-0.8
Total impact of all individual mitigations	**0.0**	**0.1**	**14.8**	**21.9**	**29.6**	**35.6**
Total mitigated case	**6.8**	**-30.4**	**-36.2**	**-39.8**	**-42.5**	**-47.6**

*After applying a probability for each risk crystallising in the Downside scenario as set out in the table on page 179.

Summary of impact on mitigated Downside Case after applying wider global mitigations in the Downside scenario

Total mitigated case (£m)	**6.8**	**-30.4**	**-36.2**	**-39.8**	**-42.5**	**-47.6**
Global mitigations						
- staffing measures	1.3	16.9	18.5	20.0	20.5	21.0
- telemedicine		1.5	1.5	1.6	1.6	1.7
- estates rationalisation		2.4	2.4	4.7	7.1	7.4
- sale of premises			2.5			
- car parking charges		0.6	0.6	0.6	0.6	0.6
- procurement & medicines management		1.6	2.8	2.9	4.2	4.5
- commercialization of partnerships			2.3	2.3	2.4	2.4
- other operating expenditure measures		8.7	7.4	8.2	9.1	12.1
- deferred income		2.0	2.0	2.0		
- capital expenditure (and depreciation)		1.3	3.3	3.7	3.7	3.7
- Interest receivable/(payable) on adjusted cash balance	0.0	0.1	0.3	1.7	3.1	4.7
- combining effects	0.0	0.1	0.0	0.1	0.1	-0.3
Total global mitigations	**1.3**	**35.2**	**43.7**	**47.8**	**52.5**	**57.7**
Total downside with global mitigations	**8.0**	**4.8**	**7.5**	**8.0**	**9.9**	**10.1**

Sensitivity analysis on the key risks

7.65 This section examines the potential sensitivity of the Trust's income, cost and cash projections to the risk management of the scenarios set out above. The financial model that underpins this IBP is posited on the Base Case scenario. This represents the Trust's assessment of the most likely future outlook and is built on:

- Growth and inflation assumptions that seek to recognise the difficult current economic climate.
- Current views on changing demand and market share, including forecast demographic changes, commissioner plans, and specific targeted growth in some defining and specialist service developments as set out in Chapters 5 and 6.

7.66 Sixteen sensitivities have been modelled to examine key aspects of financial risk within the seven risk areas outlined earlier in this chapter. These sensitivities are described in the tables below along with the impact each has, before mitigations are applied, on the income and expenditure position, cash balances, liquidity and the Continuity of Service Risk Rating (CSRR).

Base Case							
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	9.7	11.6	11.1	10.4	10.0
Cash at bank at year-end	£M	81.0	84.1	87.8	87.9	89.9	88.1
Liquidity	days	-8.8	-5.6	-3.6	-4.0	-4.0	0.5
Continuity of Service Risk Rating	1–4	2	3	3	3	3	4
I&E surplus margin	%	0.9%	1.1%	1.2%	1.2%	1.1%	1.0%

1a. Failure to maintain quality of patient services - partial loss of CQUIN							
Description of sensitivity Failure to maintain quality of patient services (reduction CQUIN)							
Impact on LTFM Loss of one-third of total planned CQUIN income (£16.2M) from 2015/16. This reduces overall PCA income by £2.7M, doubling the existing annual provision in the Basecase. (Impact on 2014/15 assumes a position £800k worse over the second half of the year for Non-OCCG share).							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	7.3	7.0	8.9	8.4	7.7	7.3
Cash at bank at year-end	£M	80.3	80.7	81.7	79.0	78.2	73.7
Liquidity	days	-8.8	-5.9	-5.1	-6.5	-7.6	-4.1
Continuity of Service Risk Rating	1–4	2	3	3	3	2	3
I&E surplus margin	%	0.8%	0.8%	0.9%	0.9%	0.8%	0.7%

1b. Failure to maintain quality of patient services - staff ratios							
Description of sensitivity Failure to maintain quality of patient services (CQC staffing ratios and specialist derogations pressures)							
Impact on LTFM Pressure to invest in additional pay costs (at agency premium rates) averaging £6.5M, being 1.4% of substantive staff costs (1% WTE + 40% premium), for each year from 2015/16.							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	3.0	4.7	4.1	3.4	2.9
Cash at bank at year-end	£M	81.0	77.4	74.2	67.4	62.3	53.4
Liquidity	days	-8.8	-5.5	-6.4	-9.4	-12.2	-10.2
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.3%	0.5%	0.4%	0.3%	0.3%

2a. Failure to maintain financial sustainability - CIP							
Description of sensitivity Failure to maintain financial sustainability - risk of failure to deliver the required level of Divisional savings							
Impact on LTFM Failure in each forward year of half the CIP plans and a one-year delay in other half of CIP plans in clinical Divisions resulting in an increase in operating expenditure of £12.6M in 2015/16 accumulating to £48M in 2019/20.							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	-3.3	-11.4	-21.4	-32.1	-44.4
Cash at bank at year-end	£M	81.0	71.6	52.3	20.1	-20.3	-76.3
Liquidity	days	-8.8	-5.5	-8.9	-18.1	-30.2	-40.8
Continuity of Service Risk Rating	1–4	2	3	2	1	1	1
I&E surplus margin	%	0.9%	-0.4%	-1.2%	-2.2%	-3.3%	-4.5%

2b. Failure to maintain financial sustainability - pension costs (tariff downside)							
Description of sensitivity Failure to maintain financial sustainability - pensions pressures not funded in tariff 15/16 and 16/17 (Monitor tariff downside)							
Impact on LTFM A reduction in the Base case tariff assumption by 0.7% in 2015/16 and 1.3% in 2016/17, being the value associated with expected additional employers' pension contribution rates and NIC costs due to proposed pension changes (if not funded as a national pressure in tariff), resulting in a nominal reduction of NHS acute activity income of £4.9M in 2015/16 rising to £14.1M from 2016/17.							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	4.8	-2.5	-3.3	-4.3	-4.9
Cash at bank at year-end	£M	81.0	79.5	69.5	54.7	41.9	25.1
Liquidity	days	-8.8	-5.6	-5.7	-11.7	-17.4	-18.3
Continuity of Service Risk Rating	1–4	2	3	3	2	2	2
I&E surplus margin	%	0.9%	0.5%	-0.3%	-0.4%	-0.4%	-0.5%

2c. Failure to maintain financial sustainability - R&D							
Description of sensitivity Failure to maintain financial sustainability - timing of calls on R&D income impacts on Balance Sheet							
Impact on LTFM A reduction in the cash balance of £13M in March 2015 due to the release of deferred income (> 1 year) in respect of R&D, resulting in a reduction in cash & working capital of £13M.							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	9.6	11.6	11.1	10.4	10.0
Cash at bank at year-end	£M	68.0	71.1	74.7	74.8	76.7	74.9
Liquidity	days	-8.8	-11.2	-9.1	-9.3	-9.3	-4.7
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	1.1%	1.2%	1.2%	1.1%	1.0%

2d. Failure to maintain financial sustainability - specialist services tariffs							
Description of sensitivity Failure to maintain financial sustainability - potential impact of transfer of specialist services (for example critical care) from local prices on to PbR tariff, with consequent financial impact.							
Impact on LTFM Net loss of income averaging £5.7M in real terms from 2015/16, being 10% of the planned income profile for Critical Care under local pricing.							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	4.2	6.0	5.4	4.7	4.3
Cash at bank at year-end	£M	81.0	78.9	77.0	71.3	67.5	59.9
Liquidity	days	-8.8	-5.6	-5.9	-8.5	-10.7	-8.3
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.5%	0.6%	0.6%	0.5%	0.4%

2e. Failure to maintain financial sustainability - urgent care tariffs							
Description of sensitivity Failure to maintain financial sustainability - potential impact of movement of non-elective tariffs from PbR onto block payments							
Impact on LTFM Net loss of income of £3.7M in real terms in 2015/16 rising to £8.6M in 2019/20, due to non-elective General Medicine in 2015/16 moving on to a fixed block contract (so no growth in income to match the activity growth in future years).							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	6.0	6.7	5.0	3.2	1.7
Cash at bank at year-end	£M	81.0	80.7	79.5	73.4	68.2	58.1
Liquidity	days	-8.8	-5.6	-5.2	-7.4	-9.9	-8.0
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.7%	0.7%	0.5%	0.3%	0.2%

3a. Failure to maintain operational performance - DToC

Description of sensitivity
Additional operating costs due to continuing activity for delayed transfers of care (risk that plans to reduce these delayed transfers do not succeed)

Impact on LTFM
Additional operating costs equivalent to 80 beds (resulting from failure to reduce delayed transfers) £4.8M pa unfunded; additional capital costs of £10M in 2015/16 to address resultant w ard capacity requirements on the Churchill site, resulting in additional depreciation of £1M pa from 2015/16.

Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	3.8	5.5	4.9	4.1	3.6
Cash at bank at year-end	£M	81.0	68.9	67.5	62.6	59.2	52.0
Liquidity	days	-8.8	-5.5	-10.0	-12.2	-14.1	-11.5
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.4%	0.6%	0.5%	0.4%	0.4%

3b. Failure to maintain operational performance - penalties

Description of sensitivity
Failure to maintain operational performance (consequent impact of penalties regime)

Impact on LTFM
Increased level of total penalties to £10.5M from 2015/16, based upon a dow nside analysis of each measure penalties apply against. This reduces overall PCA income by £4.2M, increasing from the existing annual provision of £6.3M in the Base case. (Impact on 2014/15 assumes a position £1.3M w orse over of the second half of the year for Non-OCCG share).

Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	6.8	5.4	7.4	6.9	6.2	5.8
Cash at bank at year-end	£M	79.9	78.8	78.3	74.0	71.7	65.7
Liquidity	days	-8.8	-6.1	-5.9	-7.9	-9.6	-6.6
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.8%	0.6%	0.8%	0.7%	0.6%	0.6%

4a. Failure to achieve sustainable contracts with commissioners - overperformance

Description of sensitivity
Failure to achieve sustainable contracts w ith commissioners - cost impact if demand exceeds our activity plan

Impact on LTFM
Doubling of non-elective and A&E grow th from 2015/16 resulting in £3.3M additional marginal expenditure at premium agency rates (including 40% premium on pay costs), accumulating to £16.3M in 2019/20, partly offset by additional income of £1.7M in 2015/16 accumulating to £8.2M (at marginal rates for non-elective activity above 2008/09 levels).

Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	7.9	8.0	5.5	2.5	-0.3
Cash at bank at year-end	£M	81.0	82.3	82.3	77.1	71.2	59.1
Liquidity	days	-8.8	-5.5	-4.3	-6.1	-8.3	-6.7
Continuity of Service Risk Rating	1–4	2	3	3	3	2	3
I&E surplus margin	%	0.9%	0.9%	0.8%	0.6%	0.3%	0.0%

4b. Failure to achieve sustainable contracts with commissioners - CCG affordability

Description of sensitivity
Failure to achieve sustainable contracts w ith commissioners - financial risk of unfunded activity above contract from 2015/16

Impact on LTFM
Better Care Fund obligations affect abilitiy for OCCG to fund grow th in the OUH expenditure included in the Base case until 2017/18 and results in the continuation of non-compliant contracts in 2015/16 and 2016/17. The modelled cumulative impact on OUH's income & EBITDA is £10M in 2015/16, £16M in 2016/17, and reaching £18.5M in 2017/18.

Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	-0.3	-4.3	-7.2	-7.8	-8.0
Cash at bank at year-end	£M	81.0	74.9	62.9	44.1	27.9	8.0
Liquidity	days	-8.8	-5.6	-7.8	-14.5	-21.7	-23.8
Continuity of Service Risk Rating	1–4	2	3	2	2	2	2
I&E surplus margin	%	0.9%	0.0%	-0.5%	-0.8%	-0.8%	-0.8%

5. Failure to sustain an engaged and effective workforce - recruitment and retention (agency pressures)

Description of sensitivity
Failure to improve recruitment and retention rates results in higher agency premium expenditure and impacts on the ability to deliver w orkforce CIP schemes

Impact on LTFM
Continuing levels of turnover and other w orkforce issues result in increased agency staffing pressures, preventing achievement of w orkforce CIP schemes, increasing pay cost by £5.8M in 2015/16 accumulating to £17.8M in 2019/20.

Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	3.8	2.5	-1.4	-5.7	-9.8
Cash at bank at year-end	£M	81.0	78.2	72.8	60.5	46.4	24.8
Liquidity	days	-8.8	-5.5	-6.0	-9.9	-14.7	-16.2
Continuity of Service Risk Rating	1–4	2	3	3	2	2	2
I&E surplus margin	%	0.9%	0.4%	0.3%	-0.1%	-0.6%	-1.0%

6a. Failure to deliver the required transformation of services - Care 24/7

Description of sensitivity
Failure to deliver Care 24/7 changes resulting in failure to achieve transformational CIP plans

Impact on LTFM
Increased operating costs of £6.5M in 2015/16 accumulating to £18.5M in 2019/20, due to failure of transformational CIP schemes.

Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	3.1	1.8	-2.2	-6.6	-10.9
Cash at bank at year-end	£M	81.0	77.7	71.6	58.6	43.6	21.0
Liquidity	days	-8.8	-5.5	-6.3	-10.5	-15.6	-17.4
Continuity of Service Risk Rating	1–4	2	3	3	2	2	2
I&E surplus margin	%	0.9%	0.3%	0.2%	-0.2%	-0.7%	-1.1%

6b. Failure to deliver the required tarnsformation of services - EPR (CRIS) efficiency risks							
Description of sensitivity Failure to achieve the planned EPR (CRIS implementation) CIPs							
Impact on LTFM Increased operating costs of £4.5M pa from 2015/16, due to the failure of EPR (CRIS implementation) CIP schemes.							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	5.0	6.7	6.1	5.2	4.7
Cash at bank at year-end	£M	81.0	79.5	78.3	73.7	70.5	63.3
Liquidity	days	-8.8	-5.5	-5.6	-7.8	-9.8	-7.2
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.5%	0.7%	0.6%	0.5%	0.5%

7a. Inability to meet Trust needs for capital investment - capital loans finance							
Description of sensitivity Inability to meet Trust needs for capital investment - due to failure to obtain capital financing loans for the theatres and adult critical care schemes at the JR and the MK Radiotherapy satellite unit							
Impact on LTFM Failure to secure capital loans in 2015/16 and 2016/17 required to finance three capital schemes totalling £38.5M results in corresponding reduction in cash balances and working capital. (I&E is slightly improved as the as the reduction in interest payable exceeds loss of income receivable from positive cash balance but the liquidity rating is severely impaired).							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	9.7	11.9	11.9	11.1	10.7
Cash at bank at year-end	£M	81.0	70.6	50.4	53.9	59.2	60.7
Liquidity	days	-8.8	-5.6	-8.9	-18.2	-16.6	-10.5
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	1.1%	1.3%	1.2%	1.1%	1.1%

7b. Inability to meet Trust needs for capital investment - Radiotherapy donations shortfall							
Description of sensitivity Inability to meet Trust needs for capital investment - risk of charitable donations shortfalls on the two Radiotherapy schemes							
Impact on LTFM Shortfall of donations requires acquistion of assets through capital expenditure. This results in a loss of donations income against the **retained** surplus of £3.8M over 2016–19 (in real terms) and reduced cash balances. [The break-even surplus would be reduced by the additional depreciation cost over the economic life of the asset]							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	9.7	9.4	9.6	9.8	10.0
Cash at bank at year-end	£M	81.0	84.1	85.6	84.3	85.7	83.9
Liquidity	days	-8.8	-5.6	-3.6	-4.8	-5.5	-1.2
Continuity of Service Risk Rating	1–4	2	3	3	3	3	3
I&E surplus margin	%	0.9%	1.1%	1.0%	1.0%	1.0%	1.0%

Downside scenario analysis

7.67 The sensitivities set out above to model the impact of the seven key risk areas in the Trust's assumptions are aggregated together to form the Downside scenario.

7.68 In aggregating the sensitivities a percentage probability has been applied to each to reflect the Trust's assessment of the likelihood of each risk crystallising in a combined Downside scenario. The probabilities against each risk arising in the combined Downside scenario are set out in the table below.

Probabilities assigned to each risk in the Downside case	
Risk	**Probability of risk crystallising in downside case (%)**
Failure to maintain quality of patient services (Reduction in CQUIN)	90%
Failure to maintain quality of patient services (staffing ratio pressures)	50%
Failure to maintain financial sustainability - CIPs	50%
Failure to maintain financial sustainability - pensions pressures (tariff downside 15/16 and 16/17)	100%
Failure to maintain financial sustainability - timing of calls on R&D income impacts on Balance Sheet	10%
Failure to maintain financial sustainability - specialist services tariffs	50%
Failure to maintain financial sustainability - urgent care tariffs	50%
Failure maintain operational performance - delayed transfers of care	75%
Failure to maintain operational performance (impact of harsher penalties regime)	50%
Failure to achieve sustainable contracts with commissioners - activity above contract	25%

Probabilities assigned to each risk in the Downside case	
Risk	**Probability of risk crystallising in downside case (%)**
Failure to achieve sustainable contracts with commissioners - CCG affordability	50%
Failure to sustain an engaged and effective workforce - recruitment and retention (agency pressures)	25%
Failure to deliver the required transformation of services - Care 24/7	25%
Failure to deliver the required transformation of services - EPR (CRIS) efficiency risks	75%
Inability to meet Trust needs for capital investment - capital loans finance	50%
Inability to meet Trust needs for capital investment - Radiotherapy donations shortfall	100%

7.69 This Downside case is summarised, before any mitigation, in the following table.

Combined Downside - before mitigations							
Impact before mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	6.8	-30.5	-51.0	-61.7	-72.1	-83.2
Cash at bank at year-end	£M	78.5	29.0	-40.6	-112.1	-190.5	-283.4
Liquidity	days	-8.8	-6.6	-26.3	-54.9	-80.5	-103.6
Continuity of Service Risk Rating	1–4	2	2	1	1	1	1
I&E surplus margin	%	0.7%	-3.4%	-5.6%	-6.7%	-7.7%	-8.6%

7.70 As can be seen, if this Downside scenario were to materialise the Trust would need to implement a number of mitigation plans so that it retained:

- its capacity to generate annual surpluses from its operations;
- cash balances at a level allowing it to operate efficiently and meet all of its cash obligations, while maintaining some cash flexibility; and
- a Continuity of Service Risk Rating of 3.

7.71 To achieve this, the Trust would, where possible, implement a set of risk mitigation measures against each key risk. These mitigating actions are shown in the tables below.

7.72 The risk relating to failure to maintain quality of patient services has been modelled firstly through a sensitivity assessing failure to deliver all of the CQUIN targets (1a), resulting in an increase in the loss to 33% of the planned CQUIN for 2015/16 (£5.4m).[1]

1a. Failure to maintain quality of patient services - partial loss of CQUIN							
Description of sensitivity Failure to maintain quality of patient services (Reduction CQUIN)							
Impact on LTFM Loss of one-third of total planned CQUIN income (£16.2M) from 2015/16. This reduces overall PCA income by £2.7M, doubling the existing annual provision in the Basecase. Mitigation: additional investment to address areas of shortfall increases pay cost recurrently from April 2015 by £1.6M and eliminates ongoing downside CQUIN loss of £2.7M, restoring CQUIN income to its Basecase value.							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	7.3	6.7	9.9	9.4	8.6	8.2
Cash at bank at year-end	£M	80.3	80.3	82.3	80.7	80.9	77.3
Liquidity	days	-8.8	-5.9	-5.2	-6.2	-6.9	-3.0
Continuity of Service Risk Rating	1–4	2	3	3	3	3	3
I&E surplus margin	%	0.8%	0.7%	1.1%	1.0%	0.9%	0.8%

7.73 A second sensitivity (1b) has been modelled on failure to maintain appropriate safe staffing ratios and to meet specialist derogations with a consequent impact on patient services, with a consequent impact on pay costs of £6.5m (at premium agency rates) to address the impact on patient care.

1b. Failure to maintain quality of patient services - staff ratios							
Description of sensitivity Failure to maintain quality of patient services (CQC staffing ratios and specialist derogations pressures)							
Impact on LTFM Pressure to invest in additional pay costs (at agency premium rates) averaging £6.5M, being 1.4% of substantive staff costs (1% WTE + 40% premium), for each year from 2015/16. No direct mitigation (see global mitigation measures).							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	3.0	4.7	4.1	3.4	2.9
Cash at bank at year-end	£M	81.0	77.4	74.2	67.4	62.3	53.4
Liquidity	days	-8.8	-5.5	-6.4	-9.4	-12.2	-10.2
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.3%	0.5%	0.4%	0.3%	0.3%

[1] From the CQUIN provision of £2.7m already in the Base case from 2015/16. A lower CQUIN total risk of £3.5m has been modelled in 2014/15 only, due to the contract agreed with Oxfordshire CCG this year.

7.74 Failure to meet all of the CQUIN targets would need to be mitigated by making an additional recurrent investment of £1.6m in 2015/16 in additional staffing to tackle the areas causing the CQUIN targets to be missed. It is anticipated that this would see standards met from 2016/17.

7.75 The increased pay costs of £6.5m (at agency premium rates) required to address the risk of failure to maintain appropriate staffing ratios and to meet specialist derogations would need to be mitigated through further Trust wide (global) mitigating measures to offset the financial impact, as described later in this chapter.

7.76 Risks relating to failure to maintain financial sustainability have been modelled firstly (2a) through a sensitivity on failure to deliver a proportion of the Divisional general efficiency savings for each of the five future years. The risk modelling is based on a 12 month delay in implementing schemes and then only making 50% of the originally planned CIP value.

2a. Failure to maintain financial sustainability - CIP							
Description of sensitivity Failure to maintain financial sustainability - risk of failure to deliver the required level of Divisional savings							
Impact on LTFM Failure in each forward year of half and one-year delay in other half of CIP plans in clinical divisions results in an increase in operating expenditure of £12.6M in 2015/16 accumulating to £48M in 2019/20. This is mitigated by accelerating transformational and other cross-cutting schemes to halve the downside impact from October 2015.							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	0.0	0.3	-4.7	-10.1	-15.4
Cash at bank at year-end	£M	81.0	74.8	67.1	51.3	32.8	5.6
Liquidity	days	-8.8	-5.5	-7.6	-12.4	-18.5	-21.5
Continuity of Service Risk Rating	1–4	2	3	2	2	1	2
I&E surplus margin	%	0.9%	0.0%	0.0%	-0.5%	-1.0%	-1.6%

7.77 A second sensitivity (2b) has been modelled on the pensions cost pressures in 2015/16 and 2016/17 included in the Base Case not being funded within the tariff leading to an increased implied efficiency (downside tariff) requirement within a Downside case in those years.

2b. Failure to maintain financial sustainability - pension costs (tariff downside)							
Description of sensitivity Failure to maintain financial sustainability - pensions pressures not funded in tariff 15/16 and 16/17 (Monitor tariff dow nside)							
Impact on LTFM A reduction in the Base case tariff assumption by 0.7% in 2015/16 and 1.3% in 2016/17, being the value associated w ith expected additional employers' pension contribution rates and NIC costs due to proposed pension changes (if not funded as a national pressure in tariff), resulting in a nominal reduction of NHS acute activity income of £4.9M in 2015/16 rising to £14.1M from 2016/17. No direct mitigation (see global mitigation measures).							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	4.8	-2.5	-3.3	-4.3	-4.9
Cash at bank at year-end	£M	81.0	79.5	69.5	54.7	41.9	25.1
Liquidity	days	-8.8	-5.6	-5.7	-11.7	-17.4	-18.3
Continuity of Service Risk Rating	1–4	2	3	3	2	2	2
I&E surplus margin	%	0.9%	0.5%	-0.3%	-0.4%	-0.4%	-0.5%

7.78 A third sensitivity (2c) has been run to examine the impact on financial sustainability of bringing forward the timing of calls on deferred research and development income (of £13m) in the Statement of Financial Position, with the consequent impact on cash balances and the liquidity rating.

2c. Failure to maintain financial sustainability - R&D							
Description of sensitivity Failure to maintain financial sustainability - timing of calls on R&D income impacts on Balance Sheet							
Impact on LTFM A reduction in cash balance by £13M in March 2015 due to the release of deferred income (>1 year) in respect of R&D, resulting in a reduction in cash & w orking capital of £13M. Liquidity rating risk; no direct mitigation (see global mitigation measures).							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	9.6	11.6	11.1	10.4	10.0
Cash at bank at year-end	£M	68.0	71.1	74.7	74.8	76.7	74.9
Liquidity	days	-8.8	-11.2	-9.1	-9.3	-9.3	-4.7
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	1.1%	1.2%	1.2%	1.1%	1.0%

7.79 A fourth sensitivity (2d) has been run to examine the impact on financial sustainability of movements of specialist services from locally set tariffs to national Payment by Results tariff, with a consequent financial impact on the Trust's income position and margin.

2d. Failure to maintain financial sustainability - specialist services tariffs							
Description of sensitivity Failure to maintain financial sustainability - potential impact of transfer of specialist services (for example critical care) from local prices on to PbR tariff, with consequent financial impact.							
Impact on LTFM Net loss of income averaging £5.7M in real terms from 2015/16, being 10% of the planned income profile for critical care under local pricing. No direct mitigation (see global mitigation measures).							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	4.2	6.0	5.4	4.7	4.3
Cash at bank at year-end	£M	81.0	78.9	77.0	71.3	67.5	59.9
Liquidity	days	-8.8	-5.6	-5.9	-8.5	-10.7	-8.3
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.5%	0.6%	0.6%	0.5%	0.4%

7.80 A fifth sensitivity (2e) has been run to examine the impact on financial sustainability of the risk of movements in non-elective elderly care tariffs from national PbR tariff to local "block" contract arrangements, with a consequent transfer of risk relating to activity growth pressures to providers.

2e. Failure to maintain financial sustainability - urgent care tariffs							
Description of sensitivity Failure to maintain financial sustainability - potential impact of movement of non-elective tariffs from PbR onto block payments							
Impact on LTFM Net loss of income of £3.7M in real terms in 2015/16 rising to £8.6M in 2019/20, due to non-elective General Medicine in 2015/16 moving on to a fixed block contract (so no growth in income to match the activity growth in future years). No direct mitigation (see global mitigation measures).							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	6.0	6.7	5.0	3.2	1.7
Cash at bank at year-end	£M	81.0	80.7	79.5	73.4	68.2	58.1
Liquidity	days	-8.8	-5.6	-5.2	-7.4	-9.9	-8.0
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.7%	0.7%	0.5%	0.3%	0.2%

7.81 The savings shortfall (in risk 2a) would need to be mitigated by bringing forward strategic transformational savings plans from future years. It has been assumed that bringing forward these transformational plans this will only mitigate 50% of the shortfall.

7.82 If the pensions pressures were not funded in tariff (in risk 2b), leading to a higher implied efficiency requirement, then the Trust would need to advance some of the global mitigation plans described at paragraph 7.99 on the mitigated Downside case.

7.83 No individual risk specific mitigations have been run against the third sensitivity (in risk 2c) on calls on deferred research and development income, on the fourth sensitivity on specialist services income risks (risk 2d), or against the fifth sensitivity on urgent care tariff risks (2e). In these scenarios the Trust would need to bring forward cash preservation measures included in the global mitigation plans set out from paragraph 7.99.

7.84 Risk relating to failure to maintain operational performance has been modelled firstly through a sensitivity relating to additional costs of £4.8m per annum from 2015/16 to continue to operate the equivalent of an additional 80 beds (four wards of patients) due to the failure to reduce delayed transfers of care (in risk 3a).

7.85 The consequence of having to continue running an additional 80 beds to provide care for patients awaiting transfer would also require an estimated £10m one-off capital investment in ageing building stock on the Churchill site and consequent revenue implications. This expenditure would be required to maintain patient treatment within a safe ward environment that meets modern standards. No specific mitigation has been modelled but this scenario would need to be addressed by the global set of mitigation plans outlined from paragraph 7.99.

3a. Failure to maintain operational performance - DToC

Description of sensitivity
Additional operating costs due to continuing activity for delayed transfers of care (risk that plans to reduce these delayed transfers do not succeed)

Impact on LTFM
Additional operating costs equivalent to 80 beds (resulting from failure to reduce delayed transfers) £4.8M pa unfunded; additional capital costs of £10M in 2015/16 to address resultant w ard capacity requirements on the Churchill site, resulting in additional depreciation of £1M pa from 2015/16. No direct mitigation (see global mitigation measures).

Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	3.8	5.5	4.9	4.1	3.6
Cash at bank at year-end	£M	81.0	68.9	67.5	62.6	59.2	52.0
Liquidity	days	-8.8	-5.5	-10.0	-12.2	-14.1	-11.5
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.4%	0.6%	0.5%	0.4%	0.4%

7.86 A second sensitivity (risk 3b) has been run assessing failure to maintain performance standards in patient care with the resultant impact from the harsher contractual penalties regime from 2014/15 with an additional £4.2m impact compared to the Base case.[2] This is based upon analysis of the various components of penalties in the current financial year, including delivery of the A&E standard, delivery of RTT access targets[3] and delivery of cancer targets.

[2] From the penalties provision of £6.3m already in the Base case from 2015/16. A lower penalties total risk of £5.6m has been modelled in 2014/15 only, due to the contract agreed with Oxfordshire CCG this year.
[3] RTT targets for 18 weeks and also zero tolerance RTT waits over 52 weeks.

7.87 Failure to maintain performance standards with consequent financial penalties would require decisive mitigating action with a recurrent investment of £2.5m in 2015/16 in additional staffing to improve the quality of patient services. This rapid action would be necessary to decisively tackle the potential reputational risk and associated loss of income at an early stage. This mitigating action would then turn around performance from Q3 of 2015/16, reducing the levels of penalties applied against performance standards back to the level in the Base case.

3b. Failure to maintain operational performance - penalties

Description of sensitivity
Failure to maintain operational performance (consequent impact of penalties regime)

Impact on LTFM
Increased level of total penalties to £10.5M from 2015/16, based upon a downside analysis of each measure penalties apply against. This reduces overall PCA income by £4.2M, increasing from the existing annual provision of £6.3M in the Base case. Mitigation: addional investment increases pay cost recurrently from April 2015 by £2.5M and eliminates ongoing downside penalties of £4.2M, restoring them to the Base case level.

Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	6.8	5.0	9.0	8.4	7.7	7.2
Cash at bank at year-end	£M	79.9	78.1	79.2	76.7	75.9	71.3
Liquidity	days	-8.8	-6.1	-6.1	-7.4	-8.5	-5.0
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.8%	0.6%	1.0%	0.9%	0.8%	0.7%

7.88 The risk shown below of failure to achieve sustainable contracts with Commissioners has been modelled firstly (4a) to examine the impact of OUH's activity plans being exceeded, with a doubling of planned growth in non-elective and A&E activity from 2015/16 to 2019/20, compared to the Base Case LTFM, with consequent impact from marginal cost increases on pay at premium agency rates.

4a. Failure to achieve sustainable contracts with commissioners - overperformance

Description of sensitivity
Failure to achieve sustainable contracts with commissioners - cost impact if demand exceeds our activity plan

Impact on LTFM
Doubling of non-elective and A&E growth from 2015/16 resulting in £3.3M additional marginal expenditure at premium agency rates (including 40% premium on pay costs), accumulating to £16.3M in 2019/20, partly offset by additional income of £1.7M in 2015/16 accumulating to £8.2M (at marginal rates for non-elective activity above 2008/09 levels). Mitigation is to increase recruitment of substantive staff to eliminiate premium costs from 2016/17.

Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	7.9	9.6	7.9	5.8	3.9
Cash at bank at year-end	£M	81.0	82.3	83.9	81.1	78.4	70.5
Liquidity	days	-8.8	-5.5	-4.3	-5.4	-6.7	-4.0
Continuity of Service Risk Rating	1–4	2	3	3	3	3	3
I&E surplus margin	%	0.9%	0.9%	1.0%	0.8%	0.6%	0.4%

7.89 Secondly, the risk of a failure to achieve sustainable contracts with commissioners has been modelled to examine the risk of a financial gap after 2014/15 for the next five years with Oxfordshire CCG, with the commissioner's Better Care Fund (BCF) obligations resulting in a transfer away from acute provider funding to local authorities. OUH's share of this BCF impact has been estimated by the commissioners at £18.5m, and has been modelled as nil payment for any of the Base case OCCG growth until 2017/18 (the Trust still incurs the marginal cost impacts of the Base case activity growth projections relating to OCCG but without any additional income during this period). This risk would have to be mitigated by the Trust taking demand management cost reduction measures to eliminate the marginal cost impact of this unpaid activity (after an initial 12 month delay). While this risk has been modelled as part of a downside scenario, the Trust expects a compliant contract to apply in 2015/16 (and in subsequent years), with all commissioners, in which we would continue to be paid for activity that did not move to a community or local authority setting. The Base case reflects this compliant contract assumption with our commissioners.

4b. Failure to achieve sustainable contracts with commissioners - CCG affordability

Description of sensitivity
Failure to achieve sustainable contracts with commissioners - financial risk of unfunded activity above contract from 2015/16

Impact on LTFM
Better Care Fund obligations affect abilitiy for OCCG to fund growth in the OUH expenditure included in the Base case until 2017/18 and results in the continuation of non-compliant contracts in 2015/16 and 2016/17. The modelled cumulative impact on OUH's income & EBITDA is £10M in 2015/16, £16M in 2016/17, and reaching £18.5M in 2017/18. Mitigated by cumulative Trust led demand management measures reducing activity and therefore marginal costs from 2016/17 (£3.7M) to 2018/19 (£11.1M)

Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	-0.3	-0.4	0.9	4.9	5.1
Cash at bank at year-end	£M	81.0	74.9	66.8	55.8	52.1	45.4
Liquidity	days	-8.8	-5.6	-7.8	-13.1	-17.1	-14.4
Continuity of Service Risk Rating	1–4	2	3	2	2	2	2
I&E surplus margin	%	0.9%	0.0%	0.0%	0.1%	0.5%	0.5%

7.90 The risk relating to failure to sustain an engaged and effective workforce (risk 5) has been modelled through a sensitivity reflecting a potential financial impact from failure to reduce staff turnover levels and improve recruitment and retention of staff, resulting in continuing high levels of agency premium pay costs impacting on our ability to make future planned workforce related pay savings (accumulating to a £17.8m impact by 2019/20).

5. Failure to sustain an engaged and effective workforce - recruitment and retention (agency pressures)							
Description of sensitivity Failure to improve recruitment and retention rates results in higher agency premium expenditure and impacts on the ability to deliver w orkforce CIP schemes							
Impact on LTFM Continuing levels of turnover and other w orkforce issues result in increased agency staffing pressures, preventing achievement of w orkforce CIP schemes, increasing pay cost by £5.8M in 2015/16 accumulating to £17.8M in 2019/20. Mitigated by investing £1.0M recurrently from 2015/16 to resolve w orkforce issues and restore w orkforce CIP achievement from 2016/17.							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	2.8	4.6	3.9	3.0	2.4
Cash at bank at year-end	£M	81.0	77.2	73.9	66.8	61.4	52.0
Liquidity	days	-8.8	-5.5	-6.4	-9.6	-12.4	-10.6
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.3%	0.5%	0.4%	0.3%	0.2%

7.91 This financial risk has been mitigated by a recurrent investment of £1.0m in implementing improved recruitment and retention measures, including increased training and exit interviews, to address causes of the high turnover level and reduce the consequent agency usage. This then enables planned workforce savings to be made from 2016/17.

7.92 The risk relating to failure to deliver the required transformation of services has firstly been modelled as a sensitivity relating to failure to deliver the Care 24/7 transformation project (risk 6a). A lack of capacity to focus on the delivery of the planned transformational efficiency savings (£6.5m in 2015/16 rising to £18.5m by 2019/20). This has been mitigated by a recurrent investment in transformation capacity of £0.5m (and an additional non-recurrent £1.0m of expenditure to establish the transformation team in 2015/16 and gain initial impact). This then ensures the capacity is in place to deliver the transformational efficiency savings after a one year delay from 2016/17.

6a. Failure to deliver the required transformation of services - Care 24/7							
Description of sensitivity Failure to deliver Care 24/7 changes resulting in failure to achieve transformational CIP plans							
Impact on LTFM Increased operating costs of £6.5M from 2015/16, due to failure of transformational CIP schemes in that year. Further failure from 2016/17 is mitigated by a non-recurrent investment of £1.0M in 2015/16 plus additional transformational support of £500k pa from 2015/16 onw ard. This restores achievement of transformation CIP shemes from 2016/17.							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	1.6	4.4	3.7	2.9	2.3
Cash at bank at year-end	£M	81.0	76.2	72.7	65.5	59.9	50.4
Liquidity	days	-8.8	-5.5	-6.9	-10.1	-13.0	-11.2
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	0.2%	0.5%	0.4%	0.3%	0.2%

7.93 The risk of failure to deliver the required transformation of services has been modelled secondly as a sensitivity relating to failure to deliver EPR and CRIS implementation savings (risk 6b). A lack of capacity to focus on the delivery of the planned EPR efficiency improvements results in a £4.5m impact from 2015/16 due to failure of the associated savings. This has been mitigated by a non-recurrent investment in transformation capacity of £0.5m in 2015/16 to deliver the EPR efficiency savings from the start of 2016/17 after a one year delay.

6b. Failure to deliver the required tarnsformation of services - EPR (CRIS) efficiency risks							
Description of sensitivity Failure to achieve the planned EPR (CRIS implementation) CIPs							
Impact on LTFM Increased operating costs of £4.5M pa in 2015/16, due to failure of EPR (CRIS implementation) CIP schemes. Mitigation: non-recurrent investment of £500k in 2015/16 enables recovery of scheme in 2016/17.							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	4.5	11.6	11.1	10.4	10.0
Cash at bank at year-end	£M	81.0	79.0	82.6	82.7	84.6	82.8
Liquidity	days	-8.8	-5.5	-5.8	-6.1	-6.1	-1.6
Continuity of Service Risk Rating	1–4	2	3	3	3	3	3
I&E surplus margin	%	0.9%	0.5%	1.2%	1.2%	1.1%	1.0%

7.94 The risk of inability to meet the Trust's needs for capital investment has been modelled in the Downside case firstly (7a) as a sensitivity relating to failing to get the three capital investment loans included in the Base case, totalling £38.5m[4]. The impact on cash and liquidity from failing to obtain the capital investment loans would have to be addressed by cash preservation plans within the global mitigation measures set out below.

[4] These relate to JR theatres (£24m), adult critical care (£6m) and Milton Keynes radiotherapy satellite unit (£8.5m).

7a. Inability to meet Trust needs for capital investment - capital loans finance							
Description of sensitivity Inability to meet Trust needs for capital investment - due to failure to obtain capital financing loans for the theatres and adult critical care schemes at the JR and the MK Radiotherapy satellite unit							
Impact on LTFM Failure to secure capital loans in 2015/16 and 2016/17 required to finance three capital schemes totalling £38.5M results in corresponding reduction in cash balances and working capital. (I&E is slightly improved as the as the reduction in interest payable exceeds loss of income receivable from positive cash balance but the liquidity rating is severely impaired). Liquidity risk with no direct mitigation (see global mitigation measures).							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	9.7	11.9	11.9	11.1	10.7
Cash at bank at year-end	£M	81.0	70.6	50.4	53.9	59.2	60.7
Liquidity	days	-8.8	-5.6	-8.9	-18.2	-16.6	-10.5
Continuity of Service Risk Rating	1–4	2	3	3	2	2	3
I&E surplus margin	%	0.9%	1.1%	1.3%	1.2%	1.1%	1.1%

7.95 The risk of inability to meet the Trust's needs for capital investment has been modelled secondly (7b) as a sensitivity relating to failing to raise the £2.5m of charitable donations included in the business case for the Radiotherapy satellite unit in Swindon and also failing to raise the £1.3m of charitable donations included in the base case for the Radiotherapy satellite unit in Milton Keynes. No specific mitigation has been modelled against this and global mitigation plans set out below would need to be brought forward to offset this financial impact.

7b. Inability to meet Trust needs for capital investment - Radiotherapy donations shortfall							
Description of sensitivity Inability to meet Trust needs for capital investment - risk of charitable donations shortfalls on the two Radiotherapy schemes							
Impact on LTFM Shortfall of donations requires acquistion of assets through capital expenditure. This results in a loss of donations income against the **retained** surplus of £3.8M over 2016–19 (in real terms) and reduced cash balances. Liquidy risk; no direct mitigation (see global mitigation measures).							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.1	9.7	9.4	9.6	9.8	10.0
Cash at bank at year-end	£M	81.0	84.1	85.6	84.3	85.7	83.9
Liquidity	days	-8.8	-5.6	-3.6	-4.8	-5.5	-1.2
Continuity of Service Risk Rating	1–4	2	3	3	3	3	3
I&E surplus margin	%	0.9%	1.1%	1.0%	1.0%	1.0%	1.0%

Mitigated Downside case

7.96 The risk-specific mitigations shown above against each identified risk have then been combined in the partially mitigated Downside case after applying the percentage probabilities of each risk crystallising, shown on page 179 above.

7.97 The partially mitigated Downside case is summarised in the table below.

Combined Downside - after risk specific mitigations applied (where applicable)							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	6.8	-30.4	-36.2	-39.8	-42.5	-47.6
Cash at bank at year-end	£M	78.5	28.9	-26.0	-75.9	-124.9	-182.2
Liquidity	days	-8.8	-6.6	-26.6	-49.8	-68.0	-81.3
Continuity of Service Risk Rating	1–4	2	2	1	1	1	1
I&E surplus margin	%	0.7%	-3.4%	-4.0%	-4.3%	-4.5%	-4.9%

7.98 This partially mitigated Downside case (after specific mitigations against each individual risk modelled) leaves a requirement for further more radical recurrent mitigation plans to sustain a surplus each year, and return to a Continuity of Service Risk Rating of 3 in future years.

7.99 Any organisation needs to have a set of more radical risk mitigation schemes in reserve, in the event of a Downside scenario arising. The Trust is actively pursuing a set of further, more radical risk mitigations, such as taking further staffing measures, telemedicine, site rationalisation, reduction in space utilisation and sale of premises.

7.100 Non-recurrent measures would be required in the initial period while some of the more radical mitigation plans were being implemented. Specific mitigations would be required in the Downside scenario to preserve cash, particularly from the risks with a significant cash impact such as the risk of not obtaining the capital loans finance. These mitigations would include cutting and deferring other areas of capital expenditure and firm working capital management to maintain cash in the Downside scenario.

7.101 These more radical mitigations have been modelled in the combined Downside case (after specific mitigations against each individual risk have been included). The result is summarised below.

Combined Downside - fully mitigated. After global mitigations (in addition to risk specific mitigations) have been applied							
Impact after mitigation		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Retained surplus	£M	8.0	4.8	7.5	8.0	9.9	10.1
Cash at bank at year-end	£M	79.7	76.8	81.5	79.5	79.1	75.6
Liquidity	days	-8.9	-6.3	-6.9	-6.5	-6.7	-2.8
Continuity of Service Risk Rating	1–4	2	3	3	3	3	3
I&E surplus margin	%	0.9%	0.5%	0.8%	0.9%	1.0%	1.0%

7.102 This Downside case after global mitigations have been applied shows that OUH can deliver a sustainable financial position over the five-year period with cash balances of between £75.6m and £81.5m, surpluses each year averaging 0.9% of income and a Continuity of Services Risk Rating of 3 for each year.

Conclusion

7.103 This analysis presents a prudent set of sensitivities modelling the potential financial impacts of the seven key risk areas for OUH which are outlined in this chapter. These are combined into a Downside case which, when mitigations are applied, illustrates that the Trust would still

achieve a stable financial position in a Downside scenario over the five year period to 2019/20.