Countess of Chester Hospital NHS Foundation Trust

PUBLIC – Board of Directors
20th May 2025

Report	**Agenda Item 21.**	**2025/26 Annual Plan**						
Purpose of the Report	Decision	**X**	Ratification		Assurance		Information	
Accountable Executive	Karen Edge Cathy Chadwick Vicki Wilson			Chief Finance Officer Chief Operating Officer Acting Chief People Officer				
Author(s)	Helen Wells Dan Nash Paul Marston			Deputy Director of Finance Director of Performance/Operational Improvement Deputy Chief People Officer				
Board Assurance Framework	BAF 1 Quality BAF 2 Safety BAF 3 Operational BAF 4 People BAF 5 Finance BAF 6 Capital BAF 7 Digital BAF 8 Governance BAF 9 Partnerships BAF 10 Research			**X**	BAF 5 – Failure to deliver financial plan and underlying financial position could impact long term financial sustainability for the Trust and system partners.			
Strategic goals	Patient and Family Experience People and Culture Purposeful Leadership Adding Value Partnerships Population Health							**X**
CQC Domains	Safe Effective Caring Responsive Well led							**X**
Previous considerations	Not applicable							
Executive summary	The National priorities for the NHS in 2025/26 are to live within its means, digital transformation, a focus on prevention and addressing inequalities and maintaining focus on the overall quality and safety of services. CoCH has a planned deficit of £14.4 million, which includes £19.6 million non-recurrent deficit support funding. The underlying position is a deficit of £34 million and excludes any impact of Integrated Care Board (ICB) convergence adjustment and deficit repayment of approx. £5 million, if allocated on a fair shares basis. If this is assumed the underlying position moves to approx. £39 million deficit. The 2025/26 financial plan includes delivering a recurrent savings plan of £27.7 million. Cheshire & Merseyside Integrated Care system had initially not submitted a compliant plan, with £84 million improvement to the financial position required in order to meet the £178 million system control total (of which £57 million was the provider element). In order for a compliant plan to be							

	submitted the required improvement has initially been allocated to providers based on a relative share of turnover, whilst further work is undertaken to explore mitigations that can be implemented at an organisational level. The CoCH element of the required improvement is £3.07 million. The following is assumed within the 2025/26 financial plan: • A financial deficit of £14.4 million will be achieved. • The financial deficit includes £19.6 million non-recurrent deficit support funding, resulting in an adjusted financial deficit of £34 million. • £27.7 million of recurrent savings are to be delivered • £382 million of income will be received to enable achievement of required activity targets • £5.5 million of capital will be invested in addition to capital for the Women's & Children's build and provisional £15 million targeted investment funding (TIF) • The cash balance will reduce by £0.6 million to £7.6 million with £8 million central cash support required during the year to support the Trust • All cancer waiting times targets and Referral to Treatment Targets (RTT) are forecast to be delivered in 2025/26. • Emergency Access targets are forecast to improve/ deliver but are heavily dependent on a reduction in the number of patients with no criteria to reside. • Workforce numbers are expected to decrease by 182wte which are reflective of Trust efficiency plans and align to national planning guidance.
Recommendations	The Board of Directors is asked to: • Approve the 2025/26 Annual Plan and key assumptions. • Note the risks and mitigations.

Corporate Impact Assessment	
Statutory/regulatory requirements	Not achieving financial duties will impact on the ability for the Trust to secure the economy, efficiency, and effectiveness in its use of resources.
Risk	Failure to deliver the financial plan and underlying financial position could impact long term financial sustainability for the Trust and system partners
Equality & Diversity	Meets Equality Act 2010 duties & PSED 2 aims and does not directly discriminate against protected characteristics It is important that a financial plan is set that enables health inequalities to be addressed.
Communication	Not confidential.

Board of Directors – 2025/26 Annual Plan

2. Introduction

2.1. The 2025/26 finance budget has been set in line with the Budget Planning principles set by the Trust

2.2. The financial framework in place for the 2025/26 financial year is reimbursement through an aligned payment and incentive (API) mechanism, comprising a fixed element for an agreed level of activity other than elective activity and a variable element for elective activity. Commissioners will set an indicative activity limit for the value of elective work paid to providers. Elective recovery funding (ERF) is continuing in 2025/26, but there is now an upper limit on the ERF funding that is available to each system, with each ICB being allocated a set amount in core allocations. It is anticipated that ICB's will be able to control their spending by limiting the amount of elective activity they will pay for.

2.3. Productivity remains a key priority, with NHS England calculating that Trusts will need to reduce their cost base by at least 1% and improve productivity by 4% in order to meet national priorities within funding allocated.

2.4. Nationally there is a requirement to reduce corporate/ non-patient facing cost growth by 50% during Quarter 3 2025/26. Since 2018/19, corporate costs in NHS providers have risen by 40%, excluding pay and pensions.

2.5. For CoCH, corporate service costs have risen by £9.5 million since 2018/19, resulting in a national requirement to reduce costs by £3.5 million.

2.6. Higher than planned levels of inflation have been experienced over the last 12 months. Although national levels of inflation have recently fallen, it is expected that some higher than planned levels of inflation will continue in 2025/26, particularly around utility costs.

2.7. The national operational planning guidance for 2025/26 is clear in its ask and that is to:

- Live within the budget allocated, reducing waste and improving productivity
- Reduce the time people wait for elective care
- Improve A&E waiting times and ambulance response times
- Maintain focus on overall quality and safety of services
- Focus on prevention and address inequalities
- Digital transformation

2.8. The purpose of this paper is to:

- Set out the key operational assumptions within the plan
- Highlight the income and expenditure, balance sheet, cash flow and capital plans in 2025/26 required to deliver the operational requirements
- Approve the Annual plan

3. Assumptions

3.1. Working with operational staff, the following assumptions have been agreed in setting the 2025/26 plan.

3.2. **Elective activity** Total elective activity levels (day case, elective and outpatient first appointments) are currently at 138% of 2019/20 levels. 2024/25 elective activity volume was higher than initially planned due to efficiency improvements delivered within the Trust.

3.3. The table below summarises total 2025/26 planned activity compared to 2019/20 activity.

Planned activity compared to 2019/20

	Outpatient First			Outpatient Procedures			Elective Daycases			Elective Inpatient			Total		
	25/26 Plan	19/20 Actual	Plan v 19/20	25/26 Plan	19/20 Actual	Plan v 19/20	25/26 Plan	19/20 Actual	Plan v 19/20	25/26 Plan	19/20 Actual	Plan v 19/20	25/26 Plan	19/20 Actual	Plan v 19/20
Planned Care	51,599	46,501	111%	65,186	42,013	155%	20,468	18,531	110%	2,524	3,154	80%	139,777	110,199	127%
Urgent Care	22,001	21,070	104%	24,491	3,434	713%	20,301	15,135	134%	146	453	32%	66,939	40,092	167%
Women & Childrens	17,425	15,760	111%	7,943	4,661	170%	1,286	1,215	106%	337	597	56%	26,991	22,233	121%
TICC	11,758	9,716	121%	8,202	27	30378%	0	0	-	0	0	-	19,960	9,743	205%
TOTAL	**102,783**	**93,047**	**110%**	**105,822**	**50,135**	**211%**	**42,055**	**34,881**	**121%**	**3,007**	**4,204**	**72%**	**253,667**	**182,267**	**139%**

3.4. **Non-elective activity**: Non-elective activity in 2025/26 is currently planned to be 35,935 cases compared to 33,003 cases in 2019/20.

3.5. **Operational performance against constitutional standards:** For 2025/26, a number of operational targets have been set by NHS England – Referral to Treatment (RTT), cancer waiting time targets (agreed with Cheshire & Mersey Cancer Alliance (CMCA)) and emergency access targets. The targets and forecast delivery is shown in the table below:

TARGET	CoCH FORECAST
RTT: Deliver 5% improvement in 18 week RTT performance with a minimum accepted performance of 60%	Trajectory submitted delivers target
RTT: Ensure 67% of patients referred on an elective RTT pathway has a first appointment within 18 weeks	Trajectory submitted delivers target, however there is a risk associated with the delivery plan
RTT: No greater than 1% of total RTT pathways above 52 weeks	Trajectory submitted delivers target
Cancer: 80% of patients referred on a 2 week wait referral receive a diagnosis within 28 days	Trajectory submitted delivers target
Cancer: 80% of patients commence treatment within 62 days of being referred or consultant upgrade	Trajectory submitted delivers target
Cancer: 96% of patients commence treatment within 31 days of a decision to treat for all cancer patients	Trajectory submitted delivers target

Emergency Access: A minimum of 78% patients seen within 4 hours in March 2026	Trajectory submitted delivers target, however this is heavily contingent on a reduction of patients with no criteria to reside to the agreed target of 58
Category 2 ambulance response times should average no more than 30 minutes across 2025/26	A mean time of 39.42 minutes has been submitted, which is an improvement from times in excess of an hour at points during 2024/25

3.6. **Workforce:** workforce numbers are showing a decrease of 182wte in actuals from the 2024/25 plan. These reductions can be seen in the table below, are reflective of the Trust efficiency plans and align to planning guidance issued nationally. The reductions are based on the required reductions in bank and agency usage along with the required reductions in corporate services, meaning that these groups of staff see the majority of the reductions.

Annual Workforce Plan 2025/26	Baseline		Plan		Change from March 25 to March 26			
	Staff in post outturn	Establishment	Staff in post outturn	Establishment				
	Year End (31-Mar-25)		Year End (31-Mar-26)		Staff in Post		Establishment	
	Total WTE	Total WTE	Total WTE	Total WTE	WTE	%	WTE	%
Total Workforce (WTE)	4,825.85	4,891.04	4,643.85	4,760.32	(-182.00)	-4%	(-130.72)	-3%
Total Substantive	4,509.04	4,891.04	4,378.32	4,760.32	(-130.72)	-3%	(-130.72)	-3%
Total Bank	291.71		247.96		(-43.75)	-15%		
Total Agency	25.10		17.57		(-7.53)	-30%		
Total Substantive	**4,509.04**	**4,891.04**	**4,378.32**	**4,760.32**	**(-130.72)**	**-3%**	**(-130.72)**	**-3%**
Medical & Dental	582.40	582.25	576.23	576.08	(-6.17)	-1%	(-6.17)	-1%
Registered Nursing, Midwifery & Health Visiting Staff	1,290.76	1,384.96	1,288.06	1,382.26	(-2.70)	0%	(-2.70)	0%
Reg/ Qual Scientific, Therapeutic and Technical Staff	510.26	533.60	510.26	533.60	0.00	0%	0.00	0%
of which Allied Health Professionals	298.10	309.70	298.10	309.70	0.00	0%	0.00	0%
of which Other S, T & T	135.83	130.18	135.83	130.18	0.00	0%	0.00	0%
of which Healthcare Scientists	76.33	93.72	76.33	93.72	0.00	0%	0.00	0%
Clinical Support	1,151.28	1,205.13	1,151.28	1,205.13	0.00	0%	0.00	0%
Infrastructure	966.34	1,092.64	844.49	970.79	(-121.85)	-13%	(-121.85)	-11%
Other Staff	8.00	92.46	8.00	92.46	0.00	0%	0.00	0%

3.7. As a result of the significant financial challenges facing the Trust, as well as national and regional focus on workforce numbers, enhanced governance around the management and monitoring of recruitment and variable pay has been implemented. This includes strengthening of the pay control panel (with Executive Director only membership) as well as the strengthening of the variable pay group. The purpose of the variable pay group is to provide Trust oversight and challenge in relation to workforce expenditure that is over and above core budgeted establishment.

3.8. **Patients with no criteria to reside**: The Trust had an average of 135 patients who are medically fit for discharge as at the end of March 2025 (116 in Countess and 19 at Ellesmere Port). This is an increase from an average of 91 at the end of March 2024 and highlights the continued pressure the Trust experiences around this. This has

continued to have a significant adverse impact on bed availability, flow through the hospital and the availability of elective beds. It is assumed that there will be a reduction in this cohort of patients to 58 by March 2026 to enable the Trust to be compliant with the 4-hour ED performance targets and reduction in corridor care.

3.9. **Bed capacity**: It is assumed that the current level of elective beds will be available for 12 months of the financial year. There are a total of 454 G&A beds within the Trust of which 60 are used for elective surgical procedures across adults and paediatrics. In addition, it is assumed there are 20 escalation beds for use when the Trust is in Operational Pressures Escalation Level 4 (OPEL4).

3.10. **Productivity:** Plans are being developed which are aimed at improving productivity to help delivery of the efficiency savings target. Work has already been undertaken in some outpatient areas and endoscopy with the current focus being on theatres.

3.11. **Covid-19 costs:** it is assumed in the plan that Covid funding remains stable and uplifted for inflation, with 2025/26 funding assumed at £1.6 million. The ICB is looking at reclassifying this resource into core funding allocations. Other Covid activity has been stopped or absorbed within established budgets.

3.12. **High-cost drugs:** High-cost drugs have continued to increase over the last 3 years. The historic model of funding high-cost drugs was a full reimbursement based on cost from the relevant commissioner with a small element from specialised commissioning on a block basis but separate to payment via tariff. These contracting arrangements have been confirmed as continuing in 2025/26 for both English and Welsh activity.

3.13. **Inflation**: Inflation is included within the plan and based on national guidance for pay and non-pay inflation. The national guidance has been set at 4.72% for pay inflation, 0.83% for drugs, 0.31% for CNST, 3.51% for non-pay and 2.39% for cost of capital. The national inflation levels are reduced for a nationally assumed 2% efficiency factor. Inflation costs are predicted to be above these national funding levels in some areas and where known these have been recognised in the plan (e.g. energy).

3.14. **Income from Welsh commissioners**: £34.6 million income is assumed within the plan relating to Welsh activity. This is based on 2024/25 contract value uplifted for inflation and an additional £0.5 million in relation to activity growth.

3.15. **Savings:** A total of £27.7 million savings have been included in the plan. This equates to 5.9% of operating expenditure (increasing to 6.9% excluding pass through high-cost drugs). This is an area of high focus within the Trust with the process introduced in 2024/25 being strengthened and enhanced, which includes the Chief Executive Officer remaining the Senior Responsible Officer for efficiencies.

3.16. **Contracting terms**: It is assumed that contracting terms are aligned to national guidance which are:

- A block allocation for non-elective, outpatient follow-up and other activity
- A variable allocation, that is capped at 2024/25 activity levels subject to performance for elective activity as defined by the Elective Services Recovery Fund guidance.

4. Financial Planning process

4.1. The focus has been on ensuring delivery of 2025/26 funded levels of activity can be achieved within the same expenditure resources. Each division has reviewed current expenditure rates compared to their recurrent budget so that any increase in run rate costs could be understood. Regular updates on the financial planning process have been provided to the Executive Director Team, Operational Management Board, Finance & Performance Committee and Trust Board.

4.2. The following process was undertaken in developing the financial plan:

- All budget and activity plans have been discussed with Divisional management teams to review the baseline, understand cost pressures and essential safety investments required, together with a review of proposed activity to be delivered in 2025/26.
- 2025/26 plans are based on recurrent rollover budgets which were adjusted for the full year effect of investments and efficiencies made during 2024/25.
- Inflation has been applied as per national guidance, apart from energy which is based on anticipated above inflationary cost increases (and being on nationally mandated energy frameworks). Inflation will be held centrally and allocated to divisions where other above inflationary increases are experienced during the year.
- Income is based on Integrated Care Board schedules, with Welsh income being based on contract values notified.
- £27.7 million efficiency target based on level of savings required to achieve agreed financial targets with the Integrated Board. Allocations to divisions have been based on 10% headcount reduction for corporate divisions and reduction of non-pay budgets. Clinical divisions have had an overall headcount reduction of 100wte allocated based on ‘fair shares’ of pay budgets. Workstream targets have been allocated based on national, regional and Trust wide opportunities identified.
- Efficiency targets have been profiled on the basis of anticipated delivery later in the financial year whilst schemes are mobilised (Q1 11%, Q2 26%, Q3 31%, Q4 32%).
- The further required improvement of £3.07 million to support a compliant system financial plan has been assumed as a reduction in expenditure in month 12. It has not increased the overall Trust efficiency target.
- The 2025/26 financial plan assumes that £19.6 million non-recurrent deficit support cash will be received and that there are no changes to the capital allocation.

5. Proposed finance plan 2025/26

5.1. The CoCH financial plan for 2025/26 is a £14.4 million deficit. The 2025/26 plan includes £27.7 million savings target.

5.2. The proposed Income and Expenditure Account, Balance Sheet and Cash Flow is included in Appendices 1-4. A summary of the position is in the table below:

	Annual Plan 2024/25 £'000	Month 12 2024/25 £'000	Proposed Plan 2025/26 £'000
Income			
Commissioning Income	344,111	367,293	362,772
Other Operating Income	19,366	23,866	19,692
Total Income	**363,477**	**391,159**	**382,464**
Expenses			
Pay	(268,212)	(272,110)	(282,720)
Non-Pay	(100,124)	(124,357)	(159,961)
Total Expenses	**(368,336)**	**(396,467)**	**(442,681)**
EBITDA	**(4,859)**	**(5,308)**	**(60,217)**
Finance Costs			
Finance Income	848	1,296	629
Finance expense	(354)	(354)	(500)
Public dividend capital	(2,636)	(2,636)	(3,877)
Net Finance costs	**(2,142)**	**(1,694)**	**(3,748)**
Other gains/ (losses) incl. disposal of assets	(200)	(200)	(200)
Net Surplus/ (Deficit)	**(7,201)**	**(7,202)**	**(64,165)**
Adjustment for impairment	(2,278)	(2,278)	50,000
Adjustment for Donated Asset Items	(50)	(50)	(120)
Remove PFI revenue costs on an IFRS16 basis	396	396	363
Adjust PFI review to UK GAAP analysis	(474)	(473)	(489)
Net Surplus/ (Deficit)	**(9,607)**	**(9,607)**	**(14,411)**
Less non-recurrent deficit funding	(13,952)	(13,952)	(19,631)
Adjusted financial performance	**(23,559)**	**(23,559)**	**(34,042)**

5.3. The key drivers from the exit run rate in 2024/25 to the planned 2025/26 position are shown in the table below:

	Recurrent plan £m
PART 1 (submitted 8/01/2025)	
Initial 24/25 Plan	(23.6)
Less NR cash funding	14.0
Revised 23/24 Plan	**(9.6)**
NR Adjustments within initial 23/24 plan	
Stretch CIP target	(6.0)
Final stretch applied	(0.9)
NR cash funding	(14.0)
NR review of provisions	(5.0)
Underlying financial position	**(35.5)**
In year pressures	
24/25 undelivered CIP (mitigated in year through NR benefits)	(5.5)
24/25 pay award funding shortfall	(3.0)
Underlying financial position from 24/25	**(44.0)**
National Pressures/ assumptions	
Excess inflation (energy) - national energy framework has to be used	(1.5)
National inflation (based on 25/26 CUF)	(9.0)
Regional Pressures/ Assumptions	
Convergence adjustment - reduction to income (as per ICB)	0.0
Deficit repayment adjustment - reduction to income as per ICB	0.0
25/26 ICB Deficit support funding	19.6
Retraction of depreciation funding	(1.7)
CNST allocation added reflecting the uplift that is in tariff, but not in CUF.	0.4
Nuclear Med transfer to CCC	(0.1)
Income no longer expected	(3.1)
Deficit support cash benefit	0.8
Required provider improvement - 30/04/25	3.1
Financial position with national/ regional assumptions	**(35.5)**
Internal assumptions	
Deficit reduction plan (CIP)	27.6
Known cost pressures/ EDG agreed funding	(3.1)
Other financial risks - band 2-3	(0.9)
Costs in relation to escalation/ urgent care medical	(2.6)
Activity/ Volume changes (M&S, drugs, managed service)	(1.5)
Other anticipated pressures	(2.2)
Reduction to depreciation charges based on current building value	1.0
Anticipated mitigations	2.8
2025/26 Initial financial plan	**(14.3)**

6. Cheshire & Merseyside Finance Position

6.1. The C&M system have submitted a deficit plan of £178 million, which is in line with the Control Total and as such is a compliant plan. This is after the allocation of further improvement requirements across providers and the ICS.

6.2. The consequences of the system not meeting its financial plan are:

- The system would not receive its deficit support funding of £178 million (both resource and cash) which would have a significant impact on cash management issues for every organisation within the system
- Impact on the system in-year capital allocation, which already has significant constraints and is estimated at a further £11.3 million reduction.
- Potential removal of 'capital freedoms' that exist as part of the current system plan, and is a discretionary decision by NHS England.

7. Transformation Programme and CIP

7.1. The Trust enters the 2025/26 financial year with a significant underlying deficit in excess of £40 million and will need to deliver more savings than the national ask of 2% to start moving towards a breakeven position. The 2024/25 efficiency programme delivered a higher level of recurrent savings than it has done over recent years, however the pace and scale of delivery needs to further improve if the Trust is to return to a financially sustainable position.

7.2. The efficiency target in the 2025/26 plan is £27.7 million. This equates to 5.9% of operating expenditure, increasing to 6.9% excluding high-cost drugs. CoCH aim to continue to identify and implement further recurrent savings opportunities to accelerate the return to financial balance.

7.3. £29 million of efficiency opportunities have been identified for 2025/26 (higher than the required level in the plan to reflect scope risk and natural slippage around the delivery of efficiencies). The opportunities have been allocated to workstreams with an Executive lead sponsor for each workstream. The workstreams are:

- Productivity - including theatre utilisation and urgent & emergency care transformation
- Medical workforce – including medical rostering and job planning and drugs wastage
- Digital enablement – including printing solutions and postage
- Nursing – including non-pay clinical controls and HCSW recovery
- Commercial & Infrastructure – including energy and accommodation
- Divisional schemes
- Non-contract income – including commercial

7.4. The enhanced governance process around the monitoring and management of the efficiency programme introduced in 2024/25 will continue in 2025/26. This includes the continuation of the weekly CIP delivery group chaired by the Chief Executive Officer. Weekly updates on CIP progress will continue to be provided (based on progress and

maturity). Updates will match reporting format requirements required by NHS England to whom weekly updates now also have to be provided.

7.5. Additional support is being provided by the service improvement team who will support larger, more complex schemes to delivery. The weekly CIP delivery group will also be attended by HR and service improvement representatives to ensure that additional support is identified immediately (to prevent delays with the delivery of schemes).

7.6. Only recurrent CIP will be transacted, continuing the practice in 2024/25. All proposed CIP schemes will require project initiation documentation (PID) and Quality Impact Assessments (QIA) to be completed prior to being transacted (with approval required from the Chief Nurse, Medical Director and Director of Finance).

7.7. The £27.7 million efficiency programme has been profiled with the expectation of delivering a higher level of savings towards the end of the financial year, rather than assuming delivery in equal 12ths (as shown in the table below). It is assumed that all savings will be delivered on a recurrent basis.

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	TOTAL
Planned savings	1,016	1,016	1,016	2,401	2,401	2,401	2,863	2,863	2,863	2,955	2,955	2,955	27,703
% savings	3.67%	3.67%	3.67%	8.67%	8.67%	8.67%	10.33%	10.33%	10.33%	10.67%	10.67%	10.67%	100.00%

7.8. Appendix 5 shows the detailed allocation and profiling of 2024/25 savings schemes by programme area.

8. Finance Strategy

8.1. A long-term financial plan is being developed following agreement of the Trust overarching strategy, to bring the Trust back to a sustainable financial position. The financial strategy will aim to return CoCH to an underlying breakeven position over the next 5 years.

9. Capital plan

9.1. The capital plan has been developed to live within the available resource envelope and to be a plan that maintains a sufficient level of safety within the estate, allows for essential backlog maintenance requirements to be delivered, digital infrastructure to be maintained and to replace ageing equipment as well as the support the continuing elective recovery programme of the Trust.

9.2. Capital allocations are provided to ICBs, which is then allocated to organisations within the system. For 2025/26, CoCH were allocated £5.5 million capital funding from the ICB, which excludes capital funding for the Women's and Children's build (£6 million), Provisional TIF – elective (£15 million), capital to revenue funding (£1.8 million), critical infrastructure risk funding (£0.5 million) and right of asset remeasurement (£2.9 million).

This is the same as capital funding in 2024/25 and is in line with the Trust's depreciation charge for the year and is therefore affordable.

9.3. A risk-based approach including multi-disciplinary evaluation to the prioritisation of the proposed schemes has been undertaken to support the delivery of safe services. The schemes prioritised have been discussed and agreed with all stakeholders.

9.4. The total proposed capital plan for 2025/26 is £5.2 million and the table below shows the prioritised plan and sources of funding (capital plan by division is shown in Appendix 6).

	£'000
Internally funded schemes	
Clincial Equipment	2,481
Digital	927
Backlog maintenance	2,092
Total internally funded schemes	**5,500**
Capital funding	
Internal depreciation/ ICB allocation	5,000
Cap to Rev	1,840
Right of Use Assets	2,949
Womens & Childrens build	6,000
Critical Infrastructure risk	500
Estates safety	567
TIF - Elective	15,000
TOTAL FUNDING	**31,856**

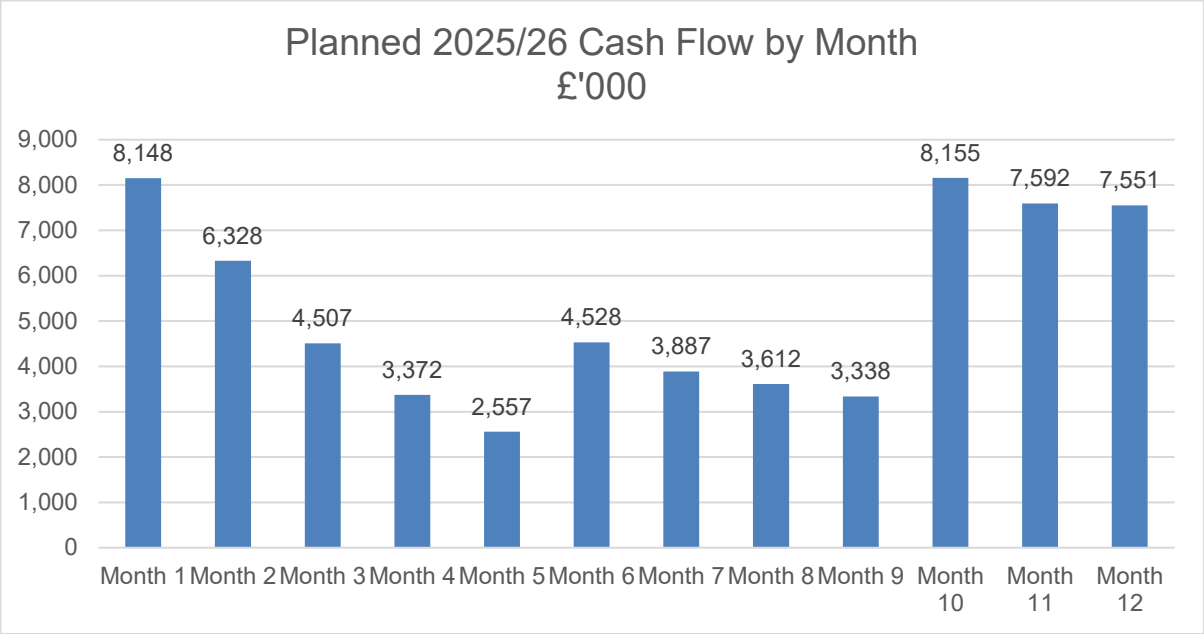
9.5. The capital envelope for CoCH remains below capital priorities and risks identified, as it does for the C&M system. The risk around capital priorities exceeding the capital envelope are included on the Trust risk register.

10. Cash

10.1. The planned cash flow statement can be found in Appendices 3 and 4. Based on current plans for both revenue and capital, the Trust is anticipating a reduction in cash balances of £0.6 million (£8.2 million to £7.6 million). This includes £8 million cash support from the Department of Health and Social Care (DHSC).

10.2. As a result of having a planned deficit, and delivering a deficit position in 2024/25, cash support from the Department of Health and Social Care (DHSC) will be required in 2025/26. Based on the planned deficit, £8 million central cash support will be required during the year. There is a public dividend cost associated with requiring central cash support which is assumed within the 2025/26 plan. The Trust will also be required to demonstrate robust cash management controls and governance around variable pay and non-pay to be able to access central cash support. The graph below shows the planned cash movement by month.

10.3. The increase in cash in months 10 -12 (January - March 2026) reflects anticipated cash received in relation to the TIF Elective funding (a total of £15 million over the last 3 months of the year).



11. Risks

11.1. The key financial risks for 2025/26 have been reviewed and assessed and are highlighted in the table below, together with mitigating actions.

Risk	Mitigation and Management
Cost reductions required based on expenditure rates in 2024/25	Budgets for 2025/26 have been agreed and budget holders are developing plans to ensure run rates above 2025/26 budget will have a robust plan to manage.
Delivering sufficient CIP to help meet the financial challenges	Operational CIP will be monitored and challenged through weekly CIP delivery group with the CEO as SRO
Elective activity – ability to deliver increased activity with funding allocation	Delivery of activity reviewed and monitored by OPELG and Finance & Performance Committee, with a focus on improved productivity
Constitutional standards – ability to deliver forecast standards if number of no criteria to reside patients does not fall	Delivery of constitutional standards reviewed and monitored by OPELG and Finance & Performance Committee. Issues around patients with no criteria to reside are escalated with NHS England and local authorities.
Managing demands on our urgent and emergency services, particularly over winter, to meet operational targets and prevent a knock-on impact on elective activity	Improvement programme internally and additionally at ICB level on UEC
Inflationary increases being specifically higher than included in the plan	National centralised procurement approach to management of energy to try and mitigate costs. Also system working to find potential ways to mitigate costs.

Costs associated with the public inquiry	Costs associated with the public inquiry are not assumed within the 2025/26 plan and assumed to be funded by NHS England (as they were in 2024/25).

12. Conclusion

12.1. The financial plan for 2025/26 is a £14.4 million deficit. This includes non-recurrent deficit support funding of £19.6 million, meaning the adjusted financial performance is £34 million deficit.

12.2. The plan has been developed with close involvement of the Divisional Teams to ensure that it is aligned to operational assumptions together with a good understanding and ownership of the budgets.

12.3. Total efficiency savings of £27.7 million are included to achieve the £14.4 million deficit position.

12.4. There will be a requirement for £8 million central cash support during 2025/26 as a result of the planned deficit.

12.5. There remains a significant financial risk to achieving the planned 2025/26 financial position, delivery of which will be closely monitored

12.6. All cancer waiting times and Referral to Treatment targets are forecast to be delivered in 2025/26. Whilst we have committed to deliver all Referral to Treatment targets there is a significant risk associated with the delivery of 67% of patients waiting for a new appointment being seen within 18 weeks. This will be tracked through weekly Operational Delivery Group meetings chaired by the Deputy COO and Director of Performance.

12.7. Emergency Access targets are forecast to improve/ deliver but are heavily dependent on a reduction in the number of patients with no criteria to reside.

12.8. Workforce numbers are expected to decrease by 182wte which are reflective of Trust efficiency plans and align to national planning guidance.

13. Recommendations

The Board of Directors is asked to:

- Approve the 2025/26 Annual Plan and key assumptions.
- Note the risks and mitigations.

Appendices

Appendix 1: Statement of Comprehensive Income

	Annual Plan 2024/25 £'000	M12 2024/25 £'000	Proposed Budget 2025/26 £'000
Income			
Patient Related Income	360,047	385,248	362,741
Other Income	19,366	24,895	19,692
Total Income	**379,413**	**410,143**	**382,433**
Expenditure			
Pay	- 284,148	- 294,943	- 282,720
Non-Pay	- 91,551	- 111,749	- 100,344
Total Expenditure	**- 375,699**	**- 406,692**	**- 383,064**
EBITDA	**3,714**	**3,451**	**- 631**
Non-Operating Expenditure			
Proft / (Loss) on Disposal	- 200	- 250	- 200
Depreciation & Amortisation	- 10,851	- 9,630	- 9,617
(Impairment) / Reversal of Impairment	2,278	- 1,215	- 50,000
PDC Dividend	- 2,636	- 2,381	- 3,877
Interest Payable	- 354	- 354	- 500
Interest Receivable	848	1,304	629
Total Non-Operating Expenditure	**- 10,915**	**- 12,526**	**- 63,565**
Adjustment for Impairment	- 2,278	1,215	50,000
Adjustment for Donated Asset Items	- 50	- 1,668	- 120
Adjust PFI Revenue to UK GAAP Basis	- 78	- 77	- 125
NET SURPLUS / (DEFICIT)	**- 9,607**	**- 9,605**	**- 14,441**

Appendix 2: Statement of Financial Position

Statement of Financial Position	Year Ending 31/03/2025 £'000	Year Ending 31/03/2026 £'000
Non-current assets		
Intangible assets	5,414	5,070
On-SoFP IFRIC 12 assets	2,647	2,581
Other property, plant and equipment (excludes leases)	227,660	198,076
Right of use assets - leased assets for lessee (excluding PFI/LIFT)	4,648	6,367
Receivables: due from NHS and DHSC group bodies	414	374
Total non-current assets	**240,783**	**212,468**
Current Assets		
Inventories	1,503	2,197
Receivables: due from NHS and DHSC Group Bodies	5,693	4,843
Receivables: due from Non-NHS/DHSC Group Bodies	6,067	8,334
Credit Loss Allowances	- 496	- 564
Cash and cash equivalents: GBS/NLF	27,944	7,372
Cash and cash equivalents: commercial/in hand/other	234	180
Total current assets	**40,947**	**19,362**
Current liabilities		
Trade and other payables: capital	- 12,879	- 6,916
Trade and other payables: non-capital	- 39,422	- 31,915
Borrowings	- 2,027	- 2,752
Provisions	- 3,498	- 1,596
Other liabilities: deferred income including contract liabilities	- 3,369	- 3,274
Other liabilities: other	- 66	- 66
Total current liabilities	**- 61,260**	**- 46,519**
Total assets less current liabilities	**220,469**	**185,311**
Non-current liabilities		
Borrowings	- 11,607	- 11,028
Provisions	- 850	- 890
Other liabilities: other	- 1,196	- 1,129
Total non-current liabilities	**- 13,653**	**- 13,047**
Total net assets employed	**206,816**	**172,264**
Financed by		
Public dividend capital	301,948	331,518
Revaluation reserve	9,043	10,045
Income and expenditure reserve	- 104,175	- 166,299
Total taxpayers' and others' equity	**206,816**	**172,264**

Appendix 3: Cash flow statement by month

	Apr-25 £'000	May-25 £'000	Jun-25 £'000	Jul-25 £'000	Aug-25 £'000	Sep-25 £'000	Oct-25 £'000	Nov-25 £'000	Dec-25 £'000	Jan-26 £'000	Feb-26 £'000	Mar-26 £'000
Restated cash and cash equivalents at start of period	**8,191**	**8,148**	**6,327**	**4,508**	**3,372**	**2,557**	**4,528**	**3,887**	**3,611**	**3,338**	**8,155**	**7,592**
Net cash generated from/(used in) operations	- 1,637	- 1,630	- 1,629	- 2,446	- 224	- 222	216	215	217	307	327	3,429
Net cash generated from/(used in) investing activities	- 293	- 2,078	- 2,078	- 2,078	- 178	- 178	- 745	- 378	- 378	- 378	- 5,478	- 5,778
Net cash generated from/(used in) financing activities	1,887	1,887	1,887	3,387	- 413	2,371	- 113	- 113	- 113	4,887	4,588	2,308
Increase/(decrease) in cash and cash equivalents	- 43	- 1,821	- 1,820	- 1,136	- 815	1,972	- 642	- 275	- 274	4,817	- 563	- 41
Cash and cash equivalents at end of period	**8,148**	**6,327**	**4,508**	**3,372**	**2,557**	**4,528**	**3,887**	**3,611**	**3,338**	**8,155**	**7,592**	**7,551**
Provider Revenue Support PDC assumed within cashflow				3,500		4,500						

Appendix 4: Cash flow statement

Cash flows from operating activities	Year Ending 31/03/2025 £'000	Year Ending 31/03/2026 £'000
Operating surplus/(deficit)	- 7,391	- 60,247
Non-cash income and expense:		
Depreciation and amortisation	9,630	9,617
Impairments and reversals	1,215	50,000
Income recognised in respect of capital donations (cash and non-cash)	- 1,888	- 240
Amortisation of PFI deferred income / credit	- 66	- 66
(Increase)/decrease in receivables	5,916	- 1,417
(Increase)/decrease in inventories	187	-
Increase/(decrease) in trade and other payables	- 667	- 7,507
Increase/(decrease) in other liabilities	- 2,303	67
Increase/(decrease) in provisions	2,165	- 2,200
Net cash generated from / (used in) operations	**6,798**	**- 11,992**
Cash flows from investing activities		
Interest received	1,304	629
Purchase of property, plant and equipment and investment property	- 77,372	- 31,954
Receipt of cash donations to purchase capital assets	1,888	240
Net cash generated from/(used in) investing activities	**- 74,180**	**- 31,085**
Cash flows from financing activities		
Public dividend capital received	88,513	29,567
Loans from Department of Health and Social Care - repaid	- 1,795	- 1,802
Capital element of lease liability repayments	- 765	- 811
Capital element of PFI, LIFT and other service concession payments	- 73	- 125
Interest paid	- 103	- 81
Interest element of lease liability repayments	- 52	- 186
Interest element of PFI, LIFT and other service concession obligations	- 199	- 234
PDC dividend (paid)/refunded	- 2,307	- 3,878
Net cash generated from/(used in) financing activities	**83,219**	**22,450**
Increase/(decrease) in cash and cash equivalents	**15,837**	**- 20,628**
Cash and cash equivalents at start of period	12,342	28,179

Cash and cash equivalents at end of period	**28,179**	**7,552**

Appendix 5: Allocation of 2025/26 Efficiency Schemes

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	TOTAL
Medical:													
Rostering	5	5	5	11	11	11	13	13	13	13	13	13	**125**
Agency	18	18	18	43	43	43	52	52	52	53	53	53	**500**
Job Plans	15	15	15	35	35	35	41	41	41	43	43	43	**400**
Drugs	17	17	17	39	39	39	47	47	47	48	48	48	**450**
Commercial & Infrastructure:													
Procurement	9	9	9	22	22	22	26	26	26	27	27	27	**250**
Non-pay controls	14	14	14	33	33	33	40	40	40	41	41	41	**385**
Energy	5	5	5	11	11	11	13	13	13	13	13	13	**125**
Accomodation	15	15	15	35	35	35	41	41	41	43	43	43	**400**
Productivity:													
Elective/ Theatres	44	44	44	104	104	104	124	124	124	128	128	128	**1,200**
UEC Transformation	86	86	86	204	204	204	243	243	243	251	251	251	**2,350**
Welsh Activity	18	18	18	43	43	43	52	52	52	53	53	53	**500**
Private and Overseas patients	11	11	11	26	26	26	31	31	31	32	32	32	**300**
Admin/ Digital	18	18	18	43	43	43	52	52	52	53	53	53	**500**
Managed Service Contracts	7	7	7	17	17	17	21	21	21	21	21	21	**200**
Digital													
Printing	8	8	8	19	19	19	23	23	23	23	23	23	**220**
Postage (incl PEP)	26	26	26	61	61	61	72	72	72	75	75	75	**700**
Nursing:													
HCSW Bank & Agency	9	9	9	22	22	22	26	26	26	27	27	27	**250**
QI, Governance & risk review	4	4	4	9	9	9	10	10	10	11	11	11	**100**
Clinical non-pay controls	22	22	22	52	52	52	62	62	62	64	64	64	**600**
MacMillan	1	1	1	2	2	2	3	3	3	3	3	3	**25**
Contracts & Technical													
Welsh contract	55	55	55	130	130	130	155	155	155	160	160	160	**1,500**
Interest/ VAT	13	13	13	30	30	30	36	36	36	37	37	37	**350**
Grip & control	37	37	37	87	87	87	103	103	103	107	107	107	**1,000**
Workforce Enabling:													
Training	18	18	18	43	43	43	52	52	52	53	53	53	**500**
BAU													
Planned Care	126	126	126	297	297	297	354	354	354	366	366	366	**3,427**
Urgent Care	138	138	138	325	325	325	388	388	388	400	400	400	**3,751**
DCSS	64	64	64	152	152	152	181	181	181	187	187	187	**1,750**
W&C	47	47	47	112	112	112	133	133	133	138	138	138	**1,291**
TICC	30	30	30	71	71	71	84	84	84	87	87	87	**815**
Corporate	183	183	183	432	432	432	515	515	515	531	531	531	**4,980**
TOTAL	**1,061**	**1,061**	**1,061**	**2,508**	**2,508**	**2,508**	**2,991**	**2,991**	**2,991**	**3,087**	**3,087**	**3,087**	**28,944**

Appendix 6: 2025/26 Capital Plan

	£'000
Internally funded schemes	
Diagnostics	985
Estates	2,092
Digital	989
Planned Care	715
Urgent Care	264
Central	455
Total internally funded schemes	**5,500**
Capital funding	
Internal depreciation/ ICB allocation	5,500
Cap to Rev	1,840
Right of Use Assets	2,949
Womens & Childrens build	6,000
Estates safety	567
TIF - Elective	15,000
TOTAL FUNDING	**31,856**