

Monitor

Making the health sector
work for patients

Monitor's annual plan for 2014/15



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1. Foreword

There is a growing consensus that the way healthcare is delivered to the people of England needs to change, particularly given the challenging financial situation facing the NHS. In order to seize the opportunity to significantly improve care for patients the NHS must accelerate the pace and scale of that change. This includes integrating access to care around the needs of patients; breaking down traditional barriers between providers; doing less in hospitals and more in the community; and inventing new models of hospital care.

As the sector regulator for health services in England, Monitor has a key role to play in helping to achieve this transformation. On 10 April we published our [strategy for 2014-17](#) which identifies the four themes that will lie at the heart of our work over the next three years:

- encouraging individuals and organisations to develop skills and capabilities
- supporting radical change while also managing the risks of failure
- ensuring the system's rules operate in the best interests of patients
- working closely with our partners, nationally and locally.

Our priorities in 2014/15 reflect these four themes and have been developed for each of our four core responsibilities and our support activities. They are set out in detail in Section 4 of this plan. We will place a particular emphasis on adopting a seamless approach to quality regulation by working closely with the Care Quality Commission. During the coming year we will also review our regulatory processes to ensure that they are effective in reducing the risk of problems arising in the first place, detecting them quickly if they do arise and resolving them effectively. In addition, we will put extra focus on promoting change through high quality analysis and debate, and encouraging innovation in the sector. The review of our processes will therefore also focus on ensuring that we give providers the freedom to take appropriate risks so that we do not inhibit unnecessarily their ability to innovate and change.

Another major emphasis will be continuing to develop our approaches to our new duties. Our pricing function will focus on developing and implementing plans jointly with NHS England for the improvement of the payment system, both in the short and the long term. These plans will aim to support both commissioners and providers in making the changes to patterns of care that the NHS needs. Our work on procurement, choice and competition will continue to focus on building understanding of the rules and how they apply in different circumstances, and on ensuring the competition aspects of the merger regime work in the interests of patients.

To achieve all of this it will be essential that Monitor continues to be a high performing organisation. We have gone through a period of rapid organisational growth as the scope of our responsibilities has expanded, and during 2014/15 we will ensure that our values are embedded deeply in our culture and processes. Above all, this means putting patients first in all that we do.

A handwritten signature in black ink, appearing to read 'Hanham', with a large, stylized initial 'H'.

Baroness Joan Hanham CBE
Interim Chairman

A handwritten signature in black ink, appearing to read 'David Bennett', with a long, sweeping horizontal line extending to the right.

Dr David Bennett
Chief Executive

2. About Monitor

Our mission

Monitor is the sector regulator for health services in England. Under the Health and Social Care Act 2012 ('the act') we have been given a new primary duty: 'to protect and promote the interests of people who use healthcare services'. In other words, our job is to work with the other system leaders and those who work on the front line to make the health sector work better for patients.

Our responsibilities

Before April 2013 our main task was to authorise and regulate NHS foundation trusts, currently 60% of all public providers of NHS services. However, under the act we were given a wide range of additional responsibilities. Our core responsibilities can now be summarised under four main headings:

- 1. Making sure public providers are well led.** From its inception, Monitor has been tasked with making sure public providers of NHS care are well led, delivering quality care on a sustainable basis. We do this in two ways, first by setting a required standard that all NHS providers must meet (our foundation trust authorisation standard or 'bar') and by working, most recently with the NHS Trust Development Authority (TDA), to ensure that, in due course, all NHS providers meet this standard. This work is led by our Provider Appraisal Directorate. Second, we seek to control the risk that foundation trusts, once authorised, will fall back below the required standard. If they do, we take remedial action. We also work with others to support the ongoing development of foundation trust capabilities so that they are able to deal better with the challenges they face. This work is led by our Provider Regulation Directorate with support from Provider Appraisal.
- 2. Making sure essential services are maintained.** If a provider of essential NHS services, whether an NHS foundation trust or an independent sector provider, gets into such serious difficulty that it is unlikely to be able to continue providing its essential services for much longer, Monitor is responsible for making sure those services are maintained and protected for local patients. The services may continue to be provided by the failing provider, while it restructures, or by alternative providers. This work is also led by Provider Regulation.
- 3. Making sure the NHS payment system promotes quality and efficiency.** One of Monitor's new duties is to work with NHS England to design and operate the payment system for all NHS services. NHS England specifies how services should be grouped for payment purposes (known as currencies), and Monitor sets the rules for how the level of any payment should be determined. Our work in this area is led by our Pricing Division, part of the Sector Development Directorate.

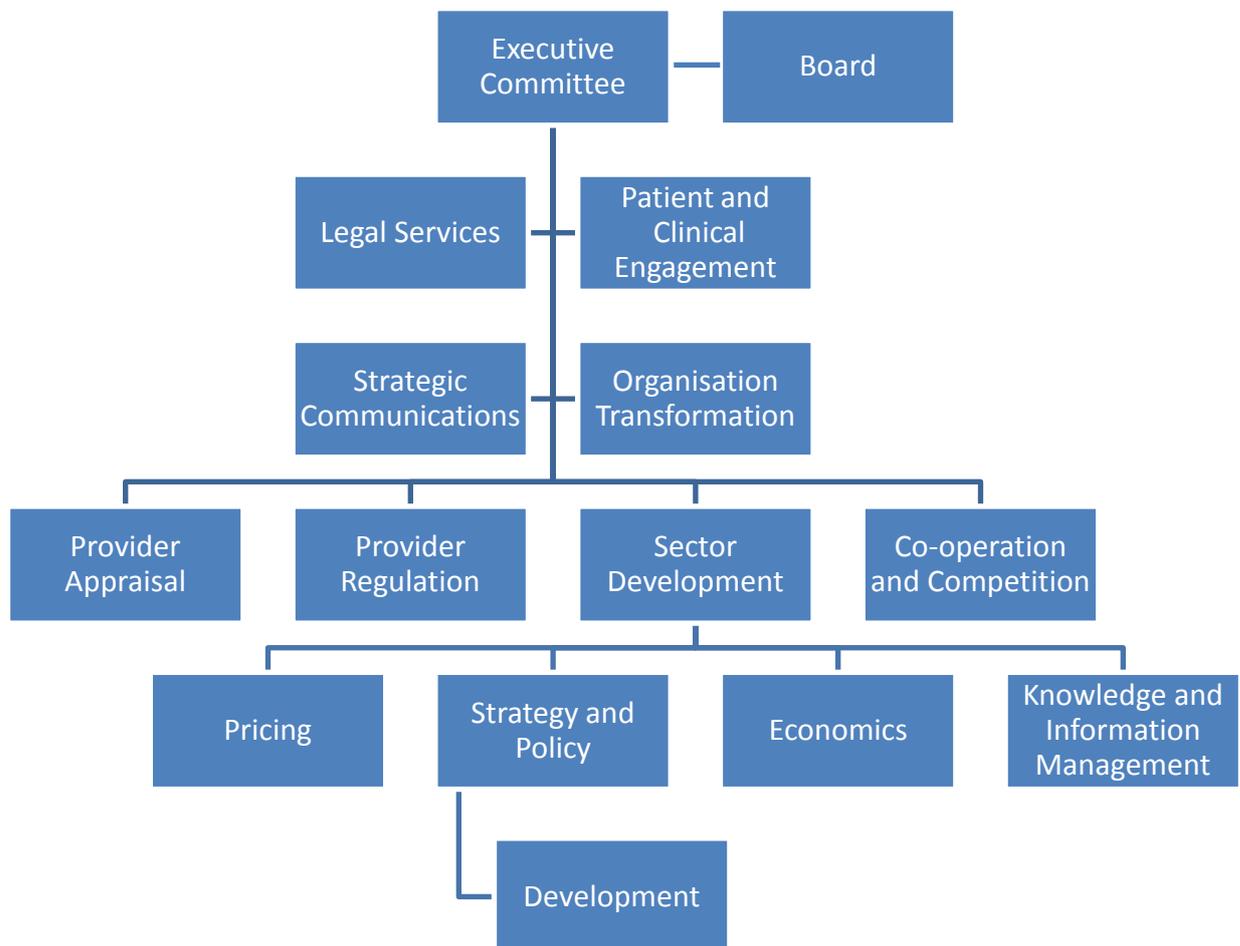
- 4. Making sure procurement, choice and competition operate in the best interests of patients.** The purpose of promoting good procurement and, where appropriate, enabling patients and commissioners to choose between competing service providers is to support improvements in the quality of care and the efficiency with which it is provided. Monitor's role is to help commissioners and providers make sure patients do not lose out through poor procurement, restrictions on their rights to make choices or inappropriate anti-competitive behaviour by commissioners or providers. This work is led by our Co-operation and Competition Directorate.

3. Our organisation

Monitor as an organisation has undergone a period of significant growth as our responsibilities have increased over the last years. As of 1 April 2014 we have 365 staff and over the course of the financial year 2014/15 we expect to recruit approximately 150 more to meet the expanded remit of the organisation. To be the high performing organisation we aim to be, we need to recruit, develop and retain outstanding people while making sure that we have the right mix of capabilities and technical skills. A particular emphasis for the next year will be to recruit more people with frontline clinical and operational experience, and to build our new Patient and Clinical Engagement Team.

Figure 1 sets out how we have organised Monitor in order to deliver our core responsibilities.

Figure 1: Monitor's functions



4. Our goals and actions for 2014/15

Our plan for 2014/15 shows how we aim to use our regulatory functions to fulfil our mission of making the health sector work for patients. We have developed the plan to closely align with our recently published long-term strategy. It is structured around our four core responsibilities and two further supporting elements:

- promoting change through high quality analysis and debate, and by encouraging innovation
- making sure Monitor is a high performing organisation.

The tables below set out the actions we will take in pursuit of each responsibility and to fulfil both supporting elements. The tables break these actions down by strategic priority and include information on which of Monitor's functions is responsible for their delivery.

4.1 Making sure public providers are well led

During 2014/15 we will continue to assess NHS trusts for foundation trust status. Applicants need to demonstrate that they meet our quality performance thresholds and can continue to do so on a sustainable basis. As part of assessing a provider's ability to sustain high performance we will further develop our approach to reviewing their local health economy and their own capabilities. To assess quality performance, we will continue to work closely with the Care Quality Commission (CQC) and will set out how we will align our regulatory approach with their emerging inspection regime. We will not grant NHS foundation trust status to a trust without CQC's assurance that the quality and safety of the services the trust provides meet the required thresholds.

We will also seek to control the risk that NHS foundation trusts, once authorised, fall back below the required standard. Our provider licence, which is required by all providers of healthcare services for the NHS (unless particular circumstances mean they are exempt), sets out important conditions that providers must meet. We use a risk-based monitoring system to assess any breaches or potential breaches of the conditions in our provider licence concerning governance and continuity of services. If a foundation trust seems unable to resolve its problems, we intervene to find a solution and oversee its implementation. During 2014/15 we will review our processes with the aim of ensuring that we give providers the freedom to take appropriate risks so that we do not inhibit innovation and change and we make sure our resources are focused on the most effective action when we do need to intervene.

We will also continue to help NHS foundation trusts develop their capabilities and strengthen their governance, in order to reduce the risk that providers will fail in the future. We will work with partners to develop appropriate training and tools for foundation trust boards of directors, governors and senior management teams.

In particular, we will focus on the capabilities that drive long-term performance, namely: strategic and business planning; organisational development; operational performance improvement and individual leadership.

Ref	Actions for 2014/15	Delivery date¹	To be delivered by
1.1	<p>Develop and apply mechanisms, including an overall well-led framework for governance reviews to assess applicant and existing NHS foundation trust core capabilities:</p> <ul style="list-style-type: none"> a. general and quality governance (in particular, alignment with CQC approach) b. business and strategic planning c. operational performance improvement d. organisational development e. leadership development 	<p>Q4</p> <p>General and quality governance (Q3)</p>	<p>Strategy and Policy/Provider Appraisal</p>
1.2	<p>Work with partners to develop and share tools, techniques, good practice guidance, training courses and other materials to support the improvement of the above</p>	<p>Q4</p>	<p>Development/ Strategy and Policy</p>
1.3	<p>Determine how best to use the regulatory regime to encourage foundation trusts to apply best practice in the core capabilities</p>	<p>Q3</p>	<p>Strategy and Policy/Provider Regulation</p>
1.4	<p>Work with partners – in particular the NHS Leadership Academy – to identify ways to improve the availability of leadership talent to provider organisations, especially CEOs, chairs, medical directors and finance directors</p>	<p>Q4</p>	<p>Development</p>
1.5	<p>Develop our capacity to gather intelligence on local health economies and to carry out analyses to develop insights into the forces at work and the implications for individual provider organisations</p>	<p>Q4</p>	<p>Economics / Provider Appraisal/Provider Regulation</p>

¹ Q1 = April to June 2014; Q2 = July to September 2014; Q3 = October to December 2014; Q4 = January to March 2015.

1.6	Publish and communicate our approach to assessing applicant trusts (including lessons learned from recent assessments) to providers that are not foundation trusts, in partnership with TDA, CQC and the Foundation Trust Network	Q4	Provider Appraisal
1.7	Work with TDA and CQC to minimise duplication and eradicate inconsistencies in our approaches	Q4	Provider Appraisal
1.8	Communicate how our regulatory approach aligns with CQC's new inspection handbook and ensure our stakeholders understand our respective roles within the regulatory system, particularly in terms of how we work together on quality	Q3	Strategic Communications
1.9	Keep the public informed of regulatory action to ensure transparency	Ongoing	Strategic Communications
1.10	Understand the actual or perceived barriers to change at provider organisations today, in order to ensure our approaches to assessing applicant trusts and regulating existing foundation trusts are flexible enough to accommodate rapid and significant changes to models of care	Q4	Strategy and Policy/Provider Regulation/Provider Appraisal
1.11	Develop and apply our new early stage transaction approach to facilitate controlled risk taking by providers, with the aim of allowing moderately risky transactions to proceed but closely monitoring progress against their business plans	Q1	Provider Appraisal
1.12	Review our approach to monitoring foundation trusts (including the annual plan review process and conditions set for transactions) to ensure it strikes a good balance between regulatory burden on the trusts and Monitor's ability to identify emerging problems at the earliest possible stage	Q3	Provider Regulation
1.13	Review the effectiveness of the risk assessment framework and the NHS provider licence one year on from implementation	Q4	Strategy and Policy

1.14	<p>Develop the annual plan review process by:</p> <ul style="list-style-type: none"> a. developing the methodology and capability to undertake five-year strategic plan reviews, including sustainability and local health economy risks b. developing processes to gain a greater insight into the alignment of strategic plans between trusts and clinical commissioning groups through reconciling income and plans across organisations 	Q2	Provider Regulation
1.15	<p>Review our approach to intervention to ensure it is capable of swiftly resolving problems at foundation trusts, in particular:</p> <ul style="list-style-type: none"> a. setting appropriately challenging deadlines for recovery or further intervention at each stage and enforcing them rigorously b. reviewing the effectiveness of interventions including in relation to the burden on the trust and the costs to Monitor c. developing new and better interventions for the least effective of the current approaches d. ensuring deep-seated issues (eg cultural or structural problems) are addressed 	Q3	Provider Regulation/Strategy and Policy
1.16	<p>Develop tools following our research into smaller acute providers to help Provider Appraisal and Provider Regulation incorporate our findings into their work</p>	Q3	Economics
1.17	<p>Gather and assess evidence on business models for the provision of community services and resulting clinical, operational and financial challenges, to inform Monitor's regulatory approach</p>	Q4	Economics
1.18	<p>Develop an external network of highly qualified and skilled leaders who are available to support foundation trusts in distress</p>	Q2	Provider Regulation

1.19	Agree and take forward the recommendations of the capital project	Q4	Strategy and Policy
1.20	Develop policy and issue guidance to support Monitor's duty to enable integrated care for patients	Q4	Strategy and Policy
1.21	Develop our work programme to support providers in designing and delivering genuinely patient-centred care	Q4	Patient and Clinical Engagement
1.22	Deliver high quality analysis and insight supporting assessment decisions and transaction risk ratings	Ongoing	Provider Appraisal

4.2 Making sure essential services are maintained

Monitor is responsible for making sure essential NHS services, whether provided by an NHS foundation trust or an independent sector provider, are maintained and protected for local patients if the provider gets into serious difficulty. We will continue to monitor the financial health of licensed providers in order to pick up warning signs that a provider is struggling financially. We will then help the provider try to return to financial sustainability. With a significant gap predicted between costs and revenues for 2015/16, in particular we will work with our key partners to assess the extent of the future financial challenges and develop plans to support local health economies at risk of financial distress.

If, despite the activity above, a healthcare provider gets into serious financial difficulty, we will work with the local healthcare commissioners to make sure that patients in the area continue to have access to any essential services delivered by the provider. During 2014/15 we will review previous enforcement cases and use lessons learned as we develop future solutions for any providers that get into serious difficulty. We will also develop our capabilities and our approaches to embedding solutions in the context of the wider health economies in which providers operate and to working with independent providers.

Ref	Actions for 2014/15	Delivery date	To be delivered by
2.1	<p>Establish lessons learned from the operation of the trust special administration process, contingency planning teams and the 2014/15 planning round, and incorporate our findings into a revised approach to:</p> <ul style="list-style-type: none"> a. working with NHS England and TDA to support planning in all local health economies and to pre-empt major problems in distressed health economies b. resolving problems at the most distressed or failing foundation trusts 	Q2	Provider Regulation/ Strategy and Policy
2.2	Publish lessons learned from a review of our enforcement projects to help the healthcare sector better understand the reasons for failure and the key considerations in terms of developing solutions	Q3	Provider Regulation
2.3	Keep the public informed about action being taken to ensure essential services are maintained, including holding contingency planning teams (CPTs) and trust special administrators (TSAs) to account for their engagement with local communities	Ongoing	Strategic Communications
2.4	Assess the size of the financial gap in 2015/16 and beyond. Consider what this means for the sector and work with partners to mitigate the consequences	Q2	Strategy and Policy/ Provider Regulation/ Economics
2.5	Develop and publish a regulatory framework to monitor independent providers	Q1	Strategy and Policy
2.6	Work with the Department of Health and local commissioners to design a financial framework to support distressed providers in need of financial assistance	Q3	Strategy and Policy/Finance and Reporting
2.7	Review and re-publish, where necessary, guidance on commissioner requested services and other relevant guidance	Q4	Strategy and Policy/Finance and Reporting
2.8	Update the trust special administration guidance in light of the Care Bill 2013-14	Q3	Strategy and Policy

2.9	Develop tailored approaches to deliver solutions when providers get into difficulty or fail, which take account of the characteristics and challenges of the local health economy	Ongoing	Provider Regulation
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4.3 Making sure the NHS payment system promotes quality and efficiency

Monitor works in partnership with NHS England to design and operate the payment system for all NHS services. Together we are designing a price-setting and payment system for the future that promotes affordable, good quality care for patients. NHS England specifies how services should be grouped for payment purposes (known as currencies), and Monitor sets the rules for how the level of any payment should be determined. Building on research on how the payment system could be improved we are now jointly developing plans for 2015/16, which will include further widespread engagement with the sector. A particular focus will be on collecting more accurate cost, activity and outcome data at the level of individual patients.

Ref	Actions for 2014/15	Delivery date	To be delivered by
3.1	Agree the balance and timing of short-term versus long-term payment development initiatives	Q1	Pricing
3.2	Agree and publish a long-term payment system strategy that is understood by stakeholders	Q4	Pricing
3.3	Design evidence-based payment system rules and variations to enable improvements to patient care in the following priority areas: <ul style="list-style-type: none"> • mental health • urgent and emergency care • integrated care for long-term conditions 	Q3	Pricing
3.4	Engage with the sector on proposals for the 2015/16 national tariff and the long-term payment system strategy	Q3	Pricing
3.5	Publish tools and intelligence to enable informed local price setting and financial risk sharing for mental health, community and integrated care services	Q3	Pricing
3.6	Research efficiency initiatives delivered within the NHS and the additional actions taken by providers to ensure financial balance, to determine an appropriate approach for us to take to future tariff efficiency and assessment assumptions	Q2	Economics

3.7	Improve design of the model, inputs and assumptions for calculation of national prices to support increased acceptance and conformity with the national tariff	Q3	Pricing
3.8	Develop, agree and publish a multi-year plan to improve rapidly provider data quality, with a particular emphasis on: <ul style="list-style-type: none"> • securing data from all non-acute providers • collecting data at a patient level 	Q3	Pricing
3.9	Develop tools, techniques, guidance and training to support the effective use of improved cost, activity and quality data by providers and commissioners	Q4	Pricing
3.10	Set up and begin to use our tariff enforcement, case management and adherence approach to incentivise acceptance and conformity with the national tariff	Q3	Pricing/ Knowledge and Information Management

4.4 Making sure procurement, choice and competition work in the interest of patients

Monitor is responsible for making sure procurement, choice and competition work well for patients. During 2014/15 we will continue to help the sector follow the rules established to make sure patients do not lose out through poor procurement, restrictions on their rights to make choices or anti-competitive behaviour by commissioners or providers.

An important focus of our work in this area is building understanding of the rules and how they apply in specific circumstances. We will engage with the sector through a programme of events, engagement and other activities, with a particular focus on commissioning and ensuring that the merger regime works well for patients. We will also continue to provide advice to the Competition and Markets Authority (CMA) on matters relating to mergers involving NHS foundation trusts.

We will offer informal advice in response to queries, as well as developing guidance and other tools on specific issues to support providers and commissioners in working confidently and effectively within the rules.

Alongside this, we will investigate potential breaches of the rules and, where necessary, we will take focused action where this is in the interests of patients. We will also look at aspects of the sector to determine whether the interests of patients are well served by existing arrangements and behaviours, focusing our activity within the areas where improvements are likely to have the greatest benefit for patients.

Ref	Actions for 2014/15	Delivery date	To be delivered by
4.1	Design and carry out a plan to ensure that commissioners, providers and other stakeholders have a good understanding of the rules on procurement, choice and competition and how they can be used to reshape and improve patient care	Case scenarios (Q2) Events and engagement (Q3)	Co-operation and Competition
4.2	Provide advice on how the rules on procurement, choice and competition apply in specific local situations to assist providers and commissioners in making good decisions in the best interests of patients	Ongoing	Co-operation and Competition
4.3	Investigate potential breaches of the rules on procurement, choice and competition and where necessary take focused action	Ongoing	Co-operation and Competition
4.4	Ensure we are doing all we can to support NHS providers planning a merger that works well for patients navigate swiftly through the statutory merger review by: <ul style="list-style-type: none"> a. reviewing the implementation of new arrangements for engaging at an earlier stage with NHS providers planning a merger b. working with CMA to develop a shared understanding of how statutory merger control will apply to NHS mergers, including development of NHS mergers guide c. publishing revised guidance on how to articulate and evidence how proposed changes from mergers benefit patients and how to interact with Monitor and CMA 	Reviewing new arrangements (Q3) NHS mergers guide (Q1) Revised guidance on patient benefits (Q1)	Co-operation and Competition
4.5	Undertake and promote research to establish how different participants in healthcare markets respond to incentives established through choice and competition and what this means for our regulatory approach	Q4	Co-operation and Competition

4.6	Undertake studies of aspects of the sector to determine whether the interests of patients are well served by existing arrangements and behaviours, with initial focus on community-based care.	Q4	Co-operation and Competition
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4.5 Promoting change through high quality analysis and debate, and by encouraging innovation

Alongside our formal powers we also have an opportunity to promote the necessary change to improve patient care by undertaking high quality analysis and using it to promote debate on critical issues, and by encouraging innovation. In particular, we are working with our key partners to undertake or promote research that will help identify new models of care which can help to address the twin challenges of achieving significant improvements in quality as well as considerable productivity gains.

We are also working to help the adoption of new care models on the ground, by seeking to remove barriers to change and being flexible in our approach to regulation. As part of this we will continue to drive forward the integrated care agenda by helping to develop the integrated care pioneers programme and by supporting the pioneers and other leading health economies to make integrated care the norm. In all of this we are working closely with local and national partners and aim to help address public concerns around some of these initiatives and changes.

Ref	Actions for 2014/15	Delivery date	To be delivered by
5.1	Conduct research on how to identify and roll out new, high value models of care and understand the barriers to their adoption	Q3	Strategy and Policy/ Economics
5.2	Develop and publish case studies about how smaller acute providers operate in other countries and test how applicable they are to the NHS	Q2	Economics
5.3	Continue to work with NHS England and other partners in support of the 'Call to Action' to develop scenarios of potential 'provider landscapes' as a vehicle to promote debate and agreement about the appropriate evolution of the provider landscape, both nationally and locally	Q4	Strategy and Policy

5.4	Understand the impact of labour market issues on provider performance by gathering and assessing evidence on labour market supply for clinicians and management	Q4	Economics
5.5	Work with relevant partners to actively support 'proof of concept' testing of innovative new models of care and flex our regulatory model to support a step-change in the rate of innovation	Q4	Strategy and Policy
5.6	Design and deliver a communications and engagement programme and work with other national bodies and stakeholders to explain and seek public support for necessary improvements to the way services are delivered	Q4	Strategy and Policy/ Strategic Communications

4.6 Making sure Monitor is a high performing organisation

To deliver our core responsibilities and their supporting elements we must ourselves strive to be a high performing and effective organisation. Given the very significant expansion in the scope of our responsibilities and corresponding growth in our organisation, success will depend on building our regulatory capability, our overall capacity and strong partnerships with other organisations. For 2014/15 our focus will be on: recruiting people with the right mix of capabilities and strong technical skills; achieving a step-change in our approach to personal development; refreshing our performance management framework so it is aligned with our strategy and values; ensuring focused activity to improve engagement levels across Monitor; and developing our structures, systems and processes to ensure agility, flexibility, resilience and sustainability. The latter will include a programme to build a comprehensive healthcare data analysis and modelling system to support regulatory decision-making.

Another focus for 2014/15 will be on continuing to build strong working relationships with our partners and on engaging with our many new stakeholders. We will undertake a programme of activities to increase the sector's understanding of Monitor's role and ensure our communications are patient focused and targeted to the right audiences.

Ref	Actions 2014/15	Delivery date	Owner
6.1	Design and deliver an internal and external stakeholder engagement and communications programme that increases understanding of Monitor's role, strategy, values and our 'patient first' culture	Q4	Strategic Communications/ Organisation Transformation
6.2	Design and deliver a programme to improve use and clarity of language across our communications so that everyone can become an ambassador, using consistent messages and communicating using our personal experiences as patients	Q4	Strategic Communications
6.3	Create a recruitment strategy and deliver to resource plan for 2014/15	Q1, Q4	Organisation Transformation
6.4	Design, deliver and embed a learning and development strategy to stimulate a step-change in personal development	Q1, Q3, Q4	Organisation Transformation
6.5	Develop an upgraded performance management framework to align with our strategy	Q1, Q4	Organisation Transformation
6.6	Create a programme to optimise the utilisation of our accommodation and facilities	Q4	Organisation Transformation
6.7	Develop a robust approach to assessing the impact and outcomes of our policies to inform our regulatory approach	Q4	Strategy and Policy/ Economics
6.8	Drive improvements in our stakeholders' experience of engaging with us by: <ul style="list-style-type: none"> a. acting as 'one team' to plan early and co-ordinate communications and engagement activity across Monitor b. ensuring intelligence is shared c. refine our communications approach for each stakeholder group 	Q4	Strategic Communications
6.9	Implement improvements to the way we collaborate and share knowledge across Monitor	Q4	Knowledge and Information Management

6.10	Provide training and information for staff on legal issues relevant to their area of expertise	Q4	Legal Services
6.11	Provide legal advice on our annual plan actions/work packages and associated options and risks, to manage effectively the legal risks of those actions across all of Monitor's work	Q4	Legal Services
6.12	Implement a single online gateway to create a simple and consistent way, in particular for providers and commissioners, to exchange regulatory information with us	Q4	Knowledge and Information Management
6.13	Build phase 1 of a Strategic Information Platform and support data analytics for Pricing and Economics	Q3	Knowledge and Information Management
6.14	Implement efficient IT solutions to support the licensing and monitoring of independent providers	Q3	Knowledge and Information Management
6.15	Review our strategy and prepare the 2015/16 annual plan	Q3	Strategy and Policy
6.16	Provide strategic to transactional organisational development support to regulatory functions to promote high performance	Ongoing	Organisation Transformation
6.17	Continue to advise and support all operational directorates in discharging their respective statutory functions from the perspective of a full understanding of both the regulatory and wider context within which Monitor works	Ongoing	Legal Services
6.18	Ensure the continued provision of appropriate guidance and legal advice to all Monitor's support functions	Ongoing	Legal Services

5. How we will measure our performance

To be an open, transparent and effective regulator it is essential that we measure our own performance in order to both assess the impact we are having and allow others to hold us to account.

As part of our strategy development we have produced a set of strategic objectives against which we seek to measure our performance in future (see Figure 2).

Figure 2: Our strategic objectives 2014-17

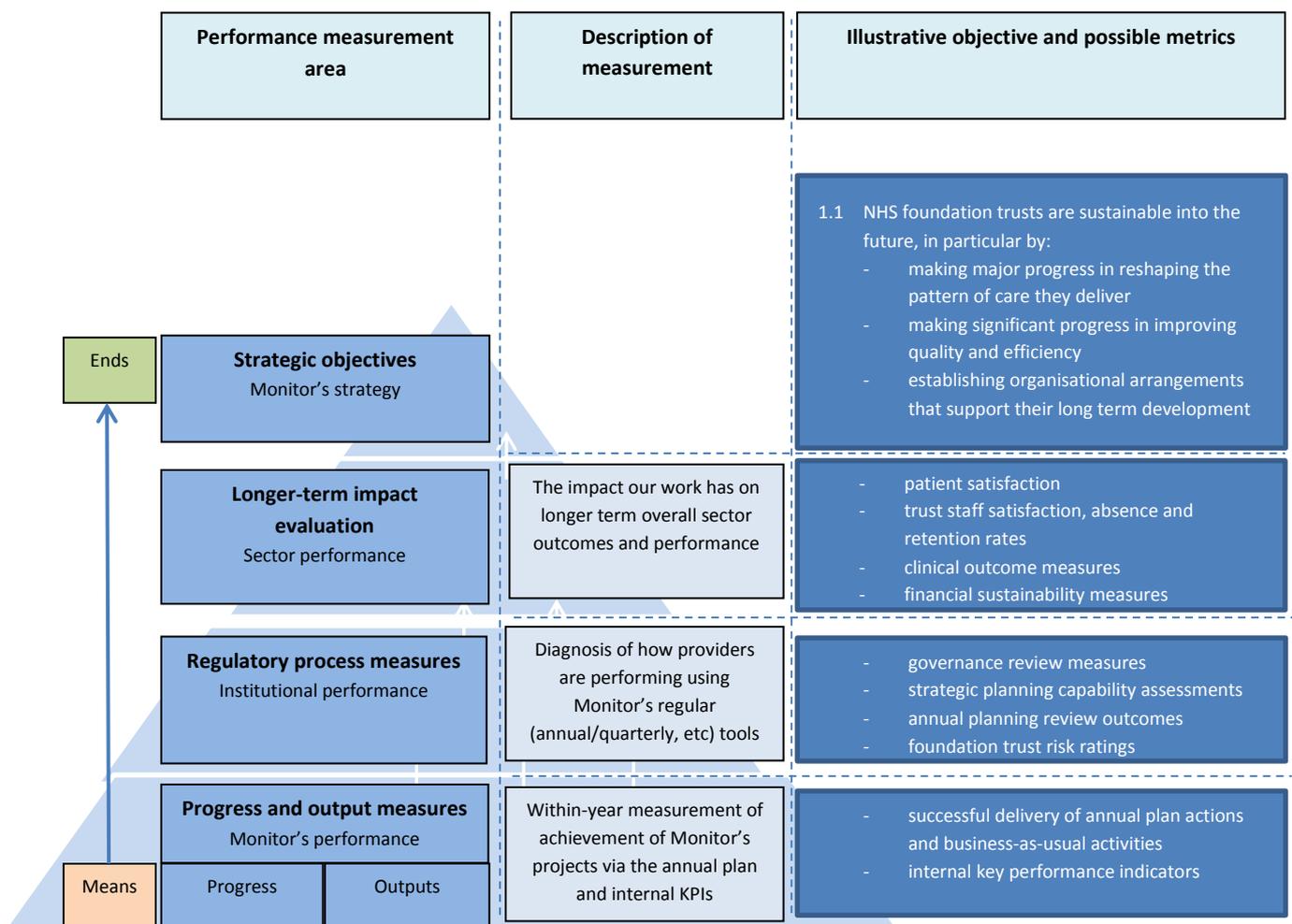
Core responsibilities	1. Making sure public providers are well led	2. Making sure essential services are maintained	3. Making sure the NHS payment system promotes quality and efficiency
Strategic objectives	<p>1.1 Foundation trusts are sustainable into the future, in particular by:</p> <ul style="list-style-type: none"> a. making major progress in reshaping the pattern of care they deliver b. making significant progress in improving quality and efficiency c. establishing organisational arrangements that support their long term development <p>1.2 Monitor makes a significant contribution to helping TDA raise the performance of the non-foundation trust sector</p>	<p>2.1 Distressed foundation trusts (whether because of the configuration of their services or their estate, their size, their location or their ability to attract and retain effective leaders) are restructured and/or their services are reconfigured to secure the continued provision of quality services in the local health economy in advance of final provider failure</p> <p>2.2 Any failed provider of essential services (foundation trust or independent sector) is restructured and/or its services are reconfigured to secure the continued provision of quality essential services within the local health economy</p>	<p>3.1 There is significant progress towards a fundamental re-shaping of the NHS payment system and the effective promotion of quality and efficiency through the system</p> <p>3.2 There is significant progress towards a major improvement in the quality and use of provider data by commissioners, regulators and providers themselves</p> <p>3.3 Critical, short term problems with the payment system which are having significant patient impact are addressed</p>
Core responsibilities	4. Making sure procurement, choice and competition operate in the best interests of patients	5. Promoting change through high quality analysis and debate, and encouraging innovation²	6. Making sure Monitor is a high performing organisation
Strategic objectives	<p>4.1 Effective commissioning enables the development of new patterns of care that meet the needs of patients</p> <p>4.2 Patients are empowered to have greater control over their choice of provider, clinician or treatment</p> <p>4.3 Providers are responsive to the needs of patients and commissioners and focus decisions on aspects that matter to them</p>	<p>5.1 Foundation trusts (and, as far as possible, all public providers) have sound strategic plans which respond to the changes required of them by their patients and their commissioners</p> <p>5.2 Monitor effectively facilitates foundation trust innovation</p> <p>5.3 Monitor makes a significant contribution to drive support for the necessary changes to the provider landscape</p>	<p>6.1 Monitor is recognised by our key stakeholders as making an effective difference for patients</p> <p>6.2 Monitor's new values are thoroughly embedded in the organisation</p> <p>6.3 Monitor's organisation is effective and efficient</p> <p>6.4 Monitor is able to attract and retain outstanding people</p>

² Numbers 5 and 6 are supporting elements that underpin the four core responsibilities

Measuring our success in achieving these objectives is complex. Some of the interventions we are undertaking now (such as changes to the payment system) will only show measurable impact in years to come. In addition, there are considerable other influences on the outcomes we are seeking to achieve (such as activities by government and other key bodies) over which we have little direct influence.

We have set out how our objectives will form part of a wider set of performance indicators and measures which will show whether we are on track to achieve these objectives (see Figure 3). Later in 2014/15 we will outline our approach to measuring progress against these strategic objectives in more detail.

Figure 3: An example of how our strategic objectives fit into our wider performance measurement framework



5. The 2014/15 budget we require

Below we set out the budget we have agreed with the Department of Health to achieve our one-year plan, broken down by each of our regulatory functional areas. The resource requirements represent the costs of exercising our regulatory functions. The figures exclude capital costs, any funds that may be required for contingency planning teams, trust special administration and special measures reimbursement and incentives payments to buddy trusts.

In total, our anticipated budget requirement is £57.3 million in 2014/15, which is an increase on previous years. The main factors behind this increase are the continued growth in our staff to fulfil our broader regulatory remit and the expected further increase in our workload in 2014/15.

Staff numbers are planned to grow from 365 (in post on 31 March 2014) to more than 500 over the period to April 2015. Reasons for our greater workload include:

- monitoring more NHS foundation trusts, in line with Department of Health policy
- more regulatory activity arising from growing pressures on the NHS
- introducing the new provider licence for non-NHS providers
- strengthening our regulatory approach in the light of the Francis Inquiry findings
- taking on responsibility for the NHS payment system
- exercising our new role ensuring procurement, choice and competition work well for patients.

Figure 4: Budget allocation by function*

	Unaudited actuals 2013/14 (£000)	Budget required 2014/15 (£000)
Pricing	15,600	18,200
Provider Regulation	16,300	23,000
Co-operation and Competition	4,900	6,300
Provider Appraisal	6,300	7,300
Corporate Support	2,500	2,500
Total	45,600	57,300

* Please note: this is the amount we forecast will be required for core running costs to deliver this annual plan. Total budget is subject to final approval from the Department of Health.

The figures per function above contain apportioned costs for the regulatory support functions in Monitor. These are: Strategy and Policy; Legal Services; Economics; Finance; Strategic Communications; Executive Office; Patient and Clinical Engagement; Knowledge and Information Management; and Organisation Transformation (see Annex B for further information on our functions).

Annex A: Organisational risks and mitigations

Risk	Mitigation
<p>1. We fail to turn around failing NHS foundation trusts and ensure continuity of services is maintained</p>	<p>Many failing foundation trusts require solutions spanning their local health economy, and hence require extensive stakeholder engagement.</p> <p>To address this, we have established a dedicated enforcement team to tackle the most complex cases; we are recruiting staff with a wide range of experience into the enforcement team; and we are building a model to identify the pipeline of foundation trusts that may require intervention. We are also enhancing our five-year planning view (as part of the annual plan review) to help identify emerging problems earlier.</p> <p>We are also establishing lessons learnt from our enforcement projects.</p>
<p>2. A lack of capability and leadership in the NHS increases the likelihood that trusts will get into difficulties and less able to recover</p>	<p>While some of the consequences of this risk fall on Monitor, leadership is a sector-wide issue. Addressing this requires action from the Department of Health, NHS Leadership Academy, NHS England, TDA and trusts themselves.</p> <p>Monitor is helping to develop this capability by: providing good practice corporate governance training to boards of foundation trusts, CEOs and senior executives; ensuring the new well-led framework for governance reviews looks at the ability of NHS foundation trusts to attract new capabilities and leadership; developing a network of senior leaders to place in foundation trusts requiring leadership support or change; and participating in the Leadership Academy programme.</p>
<p>3. Monitor has insufficient capability and capacity to handle the increasing number of foundation trusts in difficulty</p>	<p>Current trends show that the volume and complexity of breaches are increasing.</p> <p>To ensure we have the capability and capacity to meet the anticipated requirements, we are recruiting further senior enforcement director and enforcement director roles and carrying out an organisational design project that will help ensure we have the appropriate capacity and capability to handle the increasing number of foundation trusts in difficulty. Also see mitigations for risks 1 and 2.</p>

<p>4. Patient outcomes are affected if the NHS does not rise to its growing 2020 financial challenge</p>	<p>Demand on the NHS by 2020 is likely to increase faster than the available resources, leading to a need to increase efficiency significantly.</p> <p>The health sector currently has a significant challenge to manage rising patient demands, while simultaneously increasing efficiency to reduce its cost base.</p> <p>Monitor's strategy for 2014-17 has been developed with this issue as a core element.</p> <p>To progress this, Monitor is working with national partners, local commissioners and providers to:</p> <ul style="list-style-type: none"> (i) ensure that we are collectively doing everything we can to achieve change in the NHS (ii) reduce the number of foundation trusts that get into difficulty (iii) deal effectively with foundation trusts that are failing (iv) be appropriately prepared if foundation trusts do fail. <p>Acknowledging this is a significant risk not entirely under our control, we are working with our partners to ensure there is an understanding of this risk among parliamentarians.</p>
<p>5. Monitor fails to develop an effective strategy in conjunction with our partners to address significant financial challenges in 2015/16</p>	<p>As a result of the Better Care Fund, pension changes and ongoing efficiency requirements the NHS appears to have significant financial challenges in 2015/16. This may push a significant number of foundation trusts into financial deficit, which may impact on the services they are able to provide to patients. This may also mean that some providers are at risk of failing financially.</p> <p>We are working closely with Department of Health, NHS England and TDA through regular meetings, sharing intelligence on the nature of the problem and potential options.</p>
<p>6. Challenges associated with our significant growth and making sure that we are successful in making a positive difference to the health sector and patients' outcomes</p>	<p>Monitor has grown and changed significantly in response to our new powers, as well as associated resource (people and financial) pressures. To build a successful and respected organisation it is important that we have adequate resources to maintain our focus on high performance. We will achieve this internally through our management processes, ensuring the right balance of leadership skills, including health sector experience. We will support it externally, by promoting change through high quality analysis and debate, engagement with stakeholders and working hard to remove the perceived or actual barriers to change.</p>

Annex B: Our functions

Function	Activities
Provider Appraisal	<p>Assesses trust applications for foundation trust status</p> <p>Undertakes significant transaction reviews on behalf of Provider Regulation</p>
Co-operation and Competition	<p>Ensures good procurement practice, protects choice and prevents anti-competitive behaviour</p> <p>Looks into whether aspects of the healthcare sector are working well for patients</p>
Provider Regulation	<p>Issues and ensures compliance with the provider licence</p> <p>Ensures continuity of essential services</p>
Pricing	<p>Calculates and sets national tariff and local modifications for NHS-funded services, working with NHS England</p>
Strategy and Policy	<p>Interprets legislation, carries out provider development and reviews market trends to inform our decision-making and regulatory activity</p>
Development	<p>Helps to build capability in the sector</p>
Strategic Communications	<p>Develops and drives Monitor's stakeholder communications and engagement programme</p> <p>Proactively promotes Monitor's work and protects and enhances our reputation</p> <p>Ensures staff have access to useful, timely and engaging information</p>
Organisation Transformation	<p>Facilitates change to ensure that we are at the forefront of industry best practice in organisational effectiveness and improving our regulatory capability</p>
Legal Services	<p>Ensures all our regulatory activities and decisions have a sound legal basis</p>

Economics	Supports Monitor in delivering a range of market and sector projects to inform future regulatory decisions for the sector
Patient and Clinical Engagement	Ensures all decisions have appropriate clinical input and drives our patient and clinical engagement
Knowledge and Information Management	Ensures that all data for reporting on the sector is robust and all IT infrastructure enables us to regulate and engage the sector
Internal Finance and Reporting	Provides a challenge function to ensure we remain prudent in all financial decisions and reports on financial performance of the sector



Making the health sector
work for patients

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