

To: The Board

For meeting on: 30 July 2014

Agenda item: 10

Report by: Executive Committee

Report on: Executive Report

Summary:

This report summarises key developments at Monitor since the Board meeting held on 25 June 2014.

EXECUTIVE COMMITTEE BUSINESS UPDATE:

1. At its meeting on 9 July 2014 the Executive Committee (ExCo) conducted the following business:
 - a. Determining the proposed policy to be adopted by Monitor with regard to the treatment of functional conflicts and balancing competing regulatory interests. Further information about this item can be found at agenda item 5 (ref: BM/14/77).
 - b. Agreeing a communication and engagement programme to be undertaken jointly by Monitor and the Care Quality Commission (CQC), with a view to ensuring that staff within both organisations are able to clearly explain their respective roles, as well as providing information and seeking feedback from national stakeholder groups. Further information about this can be found below.
 - c. Consideration of Monitor's year to date expenditure position and latest projection as at 31 May 2014.

- d. Determining the approach to be taken by the Organisation Transformation directorate towards addressing emerging pay anomalies and job re-grade requests.
2. At its meeting on 15 July 2014 the ExCo conducted the following business:
 - a. Considering the recommendations made by the Public Accounts Committee (PAC) in its recent report “Monitor: regulating NHS Foundation Trusts” and the manner in which Monitor should respond to these. Further information about this item can be found at agenda item 4 (ref: BM/14/76).
 - b. Discussing how to take a more focussed and co-ordinated approach to the manner in which Monitor interacts with national sector leaders.
 - c. Reviewing information about the status of current projects being undertaken by the Knowledge and Information Management team.
 3. At its meeting on 22 July 2014 the ExCo conducted the following business:
 - a. Reviewing the 2014/15 business plan for the Development team within the Strategy and Policy team. The strategy focusses on the capabilities that Monitor believes particularly drive long term performance: strategic and business planning; organisational development; operational performance improvement; and individual leadership.
 - b. Considering the recommendations relevant to Monitor made in a recent Health Select Committee report “Managing the care of people with long-term conditions”. Two recommendations are relevant to Monitor:
 - i) “Monitor has indicated that a final version of the joint long-term strategy on reform of the payment system will be published in the summer of 2014. We recommend that this strategy explicitly include processes to identify and eliminate perverse incentives in the present payment structure and to develop systems which incentivise models of care centred upon all the needs of the service user. We further recommend that Monitor and NHS England evaluate the results of any tariff flexibilities used in the 14 integration pioneers sites, as well as the general flexibilities introduced in the 2014/15 tariff, and that the interim and final findings of the evaluation should be published.
 - ii) Monitor and NHS England must set out in their response to this report what steps they plan to take to support parity of esteem, both through the present tariff system and their proposals for tariff reform.”
 - c. Reviewing the proposed Memorandum of Understanding between Monitor and Healthwatch. Further information about this item can be found at agenda item 5 (BM/14/78).

- d. Reviewing the progress made by Monitor against the actions set out in its 2013/14 Business Plan. Further information about this item can be found at agenda item 11 (BM/14/83).
- e. Considering the development and introduction of a pilot internal coaching programme.

ECONOMICS UPDATE

Making sure public providers are well led AND Making sure essential NHS services are maintained

- 4. The "**NHS foundation trust (NHSFT) sustainability**" project has developed a methodology to test the clinical and financial sustainability of a trust at a high level. The second pilot has now finished and the draft methodology has been written up, reflecting the learnings from the pilot. The project team will now provide support to the Provider Regulation directorate's Annual Plan Review (APR) work over August 2014, which draws on the analysis developed on the project - this will also give a better sense of future demand for sustainability reviews. A workshop will be held in late August 2014 to share and test further the methodology, as well as to explore the options for conducting these reviews in the future before returning to the ExCo for a decision on this and resourcing.
- 5. The "**Local Health Economy (LHE) diagnostic**" project is developing a methodology and benchmarking tool for testing a set of supply and demand-side hypotheses on potential sources of LHE risks to provider sustainability. The second pilot has now been completed and the Provider Appraisal directorate will be using this as part of their preparation for the Board-to-Board with Royal United Hospital Bath NHS Trust on the 11 August 2014. The project team will be providing support to the Provider Regulation directorate's APR work over August 2014, which draws on the LHE analysis developed for the project. A Provider Appraisal Executive workshop will be held in September 2014 to reflect on where and how the LHE analysis can add most value to Monitor.

Making sure the NHS payments system promotes quality and efficiency

- 6. The team has progressed the work on 'actions taken by providers in addition to efficiency improvement' – formerly known as "**leakage**". The team's primary internal customer is the Pricing team. Following engagement with internal stakeholders, the Healthcare Financial Management Association, the NHS Trust Development Authority and NHS England, the first phase is now concluding. The work has been discussed by the Economics Advisory Group and has included input into the Tariff Engagement Document. The team will also be summarising the work in a 'technical paper' and running a workshop with the King's Fund and Health Foundation.

7. The second stage will run to October 2014 and will include an externally led project engaging with the sector, specifically through Directors of Finance and others at providers and commissioners, to better understand these issues.
8. The team's ultimate output will be policy recommendations on what (if any) interventions Monitor should make to address leakage insofar as it negatively impacts on patients and the impact these changes would create for the relevant directorate(s). Further, the team anticipates developing a methodology for assessing leakage in future years.

Promoting change through high quality analysis and debate, and by encouraging innovation

9. Following the publication of the "**smaller acutes**" project, the team is now talking to each of Monitor's functional teams about what this means for their work. Monitor continues to get good feedback from the sector (both policymakers and providers/commissioner) about this report.
10. The information gathering phase of work on the "**international acute comparisons**" project is nearing completion. This project is investigating the standards set and delivered for six core acute services in six other countries around the world. We have now received and are commenting on draft reports. It is intended to share these for discussion with the next Economics Advisory Group. The team is also currently working on its approach to sharing these with stakeholders and messaging to the sector.
11. The team is now scoping out work to understand the "**financial impact of moving care out of hospital**" as another issue raised by the smaller acutes project. This is likely to take the form of a financial model that will try to bring together an understanding of the impact of moving care out of hospital on commissioners and providers and provide some guidance to the sector on the circumstances under which these moves might generate savings for the sector. The team is currently talking to both internal (e.g. Pricing team) and external (e.g. NHS England) stakeholders about how this work links to other projects. Consideration is also being given to some joint working with the Nuffield Trust to deliver part of the model.
12. For all of the above projects, the team is working with the Strategic Communications directorate to develop a strategy for communicating its findings to both policymakers and providers/commissioners in order to make sure the work is robust and maximises its impact.

Making sure Monitor is a high performing organisation

13. The “**learning from other regulators**” project has been looking at the lessons that can be learnt from other regulators and how this could help judge the performance of Monitor as a regulator (e.g. in the form of a framework). The team is now constructing a full paper which will be shared with various parties within Monitor and with Iain Osborne. A final draft for sharing will be completed in the next two weeks.

STRATEGY & POLICY UPDATE

Making sure public providers are well-led

14. The Strategy and Policy team launched a review of the licence to identify any issues which may be inadvertently impacting on patient care or distorting provider behaviour. The review will focus only on NHSFTs and will cover the period from when the licence was launched in April 2013.
15. Work is now ongoing on the review of Monitor’s provider regulation interventions, with the project team examining past interventions at 16 case study trusts. The review is due to be completed by the end of September 2014 and will provide a comparative assessment of the effectiveness of Monitor’s interventions at problem trusts.
16. The team has kicked off the project to provide NHSFTs with tools to improve strategic planning. Five NHSFTs have signed up to be test sites.

Making sure essential services are maintained

17. The team is continuing work with external partners on the financial issues in 2015/16, including further work on identifying measures that could help close the gap.
18. The Strategy and Policy team is working on updating the Trust Special Administration guidance in order to bring it in line with the Care Act 2014 and are incorporating further suggestions from the Legal Services, Co-operation and Competition and Provider Regulation directorates. A draft version of the updated guidance will be debated by a cross-party parliamentary committee set up by Paul Burstow, MP, in September 2014.

Promoting change through high quality analysis and debate, and by encouraging innovation

19. The team is working with NHS England on the development of the NHS Five Year Forward View.

20. Work is ongoing both internally and with external partners to support Monitor's duty to enable integrated care, including the integrated care pioneers, and the team plans to issue guidance for the integrated care licence condition later this year.

Making sure Monitor is a high performing organisation

21. Policy's risk and performance teams are now in place and are monitoring performance across the organisation.
22. Work is underway on the risk and performance framework, including an evaluation methodology.

STRATEGIC COMMUNICATIONS UPDATE

Making sure public providers are well-led

23. The outline of a joint engagement campaign with CQC has been agreed to demonstrate to sector stakeholders how the two organisations work together. The programme will complement ongoing work to increase understanding of our role. Specifically this programme will:
 - ensure Monitor and CQC frontline staff clearly explain the organisations' respective roles when they interact with trusts, commissioners and other local stakeholders
 - inform and seek feedback nationally from groups representing providers, commissioners, clinicians and patients and from key influencers (think tanks, MPs, media).
24. Monitor is working with CQC and the NHS Trust Development Authority (NHS TDA) on a joint document to show the impact of special measures, one year on, in driving improvements in NHS foundation trusts (NHSFTs) and NHS Trusts. The role of Monitor and the NHS TDA in holding trusts to account for delivery against their action plans will be emphasised.
25. There is a drive by the Department of Health (DH) to agree a joint narrative with Monitor, NHS TDA and NHS England on NHS finances.
26. In addition to local, regional and trade coverage of investigations launched in June, the media team ensured that local broadcast and print coverage was achieved when investigations into two trusts were closed. Similarly the decision to take Basildon and Thurrock University Hospitals NHS Foundation Trust out of special measures achieved local coverage in addition to the decision to place University Hospitals of Morecambe Bay NHS Foundation Trust into special measures.

Making sure procurement, choice and competition operate in the best interests of patients

27. With Co-operation and Competition directorate colleagues the Strategic Communications directorate held a successful workshop with DH staff to raise awareness of the procurement, choice and competition regulations. Suggestions were received to undertake research on how people are in reality making choices in relation to health, and the extent to which health professionals and providers are altering their services in the light of the choices being made.
28. As part of its work examining patient choice Monitor has launched a review of whether choice works in adult hearing services. Monitor's announcement, undertaken in partnership with charity Action on Hearing Loss, led to coverage in the HSJ and the story was picked up and promoted by stakeholders, including Healthwatch. The project has led to a large number of responses to Monitor's surveys.

Promoting change through high quality analysis and debate, and by encouraging innovation

29. A report into the future of smaller acute hospitals was published to coincide with a speech by David Bennett at a Nuffield Trust event. The report was trailed by the Times and later covered by the HSJ and BBC Online.

Making sure Monitor is a high-performing organisation

30. The report and press release by the Public Accounts Committee generated coverage in the Daily Telegraph, online and broadcast. Monitor's response was prepared and issued by the media team. David Bennett appeared on BBC Radio 4's Today programme to respond to criticism from the Committee.
31. Monitor's annual report was published on its website and a press release issued to national, regional and trade media. In addition to achieving coverage in the HSJ and BBC Online, the media team placed an article in David Bennett's name in Healthcare Finance magazine.
32. Constructive meetings have been held with Healthwatch counterparts including their new head of external affairs and a series of areas have been agreed where the two organisations will work together over the coming months to extend their relationship. This includes working with Healthwatch and commissioners to ensure effective engagement with local stakeholders during service redesign.
33. At Monitor's stand at Healthwatch England's annual conference earlier this month staff spoke to a number of Local Healthwatch staff and volunteers. They said they

find the healthcare system highly complex and volunteers in particular struggle to understand it. They emphasised the need for Monitor to communicate with them directly, rather than through Healthwatch England, particularly on how Monitor and CQC work together and share information on providers. There was significant interest in the hearing loss project and it was seen as a tangible benefit for patients. The team has subsequently sent all Local Healthwatch a newsletter promoting the hearing loss survey and the About Monitor narrative. Following this several Local Healthwatch organisations promoted the hearing loss survey on Twitter.

Executive Committee

Public Sector Equality Duty:

Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. In relation to the issues set out in this paper, consideration has been given to the impact that the recommendations might have on these requirements and on the nine protected groups identified by the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation).

As this report is for information, it is anticipated that the recommendations of this paper are not likely to have any particular impact upon the requirements of or the protected groups identified by the Equality Act.

Exempt information:

None of this report is exempt under the Freedom of Information Act 2000.