

Business plan 2013/14

1 August 2013



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Chair's foreword

The structure of the health service is changing significantly at a time when the NHS faces pressing challenges. Patient demand and expectations are growing yet the NHS faces funding constraints for the foreseeable future. Life expectancy continues to rise as care and treatment improve but health care costs are also rising steadily. There are understandable demands for a renewed emphasis on quality and safety in NHS care following the inquiry into the tragic events at Mid Staffordshire NHS Foundation Trust.

The recent structural reforms give Monitor more scope to tackle these challenges. We now have a range of powers and responsibilities for NHS-funded health services in England as well as a new core duty to protect and promote the interests of patients. Our job is to use those powers to help the providers and commissioners of health services deliver the best possible care for patients.

Other national bodies also have significant influence over the health care sector and share our commitment to working collectively to improve services. We will work with the Care Quality Commission, NHS England, the NHS Trust Development Authority, Public Health England, the National Institute for Health and Care Excellence, the Local Government Association, Health Education England and the Health and Social Care Information Centre to improve standards, outcomes and value in NHS care.

Alongside these organisations, we support the national 'Call to Action' that is currently engaging staff, stakeholders, patients and the public in designing a long-term strategy to renew and revitalise the NHS. We believe the scale and nature of the challenges facing the NHS demand a concerted effort to address them, one that spans the health and social care system. Monitor will publish its own long-term strategy to complement this work and support the necessary changes to NHS-funded care in due course.

In the meantime, while the long-term strategy for the NHS is being developed, we are publishing the one-year plan set out in this document to guide Monitor's activities over 2013/14. The goals and actions described in this plan are designed to use our new powers as best we can to fulfil our mission over the next twelve months.



Dr David Bennett
Chair and Chief Executive
1 August 2013

About Monitor

Monitor is the sector regulator for health services in England. Our job is to protect and promote the interests of patients by ensuring that the whole sector works for their benefit.

We exercise a range of powers granted by Parliament which include setting and enforcing a framework of rules for providers and commissioners, implemented in part through licences we issue to NHS-funded providers.

For example, we make sure foundation hospitals, ambulance trusts and mental health and community care organisations are run well, so they can continue delivering good quality services for patients in the future. To do this, we work particularly closely with the Care Quality Commission, the quality and safety regulator. When it establishes that a foundation trust is failing to provide good quality care, we take remedial action to ensure the problem is fixed.

We also set prices for NHS-funded services, tackle anti-competitive practices that are against the interests of patients, help commissioners ensure essential local services continue if providers get into serious difficulty, and enable better integration of care so services are less fragmented and easier to access.

We know the NHS needs to change to meet the challenges of the future and that, as the sector regulator, Monitor must facilitate that change. This means we will encourage new ways of delivering care and will use the tools we have, such as pricing incentives, to encourage innovation.

We will also be pragmatic and flexible in applying rules. We are not pre-disposed to any particular solution to the challenges facing the NHS; instead our decisions and actions will be based on the available evidence. Where relevant evidence is scarce, we will commission research to establish the facts.

What matters to us is that all our work helps to improve the quality of services so they are clinically effective, safe and provide a positive experience for everyone who uses them. Where we have complex decisions or trade-offs to make we will be guided by one simple principle: we will do whatever is ultimately in the best interests of patients.

Our role in detail

- 1. Make sure public sector providers are well led so that they can provide high quality care to local communities.** We are working with the NHS Trust Development Authority to ensure all public sector provider organisations are well led and meet the necessary standards of quality and efficiency so that they can earn the freedom of being NHS foundation trusts. We then monitor the performance of individual NHS foundation trusts to make sure that they continue to be well run and able to deliver high quality care on a sustainable basis. If they are unable to address any problems they have in an effective and timely way, we intervene to get the problems fixed. This includes investigating whether a trust has breached its licence and putting it into 'special measures' if it has.

- 2. Make sure essential NHS services continue if a provider gets into difficulty.**
When providers of NHS-funded services, which commissioners say are essential for local communities, get into very serious financial difficulty we step in¹ to ensure that the services continue to be provided on a sustainable basis. If necessary, we appoint independent Trust Special Administrators to do this alongside local commissioners².
- 3. Make sure the NHS payment system rewards quality and efficiency.** From April 2014 Monitor will be responsible, in conjunction with NHS England, for the system that reimburses providers of NHS-funded care, setting both national prices and any local price-setting rules. Our aim is to develop a system which rewards good-quality, efficient providers and incentivises them to deliver care in the way that best meets the needs of their patients.
- 4. Make sure choice and competition operate in the best interests of patients.** Choice and competition have existed within the NHS for many years and are now governed by specific rules laid down by Parliament, such as the Competition Act 1998 and the Procurement, Choice and Competition Regulations 2013. It is up to commissioners to decide if, and when, to use competition. However, we police the rules and make sure that choice and competition operate in the best interests of patients. In particular, we act to prevent anti-competitive behaviour by commissioners or providers where it is against patients' interests.

Our mission and values

Our mission is to “enable providers and purchasers of NHS-funded care to work together to deliver the best possible outcomes for patients today and tomorrow by creating incentives, providing information and enforcing rules where necessary.”

Our values influence all our work and reflect our focus on protecting and promoting the interests of patients. We are:

- **ambitious for patients.** In all that we do, we stretch and challenge ourselves and others to deliver the best for patients.
- **evidence based.** We always act on the basis of evidence and explain the decisions we make, so patients and stakeholders can have confidence in our decisions. We aim to collect, share and use evidence in innovative ways.
- **working together.** We work closely with our partners and develop our regulatory approach with input from clinicians and the people who use health care services. We seek out expert advice as well as the views of our stakeholders and colleagues to ensure we learn and improve.
- **professional.** We are professional in our approach and focus on delivering high quality regulation. We do what we say we will do and make sure our work is

¹ We currently do this for foundation trusts but our remit will extend to independent health care providers from 1 April 2014.

² The government proposes that in future we will also be able to appoint special administrators if a provider has severe quality problems that it cannot resolve.

efficient and rigorous. We treat each other and everyone with whom we work with respect and courtesy.

- **open.** We are transparent about the basis for our decisions. We are always willing as individuals and as an organisation to receive feedback so that we can learn and continually improve.

Looking to the long term

In the course of developing our own long-term strategy, we have analysed in depth the scale and nature of the many challenges facing the NHS and the most important opportunities for tackling those challenges. We will contribute the detailed results of this work to the national “Call to Action”. Overall, our findings suggest that the opportunities with the biggest potential to improve NHS care for the long term fall into four categories.

- **Opportunities to improve the quality, safety and efficiency of care delivered through existing services.** There are opportunities to improve care across the spectrum of existing configurations of primary, community, acute and mental health care. Taking action to reduce waste, improve productivity and ensure patient safety could significantly improve existing services. Examples of such actions include improving procurement, reducing the length of stay in hospitals, pursuing closer integration with social services, re-designing clinical roles and consolidating the use of NHS estates.
- **Opportunities to deliver the right care in the right setting.** The NHS could make savings and many patients could enjoy better outcomes if their care were to be delivered in a more appropriate setting. For example, delivering more care in the community could both reduce hospital attendance and improve patient care, also helping the NHS to deliver good quality care on a sustainable basis. Reconfiguring services for the millions of people who have a long-term condition, providing integrated care across providers and concentrating specialist care in centres of excellence to improve the lives of people needing specialist and complex care could also improve the quality and efficiency of care at the same time.
- **Opportunities to develop innovative ways of working in the NHS.** Making improvements within existing services and reconfiguring care models may not be enough to meet the challenge posed by the predicted gap between public spending on health care and demand for NHS services. To be sustainable and ensure continually improving care, health services will need to innovate constantly, whether by introducing new technologies or developing new ways of organising the provision of care. Learning and adopting best practice from other health care systems offer an important opportunity to the NHS to adapt sustainably to future patient needs and continuing fiscal constraints.
- **Opportunities to improve the allocation of health care resources.** Health care resources are allocated variably across the NHS. For example, more is spent on prevention per patient in some areas than others and different diseases attract varying levels of funding. Some of this variation is warranted by differences in local population needs or the incidence and severity of diseases, but sometimes it isn't. Existing spending patterns are frequently driven by history rather than consideration of where resources can make the greatest difference to the nation's health.

Allocating more spending to prevention and health promotion or reallocating spend both within and between disease areas could obtain significantly better value from NHS resources. Monitor has no direct control over these kinds of allocation decision. However, we work closely with the local and central decision-makers who do and support them in pursuing these opportunities.

Our regulatory approach

Although our long-term strategy is not yet finalised, it is clear that it should encourage change and improvements among providers and commissioners of NHS care to ensure a sustainable, high quality NHS. That will require flexibility on our part. The regulatory stance that Monitor will adopt over 2013/14 reflects that need for flexibility.

We will adapt our models for assessing applicant foundation trusts to evaluate applicants that have not operated for long in their current configurations. We will also support the leadership and governance of NHS trusts in making changes in a tough financial setting.

However, while we will support change we must continue to manage any risk to the provision of high quality services to patients. This will depend in part on us developing a good understanding of local health communities and their financial strength. To this end, we will also support leaders of foundation trusts in strengthening their strategic planning and quality governance. Our goal is to make sure each foundation trust is capable of providing good quality care on a sustainable basis, a standard we believe every NHS provider should be able to meet.

Nevertheless, some providers of NHS-funded services may get into financial difficulty during 2013/14. We need to reassure people served by a licensed provider in serious difficulty that they will continue to receive the essential services it currently provides. That means we must be able to spot where organisations are getting into serious difficulties which they cannot fix themselves, step in quickly and ensure essential services are protected for patients. We will concentrate our financial monitoring of providers on identifying early signs of increasing risk.

Through our new role in developing the *National Tariff* for NHS-funded care, we intend to bring stability to the whole NHS pricing and payment system and ensure that it incentivises improvements in the quality and efficiency of care. We also aim to use rules permitting local variations of the tariff to encourage the delivery of care in the most appropriate setting for the patient and encourage innovative delivery models.

We will endeavour to make sure that procurement, choice and competition play an appropriate role in bringing about better care for patients. But we recognise that NHS care is the result of interactions between numerous varied and complex organisations and we will proceed with care as we seek to help them improve.

This is particularly relevant to the better integration of care. Our duty to enable the delivery of integrated care where it can improve patient outcomes, efficiency or health inequalities runs across all our work: the new provider licence includes a condition on integrated care; we are designing a payment system to deliver improved integrated care; and we will ensure that competition does not come at the expense of integrated care by working with commissioners to help them deliver more integrated services for patients within the rules.

Lastly, we will promote debate and undertake research to get the evidence, often missing today, that will help the sector address its many and difficult challenges. We will also

continue to work with others to make available tools and guidance for the sector to use where it wants.

Our duty is to protect and promote the interests of patients. Therefore our regulation must facilitate and not obstruct any change that will demonstrably benefit patients.

Our goals and actions for 2013/14

We have created the business plan for 2013/14 set out in this document to guide Monitor's activities until our long-term strategy is finalised. The plan shows how we aim to use our regulatory functions to fulfil our mission over the coming months. We have chosen five goals to focus our functions on protecting and promoting the interests of patients.

For 2013/14, our goals are to:

- ensure public providers are well led;
- protect essential services for patients;
- prepare to deliver a payment system which rewards quality and efficiency;
- ensure procurement, choice and competition bring about better care for patients; and
- establish Monitor as a credible and effective regulator of NHS-funded services.

The tables below set out the actions we will take in pursuit of each goal and which of Monitor's functions³ is responsible for each action.

Ensuring public providers are well led

We will continue to assess NHS trusts for foundation trust status to ensure they provide good quality services for patients on a sustainable basis. Applicants need to demonstrate that they meet required quality performance thresholds and can remain financially viable. To assess quality performance, we will continue to work closely with the Care Quality Commission (CQC). We will not grant foundation trust status to a trust without the CQC's assurance that the quality and safety of the services the trust provides meet the required thresholds.

We will continue to make sure NHS foundation trusts are run well by using our powers embedded in the provider licence. We will regulate providers by assessing any breaches or potential breaches of the conditions in the licence concerning governance and continuity of services, using a risk-based monitoring system. This system determines the intensity of our monitoring and any intervention we may undertake at particular foundation trusts.

We will also provide development support for foundation trusts to strengthen their governance. Our assessment and regulatory operations give us a clear insight into the development needs of foundation trust boards and we will use this insight to support efforts to develop the capabilities of leaders across the sector. We will work with partners to develop appropriate training and tools for foundation trust boards of directors, governors and senior management teams.

³ Assessment, Provider Regulation, Strategy and Policy, Economics, Pricing, Strategic Communications, Cooperation and Competition, Legal Services, Patient and Clinical Engagement, Organisation Transformation, and Knowledge and Information Management.

Ref	Actions 2013/14	Delivery date	Owner
1.1	In partnership with NHS Trust Development Authority (NHS TDA) and Care Quality Commission (CQC) update our assessment approach following recommendations from the Mid Staffordshire NHS Foundation Trust Public Inquiry.	Q3	Assessment
1.2	Streamline the “end to end” processes for aspirant trusts with the NHS TDA.	Q3	Assessment
1.3	Update the financial efficiency assumptions applied in our assessments to maintain the standards of our assessment decisions.	Q2	Assessment
1.4	In partnership with the NHS TDA develop a programme to communicate our regulatory approach with insights and lessons learnt to support aspirants with their applications for foundation trust status.	Ongoing	Assessment
1.5	Update our approach to evaluating transactions involving NHS foundation trusts in light of the Health and Social Care Act 2012 and the new licence conditions.	Q3	Assessment
1.6	Update our assessment approach to align with the implementation of the <i>Risk Assessment Framework</i> .	Q3	Assessment
1.7	Review assessment and regulatory approach, ensuring it accommodates new types of foundation trusts, including integrated social care and high secure services.	Q3	Assessment
1.8	Work with CQC on clinical sustainability assessments, fit and proper person test, leadership, culture and governance assessments and risk model following recommendations from the Mid Staffordshire NHS Foundation Trust Public Inquiry.	Q3	Policy
1.9	Work with partners to support foundation trust board leadership and leader recruitment.	Ongoing	Policy
1.10	Provide regulatory guidance and showcase good practice to support the sector in good governance including in particular quality governance, and strategic and financial planning.	Q4	Policy

1.11	Run an induction programme for new foundation trust chairs, chief executives and non-executive directors and work with partners to provide further development support to chairs, chief executives, medical directors, finance directors and non-executive directors.	Ongoing	Policy
1.12	Establish the new Panel for Advising Governors and work with partners to provide information, guidance and training for foundation trust governors and chairs to support them in working effectively together.	Ongoing	Policy
1.13	Finalise the new <i>Risk Assessment Framework</i> for licensing providers (foundation trusts and independent providers).	Q2	Policy
1.14	Develop a framework to understand the dynamics of local health economies and consider the impact on our regulatory approach.	Q3	Economics
1.15	Design and implement processes to issue licences to private and independent providers by 1 April 2014, including implementation of a streamlined joint registration and licensing application system with CQC.	Q2 (design) Q4 (implemen- tation)	Provider Regulation
1.16	Move to a regional/local health economy (LHE) approach to regulation, developing relationships with a range of stakeholders – including the Department of Health (DH), CQC and its new Chief Inspector of Hospitals, NHS TDA, NHS England, local MPs and Healthwatch – to strengthen regulation by ensuring that we identify problems early and take action quickly and effectively.	Q1 (regional approach) Q3 (LHE approach) Ongoing (develop relation- ships)	Provider Regulation
1.17	Continue to strengthen regulatory approach to quality in light of the Francis Inquiry, including closer working with CQC and its Chief Inspector of Hospitals, optimising the Quality Surveillance Group process and taking forward the quality governance approach.	Ongoing Q1 (CQC input to Annual Plan Review)	Provider Regulation
1.18	Upgrade key processes – including Annual Plan Review (APR) and quarterly monitoring – to improve the early identification of problems, gain greater insight in the	Q1 (APR 13/14)	Provider Regulation

	diagnostic phase (including greater use of benchmarking) and enable regulatory action to be taken more quickly and more effectively.	Q4 (APR 14/15) Q3 (quarterly and other)	
1.19	Continue to optimise the implementation of the new licensing regulatory framework for foundation trusts, including implementation of the new <i>Risk Assessment Framework</i> (including design and testing for potential use of governance reviews).	Ongoing Q3 (RAF)	Provider Regulation and Policy
1.20	Understand the impact of CQC's current transition and their future inspection regime on how we identify potential quality governance problems and make enforcement decisions.	Ongoing	Provider Regulation
1.21	Keep the regulatory framework under review, as further experience and insight is gained from situations of, for example, financial distress, contingency planning teams/trust special administrators, transactions, and competition reviews.	Ongoing	Provider Regulation
1.22	Explore the best route to report on performance of the health sector as part of fulfilling our new role as sector regulator, and identify the underlying data requirements to achieve this.	Q3	Provider Regulation and Strategic Communications
1.23	Work with NHS England to prepare guidance for commissioners on the appropriate levels of reserves and working capital to require from providers.	Q4	Provider Regulation

Protecting essential services for patients

The Continuity of Services conditions in the provider licence enable us to step in when we pick up warning signs that a provider is struggling financially. We then help the provider try to return to financial sustainability. If a health care provider nevertheless gets into serious financial difficulties, we will work with the local health care commissioners to make sure that patients in the area continue to have access to services delivered by the provider in difficulties. We will continue to monitor the financial health of licensed providers as the first step in ensuring the continuity of services to patients.

Ref	Actions for 2013/14	Delivery Date	Owner
2.1	Undertake exploratory research to understand the factors influencing the financial and clinical sustainability of health care at smaller acute providers.	Q4	Economics
2.2	Develop and communicate processes that clarify how and when providers enter the enforcement regime.	Q2	Provider Regulation
2.3	Put in place robust arrangements to ensure that adequate and timely funding is secured for financially distressed providers until a risk pool is established.	Q2	Provider Regulation
2.4	Develop preferred options for a risk pool and Health Special Administration for submission to DH.	Q4	Policy
2.5	Put in place appropriate mechanisms to support the commissioning and delivery of successful contingency planning teams and trust special administrators, which demonstrate value for money.	Q2 (design) Ongoing (delivery)	Provider Regulation

Delivering a payment system which incentivises quality and efficiency

Monitor and NHS England will work in partnership to ensure that the pricing and payment system for NHS-funded services promotes affordable, good quality care to patients. Together we are designing a price-setting and payment system for the future that fulfils this objective. Monitor will set the prices and develop price-setting rules while NHS England will continue to be responsible for defining the services to be priced. An initial step is to develop our first *National Tariff* for NHS care. We will base prices and price-setting rules in the tariff on information we collect from licensed providers.

Ref	Actions for 2013/14	Delivery date	Owner
3.1	In partnership with NHS England publish the <i>National Tariff Engagement Document</i> to communicate to the sector our proposals for the first <i>National Tariff</i> .	Q1	Pricing
3.2	Make key pricing decisions for 2014/15 with NHS England and publish our first <i>National Tariff</i> document for 2014/15 and how we plan to enforce it.	Q2	Pricing
3.3	Establish and complete the transition for responsibility for pricing from the DH Payment by Results team to Monitor.	Q4	Pricing

3.4	Build an operating model for the pricing function to deliver the 2015/16 tariff, including organisational and process design, recruitment and initial training of the team and appropriate IT support and information flows.	Q4	Pricing
3.5	In partnership with NHS England, agree the design for the payment system and start to establish stakeholder engagement and expert advisory groups to support its development.	Q3	Pricing
3.6	Work with NHS England to develop and publish the longer term payment strategy for the NHS.	Q4	Pricing
3.7	Undertake research projects to inform the longer term payment strategy, including projects on integrated care, emergency care, mental health, and specialised services.	Q4	Pricing
3.8	Gather evidence and evaluate current local payment approaches to inform the <i>National Tariff</i> .	Q2	Pricing
3.9	Establish a methodology to manage and adjudicate local price modifications.	Q3	Pricing
3.10	Assess the potential benefits to patient care of continuing to expand the current scope of our activity based payment system.	Q4	Pricing
3.11	Establish the need for and design a programme to support pioneers and other ambitious local health economies to use the payment system to support integrated care.	Q4	Pricing
3.12	Put in place a set of rules for local payment variation and local price-setting, supported by publication of guidance for the sector.	Q4	Pricing
3.13	Develop proposals for an education programme to support the development of sector capability in operating the payment system.	Q4	Pricing
3.14	Undertake assurance of the 2012/13 reference costs to identify priority improvements in cost collection.	Q4	Pricing
3.15	Undertake research into methods of improving costing methodologies, giving consideration to international best practice.	Q4	Pricing

3.16	Undertake a pilot to capture a sample of patient level costing data and analyse the data to inform the options for future tariffs.	Q4	Pricing
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Ensuring procurement, choice and competition work for patients

We will work to help ensure procurement, choice and competition bring about better care for patients by helping commissioners and providers follow the rules established to make sure patients do not lose out from poor procurement practice, restrictions on their rights to make choices or anti-competitive behaviour. The Health and Social Care Act 2012 put existing rules on procurement, choice and competition on a statutory footing. The rules relating to commissioners are now set out in the *Procurement, Patient Choice and Competition Regulations* (section 75) and the rules relating to providers are now incorporated into the provider licence we have issued. We also now have powers alongside the Office of Fair Trading (OFT) to apply general competition law to the sector and make market investigation references, and we are required to advise the OFT on matters relating to mergers involving NHS foundation trusts.

Monitor does not promote competition in the NHS-funded health care sector, we police it. We ensure procurement, choice and competition operate fairly in the interests of patients by investigating suspected breaches of the rules, providing information and guidance to the health care sector on what is and is not permissible under the rules, and undertaking studies of aspects of the health care sector. The Cooperation and Competition Panel continues to provide independent advice to Monitor.

Ref	Actions for 2013/14	Delivery date	Owner
4.1	Work with partners to raise awareness and understanding of the benefits to be gained from good procurement practice.	Ongoing	Cooperation and Competition
4.2	Provide substantive and enforcement guidance on the s.75 regulations to DH for approval.	Q2	Cooperation and Competition
4.3	Investigate potential breaches of the rules governing the procurement of NHS health care services.	Ongoing	Cooperation and Competition
4.4	Provide insights into how and whether choice and competition are operating effectively in different health care markets and what this means for patients. This will include publishing working papers on different aspects of health care markets and we will draw on intelligence from our case work and informal advice service.	Q4	Cooperation and Competition

4.5	Work with partners to build awareness and understanding of the role choice and competition can play in encouraging higher quality, more innovation and better value.	Ongoing	Cooperation and Competition
4.6	Provide information and guidance to help the sector understand the approach Monitor will take when taking action to protect choice and prevent anti-competitive behaviour.	Q2	Cooperation and Competition
4.7	Take action to protect choice and prevent anti-competitive behaviour when it is in the interests of patients to do so, including by applying and enforcing sections of the provider licence related to integrated care and choice and competition.	Ongoing	Cooperation and Competition
4.8	Provide advice on matters relating to mergers involving NHS trusts or NHS foundation trusts. Provide information and guidance to help the sector understand Monitor's approach to providing this advice and merger control in general.	Ongoing	Cooperation and Competition
4.9	Gather evidence to understand whether the GP sector is working well for patients.	Q3	Cooperation and Competition
4.10	Review if and why NHS walk-in centres are closing and whether this is in the interests of patients.	Q3	Cooperation and Competition
4.11	Look into the different drivers providers face when setting service quality levels, in particular for services not subject to choice.	Q4	Cooperation and Competition
4.12	Provide information and guidance to help the sector understand how choice and competition can be used to encourage innovative delivery models which seek to improve the services they offer over time.	Ongoing	Cooperation and Competition

Building an effective and credible sector regulator

To deliver our core duty and our mission, we ourselves must perform outstandingly. Therefore our fifth goal is to be a credible and high performing organisation. We will continually challenge ourselves to ensure our own culture, behaviours and processes put patients at the centre of our work. Success will depend on building our regulatory capability, our overall capacity and strong partnerships with other organisations. We aim to do this by developing our core capabilities, particularly among our leaders; ensuring

the engagement of our staff; and, continuing to develop our internal working practices and external relationships.

Ref	Actions for 2013/14	Delivery date	Owner
5.1	Deliver our recruitment plan to achieve the staffing complement required for our sector regulator role by 1 April 2014.	Q4	Organisation Transformation
5.2	Develop a learning and development strategy to build long-term capability and support continuous professional development.	Q3	Organisation Transformation
5.3	Create a framework for leadership and management development to build capability and enable our leaders to fulfil our broader role.	Q4	Organisation Transformation
5.4	Develop and implement a programme to align all our staff with our new vision and mission.	Q3	Organisation Transformation
5.5	Review and refine the current employee value proposition to ensure alignment with our mission.	Q3	Organisation Transformation
5.6	Develop a long-term employee engagement strategy to maintain and enhance employee commitment, retention and productivity.	Q4	Organisation Transformation
5.7	Review core people management processes to establish a high performance culture and manage business performance effectively.	Q4	Organisation Transformation
5.8	Conduct a post implementation review of our new organisation design and operating model to ensure it is fit for purpose.	Q3	Organisation Transformation
5.9	Develop and institutionalise the capability to design new and review existing business processes for our core activities to ensure they are efficient and effective.	Q4	Organisation Transformation
5.10	Relocate Monitor to our new offices in Wellington House, minimising business disruption, and ensuring the facilities and working environment support effective and efficient ways of working.	Q3	Organisation Transformation
5.11	Develop an information and IT strategy to provide the data and systems we need to support our processes and decision making.	Q3	Knowledge and Information Management

5.12	Develop a robust approach to assessing the impact and outcomes of our policies to inform our regulatory approach.	Q4	Policy
5.13	Policy development to support Monitor's integrated care duty, including the development of guidance and support for the sector and working with national partners on the 'pioneers' programme.	Ongoing	Policy
5.14	Work with national partners to contribute to and influence national policy.	Ongoing	Policy
5.15	Provide thought leadership on health policy in key areas relevant to our functions.	Ongoing	Policy
5.16	Sign memorandums of understanding or partnership agreements with our key national partners (NHS England, CQC, NHS TDA and DH).	Q3	Policy
5.17	Deliver a stakeholder engagement and communications programme that increases understanding of Monitor's role and the benefits it delivers for patients.	Ongoing	Strategic Communications
5.18	Provide ongoing legal advice to the Board, executive team and all operational teams to identify and manage all legal risks.	Ongoing	Legal Services
5.19	Coordinate and oversee the implementation of the <i>Fair Playing Field Review</i> recommendations.	Ongoing	Policy

The resources we require: 2013/14 budget

Below we set out the budget required 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 include capital costs but exclude any funds that may be required for contingency planning teams and special administration.

Overall, our anticipated budget requirement is £53.7 million in 2013/14 which is an increase on previous years. The main factors behind this increase in our funding requirement are rapid growth in our staff to fulfil our broader regulatory remit and the expected increase in our workload in 2013/14. Staff numbers are planned to grow from 280 to 425 over the period to April 2014. Reasons for our greater workload include:

- monitoring more NHS foundation trusts, in line with DH 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; and
- exercising our new role ensuring procurement, choice and competition work well for patients.

Budget allocation by function 2013/14*

	<i>Outturn 2012/13 (£000)</i>	<i>Budget 2013/14 (£000)</i>
Pricing	11,900	18,000
Provider Regulation	13,900	18,200
Competition	4,600	5,900
Assessment	5,400	8,000
Corporate overheads	2,800	3,600
TOTAL	38,600	53,700

*Note that this is the amount Monitor forecasts is required for core running costs to deliver this business plan in full. As Monitor remains in a transition phase, and as the Government fully considers the implication of the Francis Inquiry prior to the full Government response in the autumn, the funding requirement for 2013/14 will be subject to review during the course of the year. Total budget is subject to final approval from DH.

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

How we measure our progress

We will develop a new performance framework to take account of our new roles and responsibilities, using a range of performance measures to track progress and success in achieving our goals and evaluating our impact. This may require a targeted research programme.

We propose to develop a performance framework comprising four elements:

- 1) **Implementing our 2013/14 actions** – have we done what we said we would do and have we done it well?
- 2) **Monitoring progress towards achieving our goals** – what progress are we making?
- 3) **Evaluating our impact** – are we making a positive contribution to improving the sustainability and quality of health care services?
- 4) **Testing our capability** – are we strengthening our organisational health and establishing our role as a credible and effective regulator?

In developing our new performance management framework through 2013/14, we will work with DH and our partners to agree the performance information that we need to share with one another as well as when we will need to share it and how frequently.

We will also discuss with our partners the areas of sector performance where it would make sense to monitor trends and progress jointly and to commission joint studies to evaluate the impact of the actions of different bodies.

We will publish an annual report of our performance against the 2013/14 business plan.

Annex A: Corporate risks and mitigations

Risk	Mitigation
<p>Recruitment and retention: we don't attract, recruit or retain people with the right skills to work at Monitor.</p>	<ul style="list-style-type: none"> • Target people with NHS, clinical or financial experience as appropriate. • Review effectiveness of recruitment strategy to date and refresh as necessary. • Ensure staff engagement and development strategy in place.
<p>Leadership and management: we don't demonstrate strong leadership and management at all levels of the organisation.</p>	<ul style="list-style-type: none"> • Understand leadership capability across the organisation. • Support development of leadership and management capability. • Active role modelling by senior leaders.
<p>Technical competence: we make mistakes and get big decisions wrong.</p>	<ul style="list-style-type: none"> • Regular review of our key regulatory functions and processes to ensure they are fit for purpose. • Undertake 'lessons learnt' evaluation from big decisions. • Ensure we are transparent as possible in our decision making processes.
<p>Reputation: we are seen as not adding sufficient value to patients and the taxpayer.</p>	<ul style="list-style-type: none"> • Assess and respond to stakeholder views on the impact of our work. • Communicate what we do to stakeholders and use a variety of mechanisms to understand if our work has made a difference.
<p>Partnership working: we fail to work well with partners and fail to form strong relationships with the CQC, NHS TDA, NHS England, OFT and DH.</p>	<ul style="list-style-type: none"> • Hold regular meetings with partners to check on what is working well and what can be improved to foster a more collaborative relationship.
<p>Stakeholder support: we fail to get the support of stakeholders for our role and work.</p>	<ul style="list-style-type: none"> • Build relationships with the Government, Parliament and other key stakeholders. • Promote a long-term strategy and consensus on the future direction of the NHS.

Annex B: Our functions

Function	Activities
Assessment	<ul style="list-style-type: none"> Assesses trust applications for foundation status. Undertakes significant transaction reviews on behalf of Provider Regulation
Provider Regulation	<ul style="list-style-type: none"> Issues and ensures compliance with the Monitor licence. Ensures continuity of essential services.
Pricing	<ul style="list-style-type: none"> Calculates and sets national tariff and local modifications for NHS-funded services working with NHS England.
Cooperation and Competition	<ul style="list-style-type: none"> Ensures good procurement practice, protects choice and prevents anti-competitive behaviour. Looks into whether aspects of the health care sector are working well for patients.
Strategy and Policy	<ul style="list-style-type: none"> Interprets legislation, carries out provider development and reviews market trends to inform Monitor decision making and regulatory activity.
Strategic Communications	<ul style="list-style-type: none"> Makes sure that Monitor communicates clearly and engages stakeholders in supporting our role as sector regulator.
Organisation Transformation	<ul style="list-style-type: none"> Leads and facilitates change to ensure that Monitor is at the forefront of industry best practice in organisational effectiveness and improving our regulatory capability.
Legal Services	<ul style="list-style-type: none"> Ensures all Monitor's regulatory activities and decisions have a sound legal basis.
Economic	<ul style="list-style-type: none"> Supports Monitor in delivering a range of market and sector projects to inform future regulatory decisions for the sector.
Patient and Clinical Engagement	<ul style="list-style-type: none"> Ensures all decisions have appropriate clinical input and drives Monitor's patient and clinical engagement.
Knowledge and Information Management	<ul style="list-style-type: none"> Ensures that all data is robust for reporting on the sector and all IT infrastructure enables Monitor to regulate and engage the sector.
Internal Finance and Reporting	<ul style="list-style-type: none"> Provides a challenge function to ensure Monitor remains prudent in all financial decisions and reports on financial performance of the sector.

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