

Climate Change Adaptation Report

September 2011



Executive summary

This report was produced following a 'Direction to report' issued in March 2010 by the Department for Environment, Food and Rural Affairs (Defra) under the Climate Change Act 2008. Monitor was directed to assess the current and predicted impact of climate change in relation to its functions and provide a statement of proposals and policies for adapting to climate change in the exercise of these functions. Monitor is the only reporting body in the health and social care sector.

Monitor recognises that meeting the challenges of climate change is about improving performance relating to environmental sustainability, that is, by reducing carbon usage and greenhouse gas emissions, as well as adapting to the variations in weather conditions to which they contribute. The health and social care sector will be challenged by climate projections that forecast hotter drier summers, warmer wetter winters, a rise in sea levels and more extreme weather events. However, not all of these will be of relevance to Monitor's regulatory functions.

Monitor is the independent regulator of NHS foundation trusts (FTs) and was established in 2004. FTs are part of the NHS and operate with a degree of autonomy from central government control. We authorise and regulate FTs, ensuring that they are well-governed, financially robust and legally constituted. We do not manage their performance, but regulate their delivery of healthcare and specify actions FTs must take should they breach the conditions to which they agreed upon authorisation. We maintain a risk-based approach to regulation, ensuring that our actions are timely, focused and proportionate.

Monitor has risk-assessed climate change adaptation by undertaking a baseline review exercise to discern Monitor's current approach, how the weather has affected our operations to date and how our functions might be affected in the future. We also reviewed UKCP09 climate projections data and the Environment Agency's Flood Risk Assessment. It is not appropriate to use UKCP09 data for short-term impact analysis; however we are not able to look much beyond the short-term as our functions are likely to change from October 2012 as part of the Health and Social Care Bill currently being debated in Parliament. We have therefore used climate data to ascertain general trends in climate impacts and extreme and adverse weather conditions where appropriate.

Monitor is committed to both reducing its impact on the environment and drawing FTs' attention to issues of climate and sustainability through our regulatory framework. While not specifically created in relation to management of climate change impacts, Monitor operates effective, robust, tested and up-to-date business continuity arrangements to reduce the likelihood of adverse events, including adverse climatic conditions, and minimise the impact of those that do occur. Monitor's priorities in such situations include protecting staff and other personnel and protecting and securing Monitor's infrastructure and facilities to swiftly resume our core activities.

While our business preparedness before the Direction to report has included our functions that relate to the identification of and regulatory response to poor governance and financial viability of an aspirant or existing FT, priority risks have been assessed primarily in relation to our function to perform effectively as an organisation. Therefore, the criteria by which risk is assessed are largely the impact on staff and their ability to undertake key business processes and operations.

We have found that the impact of climate change has not had any material impact on Monitor's statutory or other public functions to date, nor is there any expectation of a material impact in the short or long term. We consider that climate change impacts, such as increased incidence of coastal erosion, storms and wetter winters, are unlikely to be of relevance. However, the data has helped to establish that the potential threats to our operations may arise from flooding, rising temperatures and snowfall. Unfortunately, there are little snowfall projections data available to provide detail for our analysis.

In the main, much of the impact of these priority risks have been mitigated by our current disaster recovery and business continuity plans. Analysis and experience has shown we are resilient to climate change that is predicted to occur. The present and future risk of likelihood and impact is therefore generally low.

As a result of our risk analysis and discussions with internal and external stakeholders, we have developed a programme of ten policies and proposals to enable Monitor to cope better with current and future climate variability and extreme weather conditions. This includes consolidating our current approach to improving our environmental sustainability and approach to regulation. However, there is opportunity to take these further and undertake additional policies and proposals to improve our approaches to both mitigation and adaptation. We are keen to ensure that the management of climate change risk and monitoring climate change adaptation are firmly embedded into existing organisational structures.

We acknowledge that climate adaptation is an evolving science and we will therefore consider any changes to the risks to our functions as climate change data changes and develops and new knowledge becomes available. Our adaptation proposals will also be revised should any of our measures prove ineffective or inappropriate.

In conclusion, analysis and results have demonstrated that Monitor has a good understanding of the risks it faces from climate adaptation. Management of these risks is largely already embedded into our processes and we therefore believe we are in a good state of preparedness for adaptation to the impact of current and future climate threats to our regulatory and business operations.

Introduction and background to report

1. This report was produced following the Defra Direction to Monitor under Section 62(1) of the Climate Change Act 2008. The Direction requires Monitor to submit a report to the Secretary of State - the Adaptation Reporting Power - that shows, among other things, our awareness of the need to assess climate change risks and consideration of how best to adapt accordingly. This is Monitor's response to the Direction.
2. Initially, Defra identified the Care Quality Commission (CQC) as the priority reporting authority representing the health and social care sector, proposing that it review and report on how well the NHS in England is identifying climate change risks across its services and adapting to mitigate those risks.¹ However, as a result of responses to Defra's consultation,² Monitor, as the Independent Regulator of NHS Foundation Trusts (FTs), was instead considered to be the most appropriate body to undertake adaptation reporting on behalf of the healthcare sector, owing to the Department of Health (DH) aim for all NHS trusts to become FTs. The report stated that: 'Monitor will be required to report on how it will embed adaptation in its functions, and specifically the framework that it uses to regulate FTs in the longer term, beyond 2010'. It was deemed 'disproportionate' to include all hospitals as reporting authorities as 'it is unlikely that the failure of such small organisations to adapt to climate change would have a critical effect on society'.³
3. Defra intends to compile sector reports itself, based on the reports it receives from a wide range of industries and agencies. Monitor is the only organisation operating in health and social care that has been directed to produce a climate adaptation report.⁴
4. A formal Direction was issued to Monitor by Defra on 15 March 2010, which stated that this report must include:
 - an assessment of the current and predicted impact of climate change in relation to Monitor's functions; and
 - a statement of Monitor's proposals and policies for adapting to climate change in the exercise of its functions and the timescales for introducing those proposals and policies.
5. Subsequent discussions and correspondence with Defra confirmed that the report should cover Monitor's functions, rather than the healthcare sector as a whole. Defra has acknowledged that this would mean that no report on the healthcare sector itself is produced.
6. Monitor will also consider, as a regulatory authority, how it might set 'the right underlying framework for effective adaptation and creating information needed to make effective decisions' for those bodies it regulates.⁵
7. In defining the scope of this report, Monitor has brought together the two linked areas of emissions reduction and climate change adaptation into the same framework. Monitor recognises that meeting the challenges of climate change is not only about improving performance relating to environmental sustainability, that is, by reducing carbon usage and greenhouse gas emissions, but also adapting to the variations in

¹ *Adapting to Climate Change: ensuring progress in key sectors – consultation on the Adaptation Reporting Power in the Climate Change Act 2008*, Defra 2009

² *Adapting to Climate Change: ensuring progress in key sectors – Government response to the consultation on the Adaptation Reporting Power in the Climate Change Act 2008*, Defra 2009

³ See reference 1.

⁴ *List of reporting authorities and deadlines for the reports*, Defra

⁵ *Adapting to Climate Change: helping key sectors to adapt to climate change*, Statutory Guidance to Reporting Authorities 2009, Defra 2009

weather conditions to which they contribute. The UK Climate Impacts Programme lists the following impacts of climate change: seasonal temperature; seasonal rainfall; coastal flooding; droughts; very hot days; and storms. Clearly not all of these will be of relevance to Monitor's regulatory functions.

8. Monitor's approach to regulating the FT sector always aims to be risk-based and proportionate, with the onus on FTs to ensure compliance with their terms of authorisation and intervening only where there has been a clear breach. Our approach continues to be shaped and informed by the Better Regulation Task Force's principles of good regulation: proportionality; accountability; consistency; transparency; and targeting. We believe that the conclusions of this report and actions for Monitor to take are proportionate to the size and nature of Monitor and the risks we believe it faces.
9. The following sections of this report:
 - provide an overview of Monitor's role, vision and functions, the FT sector it regulates and the general context for the nature and impact of climatic risks to Monitor;
 - describe Monitor's current level of business preparedness;
 - define the methodology applied in assessing climatic risk;
 - provide a summary of the results of the initial assessment of current and future risk to Monitor's functions from climate change;
 - provide a programme of proposals and policies to address the risks identified;
 - set out the limitations of Monitor's approach to and proposals for adaptation, including uncertainties, assumptions and barriers; and
 - set out the plans for monitoring, review and evaluation of the proposed adaptation programme.
10. Monitor is content for all information included in this report to be published.

Overview of Monitor and the sector it regulates

Monitor's role, goals and vision

11. Monitor is the independent regulator of FTs. Established in 2004,⁶ we authorise and then regulate FTs, ensuring that they are well-governed (from both a finance and quality perspective), financially robust and legally constituted. We do not performance manage FTs, regulate the delivery of healthcare or specify actions FTs must take. We maintain a risk-based approach to regulation, ensuring that our actions are timely, focused and proportionate.
12. Our goals are to:
 - Operate a rigorous assessment process;
 - Operate a proportionate, risk-based regulatory regime;
 - Promote the development of well-led FTs;
 - Work with partners to contribute to and influence the development of an affordable, devolved system of healthcare provision; and
 - Continue to improve as a high-performing organisation.
13. Monitor's vision and aspiration for the future is for: *an affordable, devolved healthcare system in which patients and service users receive excellent care and taxpayers achieve value for money, through autonomous, well-led, financially robust providers that respond to commissioners' requirements and patients' and service users' choices.*
14. Monitor's work is guided by the following clear principles:
 - focusing on improving care for patients and service users and delivering value for taxpayers;
 - being demonstrably independent and impartial;
 - working with our partners and engaging with our stakeholders - such as DH, CQC and Foundation Trust Network (FTN) - to seek their views;
 - being open about the decisions we make and how we have reached them;
 - continually reviewing the impact of our regulatory regime and how we can deliver better value for money;
 - communicating clearly and effectively;
 - being legally compliant at all times and managing legal risk; and
 - being a source of high-quality information on the FT sector.

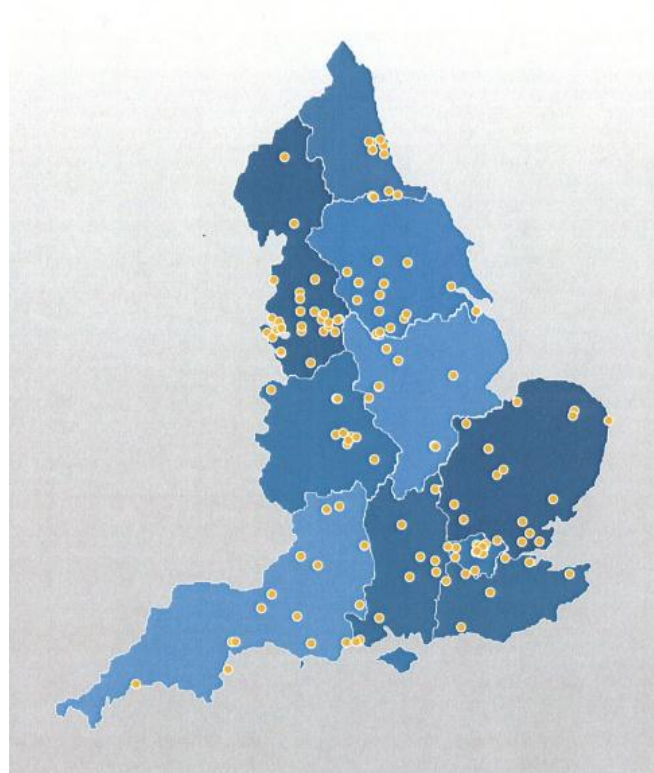
The sector we regulate

15. FTs are part of the NHS. They have greater freedom than NHS trusts to run their own affairs and are not subject to central government control. They can use their freedoms to decide how best to deliver the kind of services which their patients and service users want. These freedoms include:
 - keeping any surplus earned, or the proceeds from the sale of assets or land, to invest in improving care for patients and service users;

⁶ The Health and Social Care (Community Health and Standards) Act 2003. The provisions of this Act that relate to Monitor and FTs have now been consolidated into the NHS Act 2006.

- the ability to borrow to fund investments up to a limit set under Monitor's Prudential Borrowing Code; and
 - developing incentives for staff to encourage innovation and improvement outside nationally agreed contracts.
16. With these freedoms come important responsibilities. FTs are accountable for their own success or failure to:
- their local communities, through their members and governors;
 - their commissioners, through legally binding contracts to provide agreed levels of care which reflect the needs of their local communities;
 - Parliament, through the legal requirement to lay their annual accounts before Parliament;
 - the CQC, through the legal requirement to register and meet the associated standards for the quality of care provided; and
 - Monitor, as the Independent Regulator of FTs.
17. By 30 September 2011, there were 138 FTs – 95 acute trusts, 41 mental health trusts and two ambulance trusts. This means that 57% of all acute, mental health and ambulance trusts have now achieved FT status. Monitor's scope therefore does not cover the whole healthcare sector, that is, the remainder of provider, commissioner and other NHS organisations. The figure below shows the current geographical spread of FTs.

Figure 1 – The geographical spread of FTs, as at 30 September 2011



Source: Monitor

Monitor's functions

18. While our functions and remit are likely to change from October 2012, subject to parliamentary approval of the Health and Social Care Bill, we currently have a number of statutory functions and primary responsibilities:
 - assessing applications for FT status and authorising successful applicants;
 - designing and operating the regulatory regime to ensure that FTs are well-led and financially robust;
 - taking action if there is evidence that an FT is in significant breach of the conditions Monitor sets for the way it operates;
 - setting the reporting requirements for FTs;
 - supporting the FT sector to operate effectively, efficiently and economically;
 - reporting FT sector performance and details of regulatory action;
 - taking and enforcing decisions on matters concerning the Principles and Rules for Co-operation and Competition within the FT sector;
 - considering the de-authorisation⁷ of an FT which is seriously failing to comply with its terms of authorisation or any requirements imposed on it under any enactment; and
 - exercising our own functions effectively, efficiently and economically.
19. In the main, this adaptation report focuses on the function relating to our operation as a high-performing organisation and those four functions that relate to the identification of and regulatory response to poor governance and financial viability of an aspirant or existing FT. Such areas include the identification, management and mitigation of risks and plans for business continuity. The function relating to supporting the FT sector to operate effectively, efficiently and economically is considered in the same section as the assessment of the other regulatory operations functions as the issues raised are very similar. The function relating to reporting FT sector performance is included in the programme of proposals only. The other functions have been excluded due to the negligible level of impact expected as a result of climate change.
20. As at 31 July 2011, there were 119 staff members directly employed by Monitor, occupying three floors of a multi-tenanted building in Westminster, London. The freehold is owned by a third party, although Monitor owns the lease. Our staff members do undertake site visits to the bodies we assess and regulate, however our staff is predominantly based in London.

⁷ Section 52c of the NHS Act 2006

Approach to assessing the risks due to climate change

21. The approach to general scoping and risk identification and assessment has consisted of a combination of qualitative and quantitative research methods. This involved the following steps, which has also helped to inform the development of policies and proposals for adaptation and the overall drafting of the report:
 - a literature review of relevant documents, both externally published and those for internal use. This has included having regard to Defra⁸ and Environment Agency (EA) guidance;⁹
 - a baseline review exercise to discern Monitor's current approach to climate change adaptation and how our functions might be affected in the future; and
 - a review of relevant and available climate projection data for impact on our functions.
22. Inter-departmental dialogue with colleagues in our legal, facilities and IT teams and those responsible for corporate risk management took stock of relevant existing policies and procedures, established the effect the weather has had on our operations to date and considered the risks presented to Monitor by climate change for each function now and in the future. We have also spoken with key members of staff in relation to specific impacts upon our more outward-facing functions – primarily regulatory operations. External meetings have also been held with our key stakeholders – the FTN, the DH and the CQC in order to ensure a comprehensive view about how Monitor's functions might adapt to climate change impacts and any risks they believe require adaptation responses.
23. In terms of quantitative evidence, we have reviewed two sources of data:
 - The best available published information on climate change predictions is contained in the UK Climate Projections 2009 (UKCP09), published in July 2009. It gives projections for a number of climate variables over land and sea. The data is presented for three emissions scenarios (low, medium and high) relating to greenhouse and other emissions that can influence the global climate. It provides climate data based on historic information and future climate projections for temperature, precipitation, air pressure, cloud and humidity. We concluded that projections relating to future marine and coastal projections are not relevant to Monitor's functions.

The narrative associated with the UKCP09 data highlights that its use is not appropriate for current or near-term vulnerability or impact assessments. We have, therefore, not applied the detailed projections for climate change to our existing functions, but have looked at more general trends in climate impacts and extreme and adverse weather conditions where appropriate.
 - The EA's Flood Risk Assessment uses a variety of data to inform its flood predictions, such as ground levels, predicted flood levels and information on flood defences. The functionality of their data has allowed us to understand the likelihood of flooding at sub-postcode level, that is, in relation to the street on which we are located. The likelihood is given as low, moderate or significant, employing categories used by the insurance industry.
24. Risks have been assessed primarily in relation to our function to perform efficiently, effectively and economically as an organisation. That is, the operation of our office

⁸ See Reference 5

⁹ *Adaptation Reporting Power: supplementary guidance for reporting authorities*, Environment Agency

building in London and ensuring the safety and operational effectiveness of our staff. While Monitor neither supports nor provides critical national infrastructure, consideration has been given to the impact on staff and their ability to undertake key business processes and operations. It is against these criteria by which risk is assessed.

25. In addition to the staff interviews, the data has helped to establish that the potential threats to our operations may arise from flooding, rising temperatures and snowfall. There are currently no predictions available for snowfall.
26. We recognise that this report must show the impact of climate change on our functions for specified periods into the future. However, the Health and Social Care Bill, currently being debated in Parliament, proposes a change of Monitor's functions from October 2012.¹⁰ Our functions are therefore likely to look different by the time a second round of reporting takes place or a sector-wide report is published. This means that there are also restrictions in being able to review risks to our functions and propose actions for adaptation over the short, medium and long-term.
27. As specified previously, FTs are responsible for ensuring their own identification and mitigation of risks, climate-related or otherwise. The risks that FTs face are clearly localised, as they are dependent on issues such as geography, building age and demographics.
28. Based on this research, the following sections set out how response and adaptation to climate change have been incorporated into Monitor's functions to date, the risks posed by climate change for our functions going forward and suggested next steps.

¹⁰ We will retain our functions of assessing NHS trusts and regulating FTs. Our core duty will be to protect and promote patients' interests, in addition to: licensing providers; setting prices; supporting the continuity of vital services in the event of financial failure; and ensuring that competition is fair and operating in patients' interests. We may also have a role in regulating social care.

Business preparedness before the Direction to report was issued

29. While Monitor has not formally assessed the risks to its functions from climate change prior to the Direction, Monitor is committed to both reducing its impact on the environment and drawing FTs' attention to issues of climate and sustainability. This section details how Monitor has been active to date in relating our functions to the impact of climate change and environmental sustainability. It focuses on the five functions that currently relate to the identification of and regulatory response to poor governance and financial viability of an aspirant or existing FT and our internal business operations.

Assessing applications for FT status and authorising successful applicants

30. Since Monitor was established in 2004, we have developed a rigorous approach to assessing trusts applying for FT status to ensure that they are financially sustainable with strong management and help minimise the need for intervention. Before trusts can be authorised as FTs, they move through three distinct phases of activity during the application and assessment process:
- a) Strategic Health Authority (SHA)-led Trust Development Phase – SHAs work with NHS trusts to develop robust and credible FT applications. Historical due diligence is undertaken prior to the submission of an application to the Secretary of State for Health.
 - b) Secretary of State Support Phase – the DH's Applications Committee makes recommendations to the Secretary of State for Health as to which applicant NHS trusts are eligible to apply to Monitor for assessment, with the final decision made by the Secretary of State.
 - c) Monitor Phase – to assess and potentially authorise NHS trusts that meet Monitor's [application criteria](#). The decision to authorise is made at Monitor's monthly Board decision meeting.
31. Specific questions with regard to preparation for climate change adaption are not generally asked of aspirant acute and mental health trusts during the assessment process, nor are questions asked about business continuity management beyond trusts' board certification. However, we do consider the level of emergency preparedness of ambulance trusts to a greater extent, as they are a vital system component in the case of large emergencies, including extreme weather conditions. We do not expressly look at the future impact of climate change on the services provided, rather on the current impact of the climate, such as heavy snow pressures or flooding.
32. For any type of trust, independent accountants, through the historical due diligence reports undertaken at the SHA phase of the process, are required to report on risk management and IT disaster recovery plans. Among other areas, the report must provide comment on:
- how well management takes account of the full range of risks the trust faces and the extent to which the risks of not achieving strategic objectives are assessed;
 - the main risks facing the business, management awareness of these and if appropriate the mitigations in place;
 - any environmental factor risks or exposure to nature disasters (by exception), established through discussions with management; and

- whether the trust has suitable disaster recovery plans in place and back-up facilities available.
33. It is usual for the assessment team to spend a number of days visiting the trust during the assessment process to conduct interviews and analysis. However, if delays occur due to adverse climatic conditions, arrangements can be made to move meeting dates or conduct other parts of the process in the interim to ensure that the assessment process is not significantly affected.

Designing and operating the regulatory regime to ensure that FTs are well-led and financially robust

34. Monitor operates a proportionate, risk-based regulatory regime, alongside the CQC, that ensures that FTs are well-governed (from both a finance and quality perspective) and financially robust. The regime informs the intensity of the monitoring we undertake, identifies actual and potential financial and non-financial problems and deals with them effectively. The potential need for regulatory action is considered on a case-by-case basis.
35. The terms of authorisation are a set of conditions within which each FT should operate. These terms include general requirements to operate effectively, efficiently and economically; meet healthcare targets and national standards; and cooperate with other NHS organisations. The most relevant condition is condition 19 – emergency planning: ‘the Trust shall assist the relevant authorities with, and participate in, local and national emergency planning and provision’. While this is not actively assessed, FTs are required to certify every year that they will adhere to their terms of authorisation.
36. Subject to change in the current Health and Social Care Bill, the terms of authorisation will no longer apply from October 2012. They are to be superseded by a condition within an FT’s license that assure an FT has appropriate arrangements in place to reduce any significant risk that it will fail to fulfil its principal purpose. That is, in providing ‘goods and services for purposes relating to the provision of healthcare’.¹¹
37. Monitor’s [Compliance Framework](#) describes in detail how we monitor each FT’s compliance with the terms of its authorisation – annual plans and quarterly ad hoc reports identify where potential and actual problems might arise. Risk ratings for finance and governance are designed to indicate the risk of a failure to comply with the terms of authorisation. Any significant breach of these terms relate to an FT’s current, rather than future, position. Failure to comply is the responsibility of the trust’s board, which is accountable for a trust’s performance and any appropriate remedial action.
38. There is nothing specific relating to climate change adaptation in the *Compliance Framework*. However, there is a clear link to general FT governance, for example, management of risks, delivery of service performance targets and ensuring the provision of mandatory services. In any case, *The Operating Framework for the NHS in England 2011/12* states that all NHS organisations should give high priority to emergency preparedness and resilience. This includes assurance that plans are developed and arrangements tested to ensure effective responses to, for example, flooding and any climate change impacts. In addition, trusts must meet local obligations under the Civil Contingencies Act 2004, which includes ensuring sufficient focus on business continuity management and emergency planning.¹² FTs therefore must be

¹¹ NHS Act 2006, section 43(1)

¹² The Cabinet Office’s current Phase 2 consultation on the revised chapters of the Civil Contingencies Act 2004 relating to emergency preparedness includes content asking public bodies to look toward the long-term, with specific reference to climate change, in carrying out their duties under the Act.

prepared for the impact of extreme climatic events, in line with climate projections, and beyond preparation for general winter pressures.

39. The *Compliance Framework* identifies a number of service performance indicators that must be met. In the past, a number of FTs have cited adverse weather events - beyond ordinary winter pressures - as reasons for missing these targets or failing to address performance issues effectively. Examples include:
- Low outpatient attendance at outpatient clinics and elective patients remaining in hospital but not being treated owing to the impact of snow.
 - Cancellation of all appointments, including outpatients and planned operations, for several days owing to bad weather, thereby affecting delivery of the 18 week referral-to-treatment target.
 - Lost activity for 2-3 days and a reduction in income by £0.5 million owing to severe weather conditions.
 - Breaches of target, such as cancelled operations and thrombolysis in one quarter – with some residual impact in the following quarter, owing to major flooding in summer 2007.
40. It is usual for the Compliance team to visit each FT face-to-face on a yearly basis. However, it is not critical for this to take place on a specific day, therefore any visit dates can easily be rearranged should there be any delays due to adverse climatic conditions.

Taking action if there is evidence that an FT is in significant breach of the conditions Monitor sets for the way it operates

41. Where Monitor is satisfied that an FT is in significant breach of its terms of authorisation or that an earlier significant failing might recur, Monitor has the discretion to use specific powers of intervention to ensure the continued delivery of mandatory services and a prompt and sustained return to compliance with its authorisation. As stated in paragraph 37, any significant breach relates to an existing, rather than potential, position. FTs in significant breach will be subject to an enhanced level of monitoring and greater regulatory interaction with Monitor. An FT will be removed from significant breach only once Monitor is satisfied that the failures which gave rise to the breach have been sufficiently and sustainably addressed and resolved.
42. Monitor's risk-based approach holds FT boards responsible for any failure to meet the terms of authorisation set out by Monitor and taking appropriate remedial action. Should boards fail to take action, Monitor can use its formal powers to intervene, for example requiring the board to take specific actions or advice. If Monitor's Board does decide to intervene, it is always with the aim of resolving issues as quickly as possible and in the most effective way.
43. Missing a target set out in the *Compliance Framework* may or may not lead to significant breach following consideration of escalation. In relation to climate adaptation, this might include breaches concerning ongoing climate conditions (such as rising sea levels rendering a hospital unusable) or reported one-off conditions (such as those highlighted in paragraph 39). Regulatory action is unlikely to result from climate-related issues, although unusual or unpredictable weather events may be considered as mitigating factors in either the decision as to whether to escalate or whether to find in significant breach. However, we would expect FTs in these circumstances to have had a reasonable level of preparedness in place, based on a risk assessment.

- Where an FT is in significant breach at the time of breaching targets from climatic conditions, weather may be accepted as a valid contributory factor behind continuing performance issues, that is, the scale of failure resulting from the weather.
- Where the circumstances indicate that a performance breach was outside the FT's direct control, such as major flooding, and therefore not a true reflection of service performance, Monitor is unlikely to take any direct action.

Setting the reporting requirements for FTs

44. Monitor sets the reporting requirements for FTs in agreement with HM Treasury and its Financial Reporting Manual (FReM). Monitor's [Annual Reporting Manual for FTs](#) (ARM) sets out the statutory financial and non-financial reporting requirements for FTs – largely their annual report and accounts – that must be approved by each FT's board of directors under Schedule 7, paragraph 26 of the NHS Act 2006. FTs have discretion over the form of financial statements they consider to be most appropriate to meet their own reporting needs. Monitor does not currently require reporting on climate change adaptation.
45. HM Treasury required public bodies to carry out a dry-run of their proposals for sustainability reporting in 2010-11,¹³ with full, mandatory implementation from 2011-12, in accordance with FReM. Publication of the reports submitted in response to the 2010-11 dry-run was voluntary, although encouraged. Publication for 2011-12 reporting will be obligatory. Both the 2010-11 dry-run and guidance for 2011-12 reporting¹⁴ set out the minimum reporting requirements on sustainability reporting, including on greenhouse gas emissions, waste management and finite resource consumption, which have been incorporated into Monitor's ARM for 2010-11. The substantive difference between HM Treasury's and our reporting requirements is their inclusion of biodiversity action planning and sustainable procurement.
46. There are a number of elements in the 2010-11 ARM that relate to the identification of risks from climate change and the development of policies to mitigate their impact and improve environmental sustainability.
 - FTs are currently required to report on environmental matters as part of their business review, which identifies the main risks and uncertainties facing the trust. These matters include the impact of the FT's business on the environment.
 - In addition, FTs must show that they have undertaken risk assessment and have Carbon Reduction Delivery Plans in place in accordance with Civil Contingency Act and Climate Change Act requirements, based on UKCP09 climate projections data. In England, the NHS Carbon Reduction Strategy, published in January 2009, asked NHS trusts to report water cost and consumption in their annual reports. The Carbon Reduction Commitment scheme became operational on 1 April 2010 and requires all organisations consuming over 6,000 MWh of electricity – including the majority of FTs – to calculate their CO₂ emissions for 2010-11.
 - As first set out in the 2009-10 ARM, the 2010-11 ARM states that annual reports may, at an FT's discretion, include non-financial reporting covering sustainability/climate change. It is a matter for FTs themselves to determine in conjunction with their members and governors. Any additional reporting in this area is therefore a voluntary disclosure, but does need to follow the relevant requirements.

¹³ [Sustainability Reporting Guidance for the 2010-11 Dry Run](#) for public sector annual reports, HM Treasury, June 2010

¹⁴ [Public Sector Annual Reports: Sustainability Reporting, Guidance for 2011-12 Reporting](#), HM Treasury, July 2011

HM Treasury guidance states that sustainability reporting for 2011-12 will be mandatory. Currently, if included, this section should provide:

- a) a basic commentary of the FT's performance in the reported year as well as future priorities and how the trust is developing and monitoring sustainable policies and procedures; and
- b) a Sustainability Report comprising a table of financial and non-financial metrics on the FT's greenhouse gas emissions; waste minimisation and management; and use of finite resources (water, electricity, gas and other energy consumption). The report may incorporate data currently submitted by all trusts to the DH, as part of The Estates Returns Information Collection (ERIC)¹⁵ which has been required under Schedule 6 of the terms of authorisation (information) for many years.

The ARM provides a template commentary and a template table providing an overview of the minimum data requirements, based on HM Treasury's FReM minimum reporting requirements from the dry-run.

Exercising our own functions effectively, efficiently and economically

47. Once Monitor's Board has established the organisation's strategies and goals, detailed plans are drawn up for each strategy area – one of which is to continue to improve as a high-performing organisation - and with input from a wide range of staff. Risks against achievement of these strategies and goals are considered by the Audit and Risk Committee and reported on a quarterly basis to the Board via the Corporate Risk Register. The Board discusses the most significant risks and the actions identified to mitigate their likelihood and impact.
48. Currently, issues around climate change and sustainability are not specifically identified in Monitor's Corporate Risk Register, as these are not deemed sufficient high risk. Relevant current risks around the fitness-for-purpose of the performance and risk management process and the loss of IT systems for a prolonged period of time are deemed controllable. The IT department also has its own risk register.
49. Monitor is committed to having effective, robust, tested and up-to-date business continuity arrangements in place to reduce the likelihood of adverse events and minimise the impact of those that do occur. Monitor's priorities in such situations are to, for example: protect staff and other personnel; protect and secure Monitor's infrastructure and facilities; resume core activities as soon as possible; and learn lessons for the future.
50. While not specifically created in relation to management of climate change impacts, our well-developed plans certainly have relevance to ensure that our systems recover to reduce the impact on staff and functions. This may be in the event that, for example, Monitor's offices are flooded, electricity supply is affected, or staff are unable to reach the office due to heavy snowfall.
 - Monitor's incident management plan (currently valid until February 2012) has been developed for dealing with the acute phase of a crisis or emergency, whether within or outside office hours. Once the incident has been contained and any implications assessed, the business continuity and disaster recovery plans will be invoked.
 - Monitor's business continuity plan (currently valid until March 2012) enables Monitor to respond to and recover from events which affect or threaten our business continuity. Relevant sections relate to: IT/data communications failures; denial of

¹⁵ ERIC is under review as part of the current DH fundamental review of data returns.

access to the office due to, for example, flooding; major public transport failures; and when the office is not fit for occupation owing to, for example, heating failures in winter or building damage.

- Monitor's IT disaster recovery arrangements ensure that we have resilient systems and off-site disaster recovery facilities so that the likelihood of non-availability for more than four hours is low. Single points of failure have been removed and our disaster recovery centre can replicate our data in real time in the event of a major loss and back up data off-site.

51. Monitor recognises that the delivery of its operations inevitably impact on the environment in a number of ways although our mitigating actions are limited as we do not have direct control of the building we occupy. A third party assessment in 2008 considered our environmental impact, together with the nature, operation and management of those impacts, and concluded that our overall impact is low. However, opportunities were identified for improving our performance, which have subsequently been initiated.¹⁶ These focused on energy consumption, waste generation and paper consumption. There are responsibilities for meeting these targets at both management and individual levels. Monitor continues to report yearly on its environmental efficiency.

52. Our aim is to ensure that our business operation has minimum impact on the environment, as set out in our environmental management policy (issued in April 2009 and due for renewal). As such, we seek to:

- reduce our consumption of resources and improve efficiency in our use of these resources;
- manage waste generated from our operations according to the principles of 'reduce, reuse and recycle';
- provide staff with sufficient training and information to develop and encourage environmental awareness; and
- set measurable targets to assist with the goal of continuously improving environmental performance.

Initiatives include:

- best practice energy saving schemes – for example, movement sensors to switch lights off when an area is unoccupied and a building management system for controlling temperature; and
- communication to raise staff awareness about paper usage, resulting in a continued reduction in paper consumption per person year-on-year (since 2005).

53. The Office of Government Commerce annual property benchmarking exercise aims to improve efficiency and involves entering data on a wide range of subjects including environmental performance. The 2010 report gave Monitor a 'good performer' rating in the key areas of carbon produced per full-time employee; water consumption and non-recycled waste per full-time employee. This means that, in these areas, Monitor outperforms the benchmark by at least 10% for an equivalent private sector office.

¹⁶ Given these conclusions, a further review has not been considered necessary.

Assessment of present and future risks from the predicted impact of climate change on our statutory functions

54. The UKCIP Adaptation Wizard¹⁷ indicated that organisations should review the relevance of climate change adaptation against the UKCP09 climate projections checklist (see box below). This revealed that, owing to the nature of our regulatory regime and business operations, Monitor is not likely to face significant risk to its functions from climate change. Indeed, the impact of climate change has not to date had any material impact on Monitor's statutory or other public functions.

Is your organisation:	
<ul style="list-style-type: none"> affected by changes to averages (like temperature or precipitation) or extremes of weather or climate? 	No
<ul style="list-style-type: none"> taking decisions or making investments with long-lifetimes? 	No
<ul style="list-style-type: none"> making significant investments or has high value at stake? 	No
<ul style="list-style-type: none"> providing or supporting critical national infrastructure? 	No
<ul style="list-style-type: none"> taking decisions with significant impacts that cannot be changed for more than a decade? 	No

55. However, we have considered the evidence from UKCP09 climate change projections and EA flooding predictions for Monitor's London office base – alongside our qualitative information – to assist in our assessments of risks from extreme weather and climate change where possible. This has highlighted some present and potential future impacts relating to our function to perform effectively, efficiently and economically as an organisation.
56. As stated previously, the criteria by which risk is assessed are largely the impact on the ability of the organisation to continue its daily business and deliver against its objectives. No specific physical characteristics have been taken into consideration other than the office building and IT infrastructure. The level of risk includes the ability of current disaster recovery and business continuity plans to provide mitigation. In general, therefore, the specific climate thresholds – above which climate change and weather events will pose a threat to our organisation – relate to the impact on our ability to carry out day-to-day business functions, use information systems and access our office base.
57. While we consider that climate change impacts, such as increased incidence of coastal erosion, storms and wetter winters, are unlikely to be of relevance, the data helped to establish that the potential threats to our operations may arise from flooding, rising temperatures and snowfall. *Table 1* provides a high-level assessment of each of these climate change variables (based on general projections) and their relevance to our business operations.

¹⁷ UKCIP (2010). The UKCIP Adaptation Wizard v 3.0. UKCIP, Oxford

Table 1 – Assessment of the risks from climate threats

Priority	Climate variable	Threat	Present		Projections	Future		Assumptions
			Likelihood	Impact		Likelihood	Impact	
1	Flooding	Office not accessible IT servers damaged	Low	Medium	Increase in likeliness of flooding in the future due to rising sea levels and increased rainfall. In London – by the 2020s under the medium emissions scenario – the central estimate of change in mean precipitation: <ul style="list-style-type: none"> in the summer is +7%; and in the winter is +6%. 	Low	Medium	The EA states that Monitor's current location is at low risk of flooding from the Thames (1 in 200 or less p.a.) except in extreme conditions. This takes into account the effect of flood defences that have been built in the area.
2	Major snowfall	Office not accessible Staff unable to travel to and from work Face-to-face meetings with FTs rescheduled	Medium	Low	No probabilistic projections available.	Medium	Low	Monitor's ability to operate effectively not affected due to robust plans to ensure staff are able to access emails and systems from home.
3	Rising temperatures / increased summer and winter cooling demands	Building becomes hotter Greater demand for air conditioning Staff working conditions uncomfortable	Medium	Low	All areas of the UK will be warm, more so in summer than winter. Largest increase in hot days in SE England where for the median case, an increase from around 20-50 days per year. In London – by the 2050s under the medium emissions scenario – 90% probability levels that: <ul style="list-style-type: none"> in the summer, mean daily maximum temperature to increase up to 6.5°C, mean daily minimum temperature to increase up to 5°C and mean temperature increase up to 4.6°C; and in the winter, mean temperature will increase up to 3.5°C and number of frost days will decrease. 	High	Low	Plans currently in place to ensure temperature levels constant at all times of year. No legal minimum or maximum workplace temperature exists, but it should be at least 16°C. ¹⁸ The Health and Safety Executive previously defined workplace thermal comfort as 'roughly between 13°C and 30°C'.

¹⁸ Workplace (Health, Safety and Welfare) Regulations 1992 Approved Code of Practice

Programme of actions to address risks

58. As a result of our analysis of the risks and discussions with internal and external stakeholders, we have developed a programme of policies and proposals to inform an adaptation plan. This will help enable Monitor to ensure continuity of services across the organisation – that is, cope better with current and future climate variability and extreme weather – and provide incentives for effective adaptation. This is a flexible programme to help address risks over time. Unfortunately it has not been possible to state by how much we expect the risk to reduce as a result of these actions.
59. *Table 2* sets out the proposed actions, along with timescales, methods of implementation, responsibility and costs and benefits where possible. Due to the relatively low probability of risk from climate change, the actions address more general issues of environmental sustainability and climate change in relation to Monitor's functions. This includes, for example, building adaptive capacity through improving staff awareness.
60. Implementation of these actions will also assist in consolidating our current approach to improving our environmental sustainability and approach to regulation. Where priority risks have been identified, we believe that we have already actively addressed much of the impact. For example, managing any impacts and reducing consequences that do arise through implementation of our disaster recovery and business continuity plans and through enabling flexible working arrangements. However, there is opportunity to take these further and additionally undertake a number of other policies and proposals to improve our approaches to both mitigation and adaptation. And, while we do not have a specific policy on Monitor's approach to climate change, we will revise existing related policies in line with the findings of this report. This may involve incorporating issues into our ongoing processes, for example, our annual business planning.
61. We also work hard to ensure that FTs are well-run and have considered how best to provide them with the right incentives and underlying framework for effective adaptation. Our regulatory documentation – such as the terms of authorisation, ARM and *Compliance Framework* – set out the need for efficient and effective delivery of services, effective risk management and emergency planning, with specific regard to climate change and sustainability in the ARM. We have considered whether to introduce additional reporting requirements for FTs on climate change adaptation in the ARM for 2011-12, over and above the HM Treasury FReM requirements. However, we agree with Defra that such an approach may be 'disproportionate' (see paragraph 2) and an inappropriate burden on autonomous organisations. As stated in paragraph 47, we do currently actively draw FTs' attention to reporting on environmental matters, considering climate change when undertaking relevant risk assessments and reporting on sustainability and climate change and it is for FTs to take this forward.
62. We therefore believe that it fits with our regulatory approach and FT autonomy to further highlight to FTs that they should have regard to our guidance on reporting on climate change and sustainability. While reporting is not currently mandatory, Monitor will certainly encourage FTs to include relevant reports so that stakeholders receive a fuller understanding and assurance of the trust's activities. Sustainability is a key governance issue and any commitments to sustainability should certainly complement FTs' core roles in providing quality healthcare and delivering mandatory services.
63. In carrying out this review, we have found few significant opportunities to take advantage of any positive effects of climate change within Monitor's current statutory framework.

Table 2 – Programme of actions to address risks and ensure ability to carry out business functions

Priority	Function	Action	Timescale	Cost	Benefit	Responsibility
1	<i>Exercising our own functions effectively, efficiently and economically</i>	Continue with our current programme of actions to reduce the impact of human activity on the climate system through reduction in carbon usage and greenhouse gas emissions and general environmental management. In addition, consider our performance against BREEAM ¹⁹	Ongoing	Negligible	Ensure sustainability of estate and continue focus on climate change	Director of Human Resources and Corporate Services
2	<i>Supporting the FT sector to operate effectively, efficiently and economically</i>	Ensure that the ARM continues to include content on Carbon Reduction Delivery Plans, general consideration of climate change and sustainability reporting and that this is well-communicated to FTs, for example in Monitor's external monthly FT bulletin	By end 2011	Negligible	Encourage FTs to consider climate change and sustainability as part of their overall operations	Director of Strategy
3	<i>Reporting FT sector performance and details of regulatory action</i>	Consider reporting sector-wide FT progress and performance on the HM Treasury FReM 2010-11 dry-run and subsequent ARM sustainability reporting	By April 2012	Negligible	Highlight good practice and performance and encourage others to reach that standard	Director of Strategy
4	<i>Exercising our own functions effectively, efficiently and economically</i>	Increase general staff awareness of climate change and adaptation and train staff accordingly (consider including as action in Monitor's Business Plan for 2012-13)	By April 2012	Negligible	Improve sustainability performance	Director of Human Resources and Corporate Services
5	<i>Exercising our own functions effectively, efficiently and economically</i>	Consider how risks related to reducing emissions and waste might be shared with other tenants in the office building	By end 2011	Negligible	Ensure highest possible reduction in emissions and waste	Director of Human Resources and Corporate Services
6	<i>Exercising our own functions effectively, efficiently and economically</i>	Review our policies regarding flexibility to work from home, accessing IT and documents from home and holding meetings by virtual conferencing	By April 2012	Negligible	Ensure staff have alternatives should they be unable to access the office due to e.g. flooding	Director of Human Resources and Corporate Services

¹⁹ BREEAM is the world's foremost environmental assessment method and rating system for buildings.

					or snowfall	
7	<i>Assessing applications for FT status and authorising successful applicants</i>	Consider including a specific reference to identification and management of climate change risks in historical due diligence reports (possible inclusion in our ongoing review of the assessment process)	By November 2011	n/a	Ensure all relevant risks are highlighted as part of our assessment process	Director of Operations
8	<i>Exercising our own functions effectively, efficiently and economically</i>	Include an action in Monitor's Business Plan for 2012-13 to review our Environmental Management Policy	By April 2012	n/a	Ensure our policy is up-to-date to reflect any recent developments	Director of Strategy
9	<i>Exercising our own functions effectively, efficiently and economically</i>	Consider climate change adaptation and environmental sustainability issues when Monitor relocates to a new site	As necessary	n/a	Ensure sustainability of estate and continue focus on climate change management	Director of Strategy
10	<i>Exercising our own functions effectively, efficiently and economically</i>	Consider including climate change risks in Monitor's Corporate Risk Register	By April 2012	n/a	Ensure continued focus on climate change	Director of Strategy

Limitations to Monitor's risk assessment and adaptation plans

Uncertainties and assumptions

64. A number of uncertainties have been identified in the evidence, approach and method used to assess the risks to Monitor of climate change impacts. This primarily relates to the data used to inform the analysis. In addition, assumptions have been made when assessing risk and devising the programme of actions for adaptation.
65. The main uncertainties identified in Monitor's evaluation of the risks due to climate change are in relation to the use of UKCP09 data, upon which evidence and projections for Monitor's assessment are largely based. There are inherent uncertainties explicitly recognised in these climate change models. For example, the data predicts the probability of climate change, not the specific incidence of extreme weather events, such as storms, floods and heat waves. There is also little detail on snowfall projections.
66. In addition, there are uncertainties regarding the timeframes used in the analysis and UKCP09's projections to inform long-term adaptation. Evidence on the nature and impact of climate change becomes less certain the further into the future the projections go. For example, projections beyond 2050 are currently extremely uncertain and are based on their own range of assumptions. It is also deemed inappropriate to use UKCP09 data for current or short-term assessment of climate change vulnerability or impact. However, many of Monitor's functions are likely to change on the passing of the Health and Social Care Bill by Parliament and so the assessment can only be based on the short-term scenario.
67. Monitor welcomes any further information to enable us to better assess the risk going forward. Specifically, this is in relation to future changes in frequency and intensity of snow, sleet, blizzards and ice that may prohibit staff members from accessing our office and carrying out daily business activities.
68. There are a number of fundamental assumptions that underpin Monitor's risk assessment and programme of policies and proposals for adaptation:
 - UKCP09 and data from the EA is an accurate representation of future climate change.
 - The Health and Social Care Bill, which proposes changes to Monitor's functions, will be passed by Parliament.
 - The risk assessment and actions are based on Monitor's current operations and approach to regulation and that this will continue until at least October 2012.
 - FTs continue to operate fundamentally in the same way as they do today.
 - Adaptation to climate change does not, and should not, play a significant part in Monitor's regulatory regime for FTs.
 - Monitor's current plans for adaptation, as included in our business continuity, incident management and disaster recovery plans, are sufficient to ensure that our day-to-day business activities are not adversely affected should any major climatic events take place.
 - Climate change risks are currently of lower importance than other risks faced by the organisation.

Barriers to adaptation and interdependencies

69. During this work to assess the risk and devise an adaptation programme, a number of barriers to implementation of the programme have been identified. There are also interdependencies to be taken into account, in relation to our stakeholders, particularly FTs themselves, who may not agree that, for example, additional reporting requirements are in line with their operation as autonomous organisations and free from central control. We have not assessed the impact of climate change on our stakeholders and we do not believe that others' actions are likely to impact on our ability to manage our own climate change risks.
70. In developing adaptation, it is important, where appropriate, that plans are coordinated with key stakeholders to ensure a consistent and effective approach. We can, in the main, implement our response using existing resources.
71. For the purposes of the Adaptation Programme, the following organisations have been identified as Monitor's key stakeholders:
 - FTs;
 - DH, which sets the overall policy direction for the NHS as a whole;
 - CQC, which is the health and social care regulator for England, including FTs; and
 - FTN, which supports those applying for FT status and works to raise the profile of issues facing authorised and applicant FTs.
72. These barriers and interdependencies to adaptation are both internally- and externally-facing:

Internally-facing barriers and interdependencies

- Lack of relevance to many of our current and proposed future functions. Monitor operates a risk-based regulatory regime and does not directly manage the performance of the organisations within its remit.
- The proposed change to our functions from October 2012 has some implications for our regulatory requirements with regard to climate change adaptation. Subject to the passage of the Health and Social Care Bill through Parliament, the Bill also proposes that the receipt of future planning information, currently used to assess risk, prospectively passes to the DH.
- Government restrictions on the activities, hiring and expenditure of arm's length bodies may restrict the extent to which funds are available to meet the implementation of any larger scale actions.
- Monitor is currently located in a multi-tenanted building, with the freehold owned by a third party. There is therefore a limit on the reductions that can be made in terms of emissions and waste management. Possible approaches to sharing the risk will be explored.

Externally-facing barriers and interdependencies

- Monitor is the only reporting body in the health and social care sector and yet is neither able to report on the progress of, nor ensure that adaptation plans are in place for, the whole sector. Most NHS trusts are due to apply for FT status by 2014.

- FTs are autonomous organisations and the risk-based nature of Monitor's regulatory regime means that Monitor is unable to force FTs to include climate change adaptation as priority risks for their organisations.
- There is still much uncertainty about climate change, how quickly the change will take place and its severity. This may impact on the need for wide acceptance of the likely climate change scenarios by our stakeholders, such as the FTN, CQC and FTs themselves, and therefore the need to adapt.

Monitoring, review and evaluation

73. This final section of the report sets out how the risks and outcomes of our adaptation programme will be monitored, reviewed and evaluated. We intend to have a flexible approach to the management of climate change risks and review future risks and requirements as necessary.
74. The process of producing this report has enabled Monitor to review the fitness-for-purpose of its current approach to climate change adaptation and sustainability improvement. It has allowed us to consider the priority of climate-related risks in relation to the other risks faced by the organisation and reflect, in one place, how climate change is embedded in our regulatory framework and for each statutory function. Consequently, one major change is the proposed action to specifically encourage FTs to raise their awareness of climate change and sustainability issues in their organisations beyond mention in the ARM, and our plan to report on the FT sector's progress in this area thus far.
75. We are keen to ensure that the management of climate change risk and monitoring climate change adaptation are firmly embedded into existing organisational structures. We intend to build consideration of climate change into our normal planning and risk management processes. For example, as set out in Table 2, we will consider including actions in our future business plans and consider including climate change risks in Monitor's Corporate Risk Register should risk levels change. Monitor's work on sustainability and our impact on the environment from greenhouse gas emissions, carbon usage and waste is already embedded into our current structures. Performance against our sustainability targets is reported regularly in our annual reports and this will continue. We will ensure improvements in staff awareness of our sustainability agenda.
76. Communication to the wider staff base is essential. The risk assessment and adaptation programme have been signed-off by senior management and Board members. In addition, we will promote general staff awareness through, for example, our internal staff bulletin, to ensure that staff members at all levels of the organisation understand their responsibility in implementing and supporting implementation of these actions, whether they are named as responsible for delivery or not.
77. Our flexible approach to the management of climate change complements the iterative nature of the adaptation process. We will consider any changes to the risks to our functions as climate change data changes and develops and new knowledge presents itself. Our adaptation proposals will also be revised should any of our measures prove ineffective or inappropriate. We will therefore monitor the effectiveness of our actions and modify them if necessary, both through monitoring of progress to deliver our action plan and any changes in risks evidenced by environmental change and updates to climate projections.
78. While we agree that evaluation and review should be a continuous process, we must bear in mind that, as shown in Table 1, minimal risks have been identified - both for present and future scenarios. Each time we review our risk assessment, we will consider the level of risk and whether, for example, climate change adaptation has become a high enough priority to include on our Corporate Risk Register. We will conduct a review of our climate change adaptation needs when directed by Defra.
79. Any evaluation of our programme of actions will be measured against their effectiveness in achieving desired outcomes, efficiency with regard to benefits outweighing costs and equity so that, for example, FTs do not bear any significant costs in implementing any potential additional reporting requirements. We believe that our work to date in addition to our adaptation plan are comprehensive and will ensure that our functions can operate effectively in any case.

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