

PwC Strategy & Economics

Foundation Trust Strategic Planning Assessment Research Findings Report

Final Report

13 December 2013



pwc



Monitor

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13 December 2013

Dear Sirs,

Assessment of Strategic Planning within the Foundation Trust sector (ITTT-ST-0113-069)

We are pleased to present for publication our Final Research Findings Report on Phase 1 Part i of the Assessment of Strategic Planning within the Foundation Trust sector. Specifically, this report presents findings on current practice in Foundation Trust strategic planning, drawing on fieldwork conducted between March and July 2013.

This report has been prepared for and only for the Monitor in accordance with the terms of our Service Order dated 27th February, and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

This report should be read alongside the Technical Annex to this document, also dated 13 December 2013, which includes a self-assessment tool and key technical planning guides that may be of use to Foundation Trusts.

This Final Report reflects feedback that you provided to us in response to the draft reports that we have submitted.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Andrew McKechnie', written in a cursive style.

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Project on a page: we have studied the quality of Foundation Trust (FT) strategic planning, and made suggestions as to how it could be improved

Why the quality of FT strategic planning matters and what we were asked to do

- Evidence from across business sectors, including the healthcare sector, suggests that robust strategic planning delivers significant benefits for organisations, their stakeholders, staff and the customers or patients that they serve. In the health sector, it is broadly accepted that providers who plan more effectively and accurately will be better placed to adjust to the evolving NHS operating and financial environment
- PwC was commissioned by Monitor to complete an assessment of the quality of strategic planning in NHS Foundation Trusts (FTs), and to suggest potential actions that Monitor could take to address any quality shortfalls. We have developed a set of principles of strategic planning best practice, and have undertaken a programme of qualitative research (including desktop review of FT published plans and extensive interviews with FT management) to assess actual performance against those principles

Our findings

- Our key finding is that the overall quality of strategic planning in the FT sector, viewed on an aggregate basis, could be improved significantly. Across the sector there are widespread weaknesses in the forecasting of commercial, financial and service provision trends. **We believe that the current quality of strategic planning in the majority of FTs is inadequate to respond to the long term challenges posed by the changing health sector environment** and that the risks to poor planning will increase as the scale of the challenge grows
- In relation to the performance of specific organisations, while a small number of FTs perform a full range of best practice planning tasks to a high standard of quality, the majority of FTs fail to undertake some elements of strategic planning, and a small number of FTs display significant strategic planning weaknesses
- In general, specialist FTs are more likely to perform a full range of best practice planning tasks to a higher standard of quality than other FTs. There did not appear to be any direct causal link between time since FT authorisation or the geographic location of an FT and high quality strategic planning
- Our observations suggest that the main cause of weaknesses in strategic planning quality is FTs having difficulty filling key strategic planning posts, due to budget restraints and difficulties in recruiting skilled resource

Suggested actions

- Monitor is one of a number of bodies (including NHS England, the DH, TDA and CCGs) that could take actions to improve the quality of FT strategic planning
- We have suggested 10 actions that could be taken by this range of bodies, but focused more specifically on those that align with Monitor's remit and regulatory levers
- The Technical Annex to this Research Findings Report includes two tools that could support the FT sector in identifying and acting on planning weaknesses
- The first of these tools is a self-assessment toolkit that can be used by FTs to identify weaknesses in planning. The second is a set of activity guides presenting best practice

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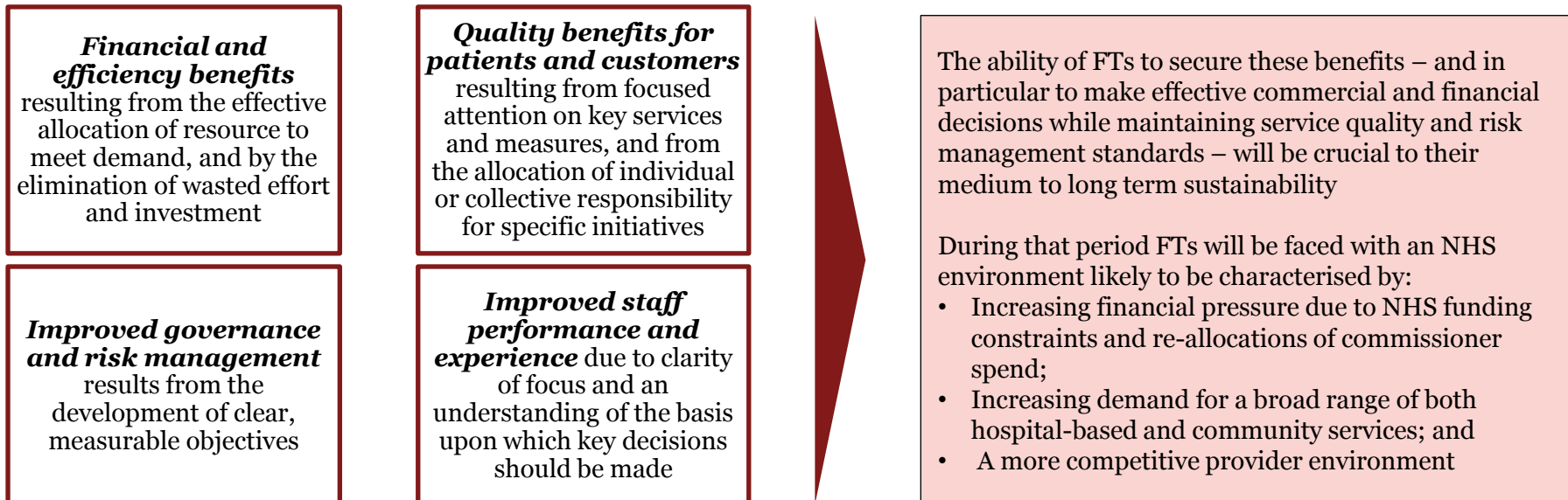
Executive Summary

The quality of FTs’ strategic planning will be a significant determinant of whether they can adjust to the changing healthcare environment

Why the quality of FT strategic planning matters

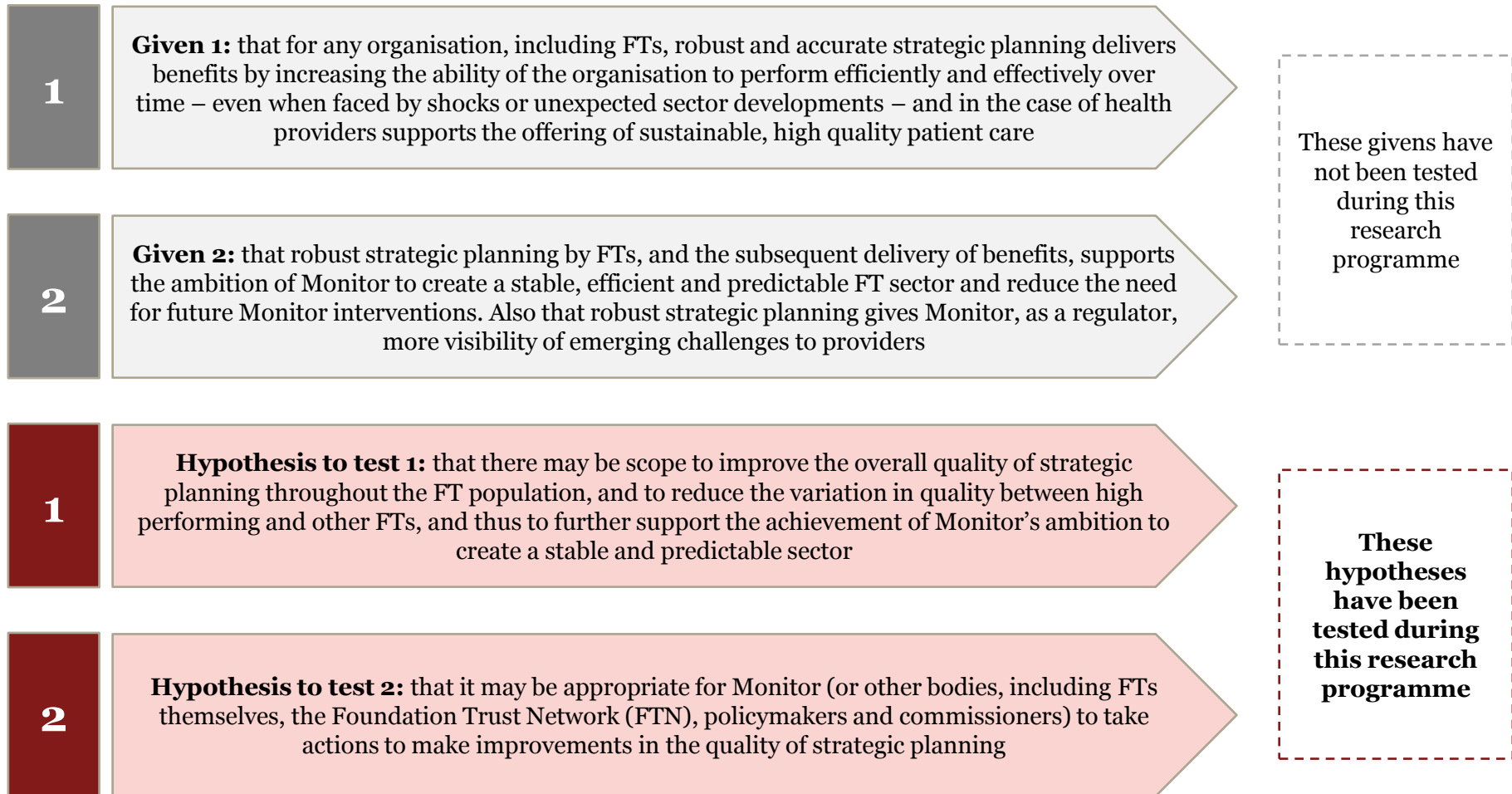
- Strategic planning is the process of developing the purpose, goals and objectives of an organisation. This also involves the allocation of related resources and responsibilities, drawing on robust evidence and framed in a time-bound way
- Across business sectors, including the healthcare sector, evidence suggests that robust strategic planning delivers significant benefits for organisations, their stakeholders, their staff and the customers that they serve. In particular, strategic planning undertaken at relevant points in the development of an organisation guides that organisation in making choices about service provision and resource allocation, and helps Executives and Non-Executives to govern effectively
- It is important that FTs use strategic plans to guide and inform appropriate development of their organisation in order to adjust to the changing and increasingly challenging dynamics in the English health sector and their local health economies. Identifying whether FTs are developing high quality strategic plans is therefore a key issue for Monitor to understand

The perceived benefits of high quality strategic planning



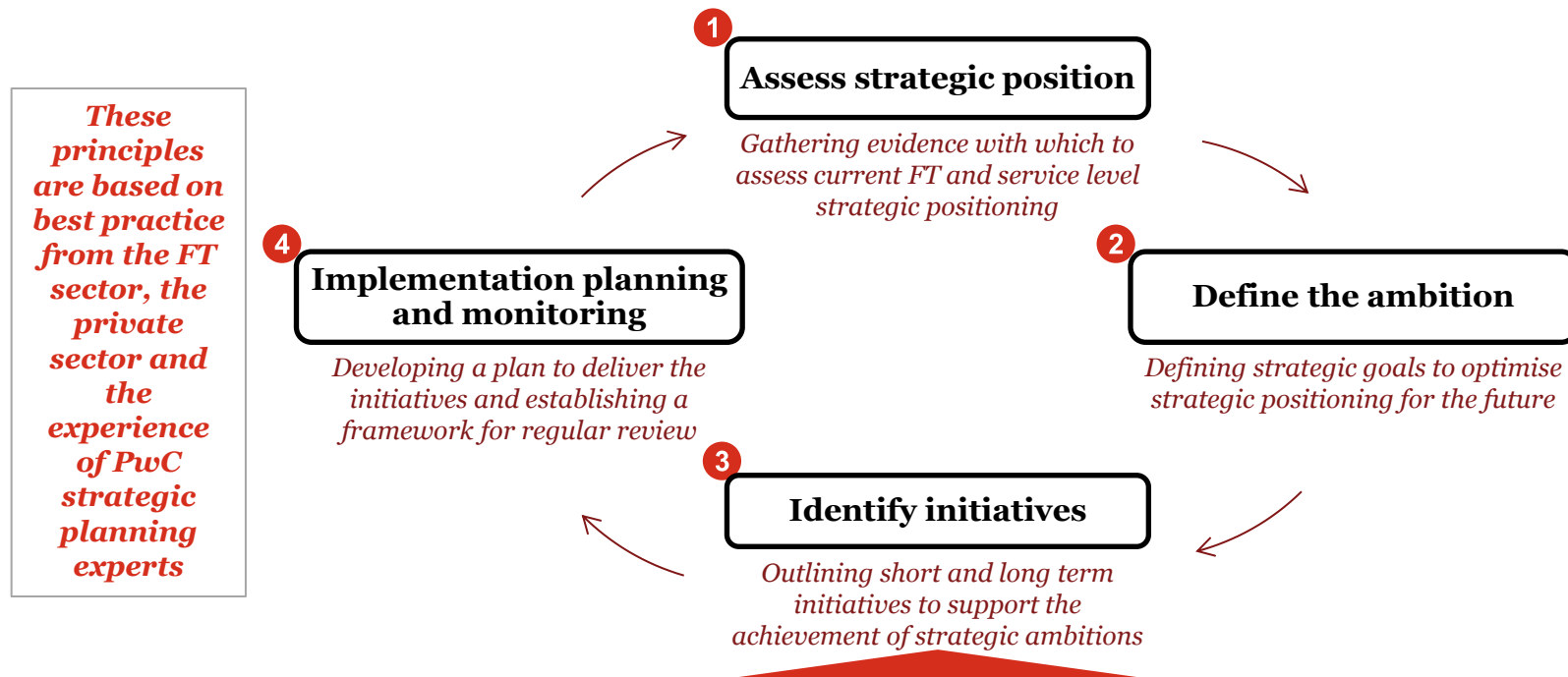
We were asked by Monitor to test two hypotheses, to establish the scope for and means of improving the quality of FT strategic planning

We have tested two key hypotheses, whilst taking two other statements as given



Hypothesis 1 - We have identified best practice strategic planning principles against which FT strategic planning has been assessed

An FT should perform a range of detailed tasks effectively in order to achieve high quality strategic planning which is consistent with best practice...



There are behavioural and resource supports that must be put in place to allow FTs to do this...



Hypothesis 1 – Taking the sector as a whole, there is the potential for FTs to improve the quality of many aspects of their strategic planning

Generalised performance of FTs in relation to key strategic planning tasks

	Areas of strength	Development Areas	Overall Assessment
1 Assess strategic position	<ul style="list-style-type: none"> • FTs assess their current strategic position, generally based on analysis of internal performance data and a high-level awareness of health economy trends 	<ul style="list-style-type: none"> • FTs are less comfortable in the most important tasks related to understanding and forecasting long term health demand, local commissioning trends and competition • Service line analysis is also limited 	<ul style="list-style-type: none"> • There is significant scope to improve service level thinking based on better analysis and forecasting of trends in local health economies
2 Define the ambition	<ul style="list-style-type: none"> • FTs increasingly reflect a desire to improve quality in their ambition 	<ul style="list-style-type: none"> • FTs’ defined ambitions lack specificity, and focus where success is difficult to define • They are rarely explicitly evidence based 	<ul style="list-style-type: none"> • The long-term goals of many NHS foundation trusts are too general to be strategically useful or provide a meaningful framework for decision-making
3 Identify initiatives	<ul style="list-style-type: none"> • FTs identify specific short term initiatives in finance and clinical quality, often with risks and mitigating factors identified 	<ul style="list-style-type: none"> • FTs do not usually define long term initiatives, which are crucial for effective strategic planning • FTs struggle to develop commercial and service level short term initiatives, and very rarely prioritise between initiatives 	<ul style="list-style-type: none"> • Few NHS foundation trusts are proactively developing longer term initiatives in response to the changing health care environment
4 Implementation planning and monitoring	<ul style="list-style-type: none"> • Where initiatives are identified, FTs are able to turn them into robust, trackable plans and arrange clinical and Board level monitoring processes 	<ul style="list-style-type: none"> • Many FTs do not embed strategy review into ongoing FT management and lack processes to adapt plans for internal and external changes, which is important to ensure plans remain relevant 	<ul style="list-style-type: none"> • Many NHS foundation trusts lack processes to review and adapt their plans and strategies to ensure they remain relevant and achievable

Hypothesis 1 – However, there is significant variation in planning quality within the FT population

We have grouped the FT population into four distinct categories based on the extent to which they displayed a range of strategic planning best practice principles

	“Struggling FTs”	“Lagging FTs”	“Competent FTs”	“Leading FTs”
1 Assess strategic position	<ul style="list-style-type: none"> Strategic positioning is unclear and not addressed at a service level. There is limited internal or external evidence or identification of key trends 	<ul style="list-style-type: none"> Organisational strategic positioning assessed. There is limited evidence gathering at service level and basic attempts at external forecasting 	<ul style="list-style-type: none"> Some articulation of strategic positioning at service level. External evidence is collected but forecasting is incomplete and lacks rigour 	<ul style="list-style-type: none"> Clarity of current and implied future strategic positioning at service level backed with detailed external forecasts and local commissioning insight
2 Define the ambition	<ul style="list-style-type: none"> Ambitions are not specific, and only focus on quality aspirations 	<ul style="list-style-type: none"> Ambitions cover quality and financial goals but lack specificity 	<ul style="list-style-type: none"> Ambitions cover quality, financial and commercial goals but lack specificity 	<ul style="list-style-type: none"> Specific, stretching ambitions cover financial, quality and commercial aspects
3 Identifying initiatives	<ul style="list-style-type: none"> Strategic initiatives lack financial and commercial coverage, and are focused exclusively on quality. Long term strategy is not addressed 	<ul style="list-style-type: none"> Initiatives address quality and financial issues, but lack commercial targets. There is a lack of prioritisation and little long term planning 	<ul style="list-style-type: none"> Initiatives are quality and financial focused with some commercial coverage. There is some prioritisation and long term planning 	<ul style="list-style-type: none"> Initiatives address commercial, quality and financial aspects in an integrated manner. There is clear prioritisation and explicit long term strategy
4 Implementation planning and monitoring	<ul style="list-style-type: none"> Implementation plans lack detail (e.g. KPIs) and there is a lack of accountability for delivery and monitoring 	<ul style="list-style-type: none"> Implementation plans are detailed, but lack accountability and review processes 	<ul style="list-style-type: none"> Implementation plans are detailed, with some evidence of ongoing strategy review 	<ul style="list-style-type: none"> Rigorous plans with formal processes for reviewing strategy and responding to underperformance

Illustrative FT distribution

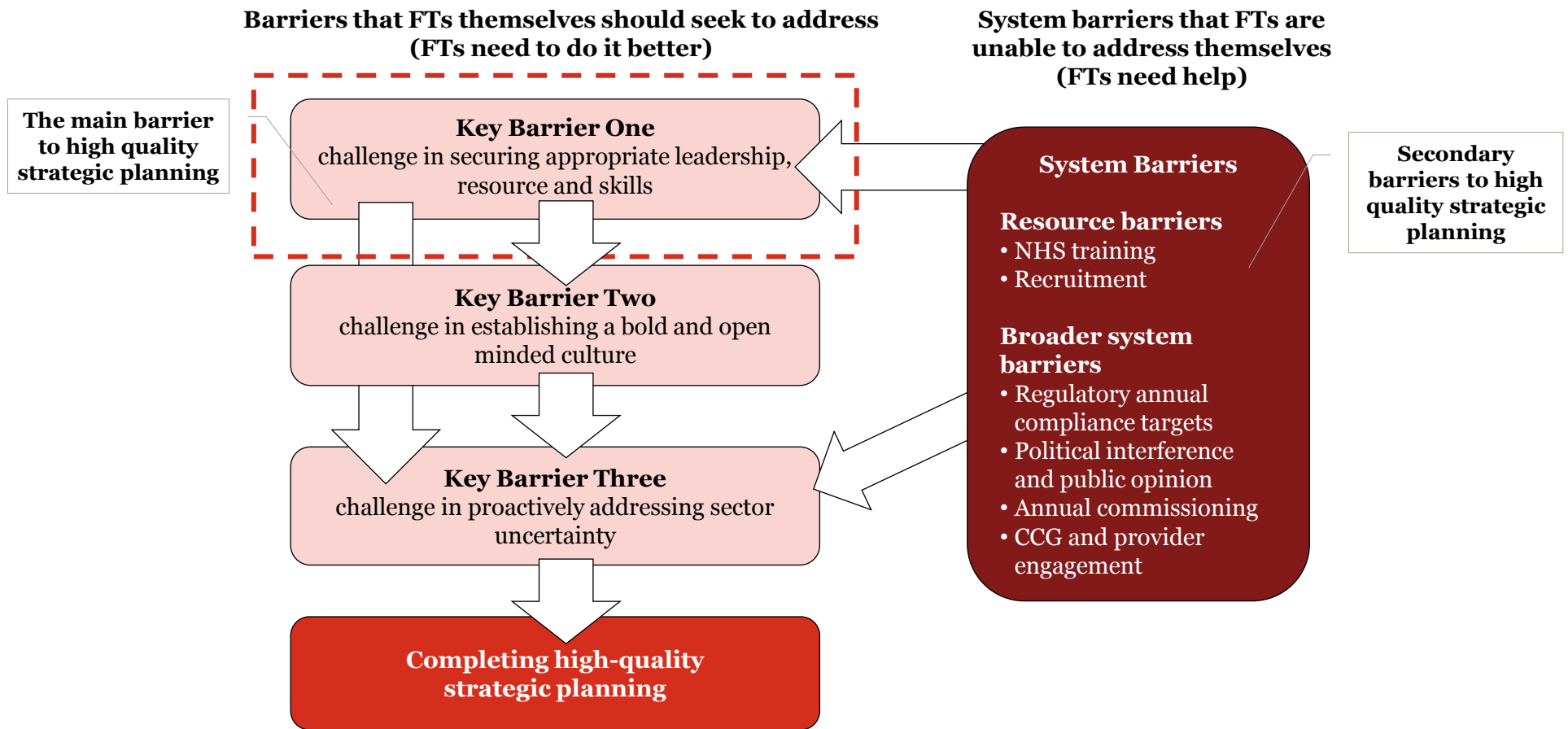
Hypothesis 1 – We believe that the current quality of strategic planning in the majority of FTs is inadequate to respond to the long term challenges posed by the changing healthcare environment

Monitor has expressed an interest in understanding whether current FT planning practices will be sufficient to support FTs to meet the financial and commercial challenges posed by a worsening NHS climate during the next 5 years. We assessed FTs through our observed categories and found that at present only “Competent” and “Leading FTs” are sufficiently prepared to face future challenges. Hence, the “Competent” category is the minimum threshold FTs should be aiming for:

“Struggling FTs”	“Lagging FTs”	“Competent FTs”	“Leading FTs”
<ul style="list-style-type: none"> The current level of planning is inadequate to enable FTs to respond to short term challenges, and this will become more problematic as conditions worsen in the long term There is a substantial need to improve the quality of strategic planning and this will require overcoming significant resource, skills and attitudinal gaps at leadership level and throughout the organisations 	<ul style="list-style-type: none"> The current level of planning is largely sufficient to support FTs in making incremental changes to meet short term challenges but is not adequate to best position FTs to meet longer term transformational challenges There is significant scope for improving the quality of strategic planning and this will require overcoming significant resource, skills and attitudinal gaps at leadership level and throughout the organisations 	<ul style="list-style-type: none"> The current level of planning has been sufficient to support FTs in meeting short term challenges but it lacks rigour in some areas which may limit their ability to respond to longer term transformational challenges There is scope for improving the quality of strategic planning which will be enabled by investing in more dedicated resource and commercial skills development. However, the scale of change will be less than ‘Lagging FTs’ 	<ul style="list-style-type: none"> The current level of planning is sufficient to support FTs in meeting short term challenges and to best position themselves to respond to long term challenges and service transformation There is limited scope for improving the quality of strategic planning provided that resource and skills are maintained
<p>FTs that are significantly underprepared to respond to long term sector challenges</p>	<p>FTs that are underprepared to respond to long term sector challenges</p>	<p>FTs that are broadly prepared to respond to long term sector challenges</p>	<p>FTs that are well prepared to respond long term sector challenges</p>

Hypothesis 1 - Resource and skills issues are the greatest barriers that FTs need to overcome to improve the quality of strategic planning

FTs face challenges to their ability to undertake high quality planning which they have some power to address, but these are exacerbated by a set of system barriers which are beyond their control



Hypothesis 2 - Our research has highlighted a number of potential solutions to these barriers. In the first instance, Monitor has decided to develop sector guidance through written guidelines and workshops

Our research identified 10 potential actions to improve strategic planning. Of these actions, Monitor has initially decided to issue guidance to the sector, whilst considering other potential long term actions

Actions selected by Monitor

a) Publishing written strategic planning guidance, including best practice guidelines

- Monitor will publish non-mandatory written guidance that provides FTs with advice on the tasks and skills required to achieve best practice principles
- Some initial guidance of this type is included in the Technical Annex to this Research Findings Report

b) Adjust key regulatory mechanisms to increase their focus on sustainability and strategic planning

- Monitor plans to adjust certain key regulatory mechanisms, including its APR process, so that they more clearly set expectations for and then test the completion of effective strategic planning



Potential impact

- These actions will be effective in:
 - Improving the **commercial skills** and **analytical capabilities** of FTs and increasing the rigour of strategic planning across the cycle;
 - Supporting more effective **external engagement** and sharing of best practice; and
 - Reiterating the value of effective strategic planning to help create a **culture** that is more supportive of and committed to strategic planning

In conclusion, the study has highlighted that there is significant scope to improve the overall quality of planning in the sector and that there are potential actions that Monitor could take to help make improvements

The conclusions of the study:

1

Hypothesis 1: that there may be scope to improve the overall quality of strategic planning throughout the FT population, and to reduce the variation in quality between high performing and other FTs, and thus to further support the achievement of Monitor’s ambition to create a stable and predictable sector

Conclusions:

- Best practice strategic planning principles require FTs to complete specific planning tasks. They also require FTs to put in place organisational supports to complete these tasks
- There is significant variation in the quality of strategic planning between the most and least advanced FTs and across a broad range of detailed planning tasks. We believe that the current quality of strategic planning in the majority of FTs is inadequate to respond to the long term challenges posed by the changing health sector environment
- Resource and skills issues are the greatest barriers to high quality strategic planning as they cause or exacerbate challenges in establishing a proactive planning culture

2

Hypothesis 2: that it may be appropriate for Monitor (or other bodies, including FTs themselves, the Foundation Trust Network (FTN), policymakers and commissioners) to take actions to make improvements in the quality of strategic planning

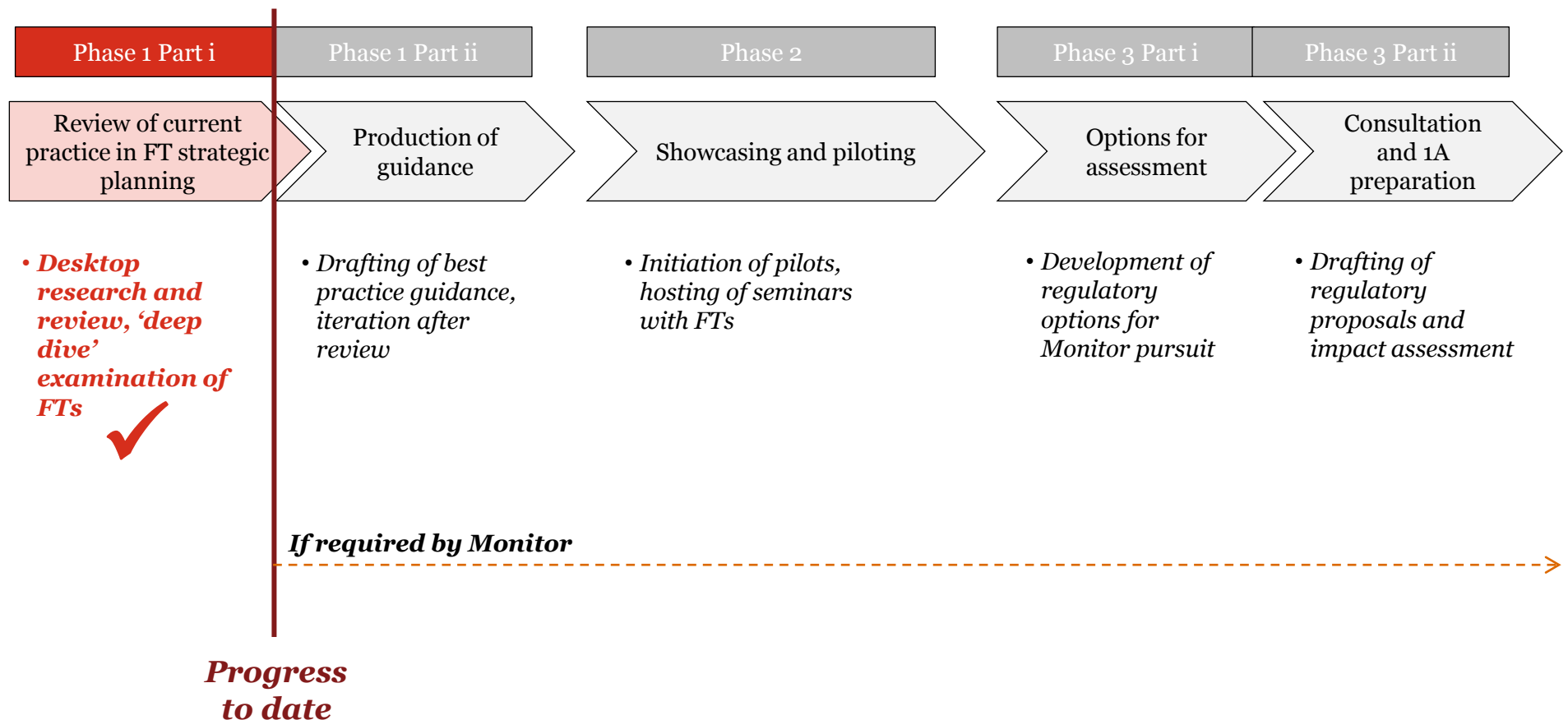
Conclusions:

- 10 potential solutions to the barriers to high quality strategic planning have been identified. Of these, Monitor has decided to pursue two interlinked solutions:
 - Publication of written strategic planning guidance and best practice guidelines; and
 - Adjustment of key regulatory mechanisms
- Based on the interviews conducted, most FTs would be receptive to further strategic planning support

Assessment Methodology

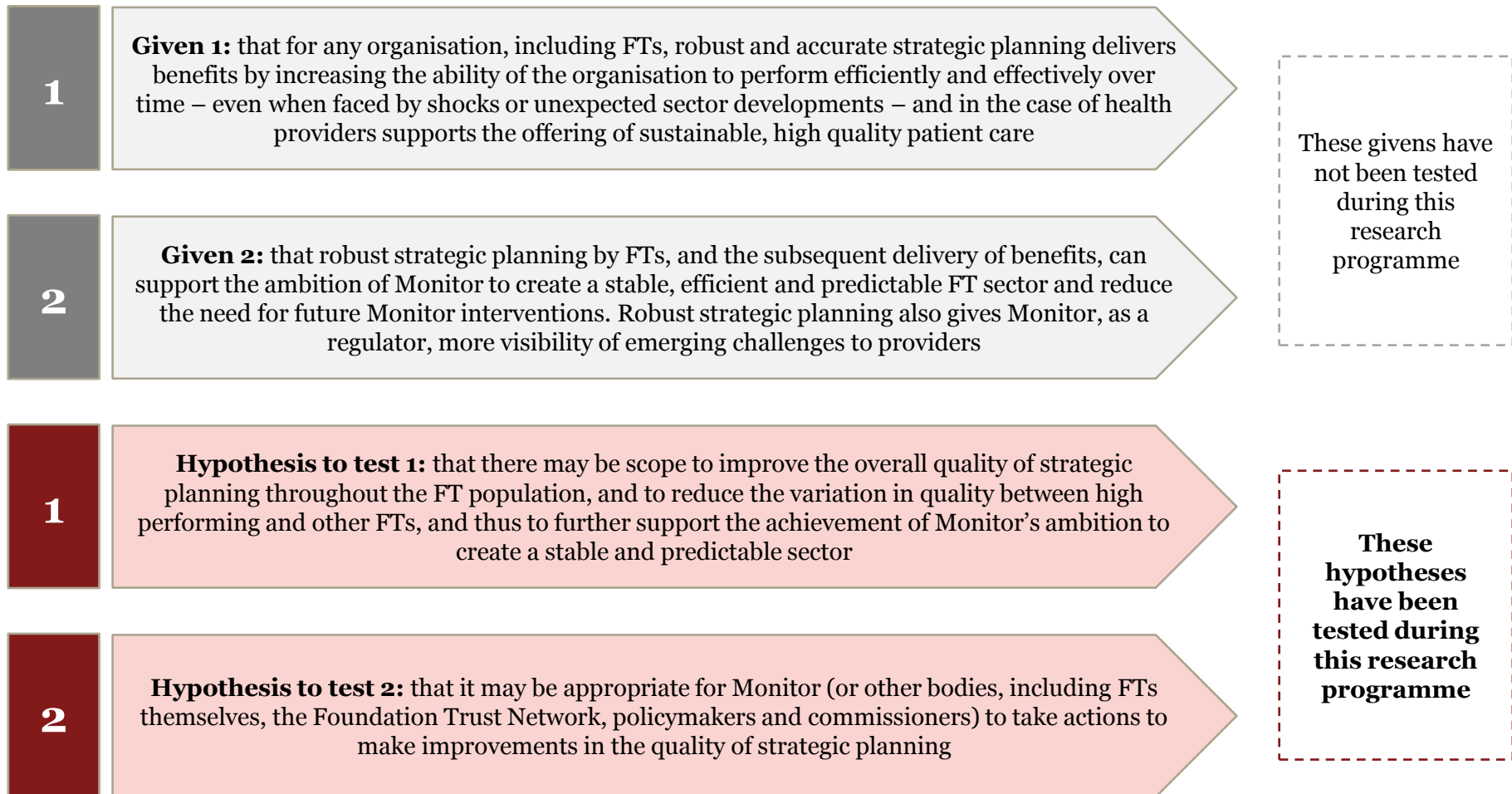
This report is the output of Phase 1 Part 1 of the Foundation Trust Strategic Planning Assessment (FTSPA) project, and includes our review of the current practice in FT Strategic Planning

The FT Strategic Planning Assessment Project Plan



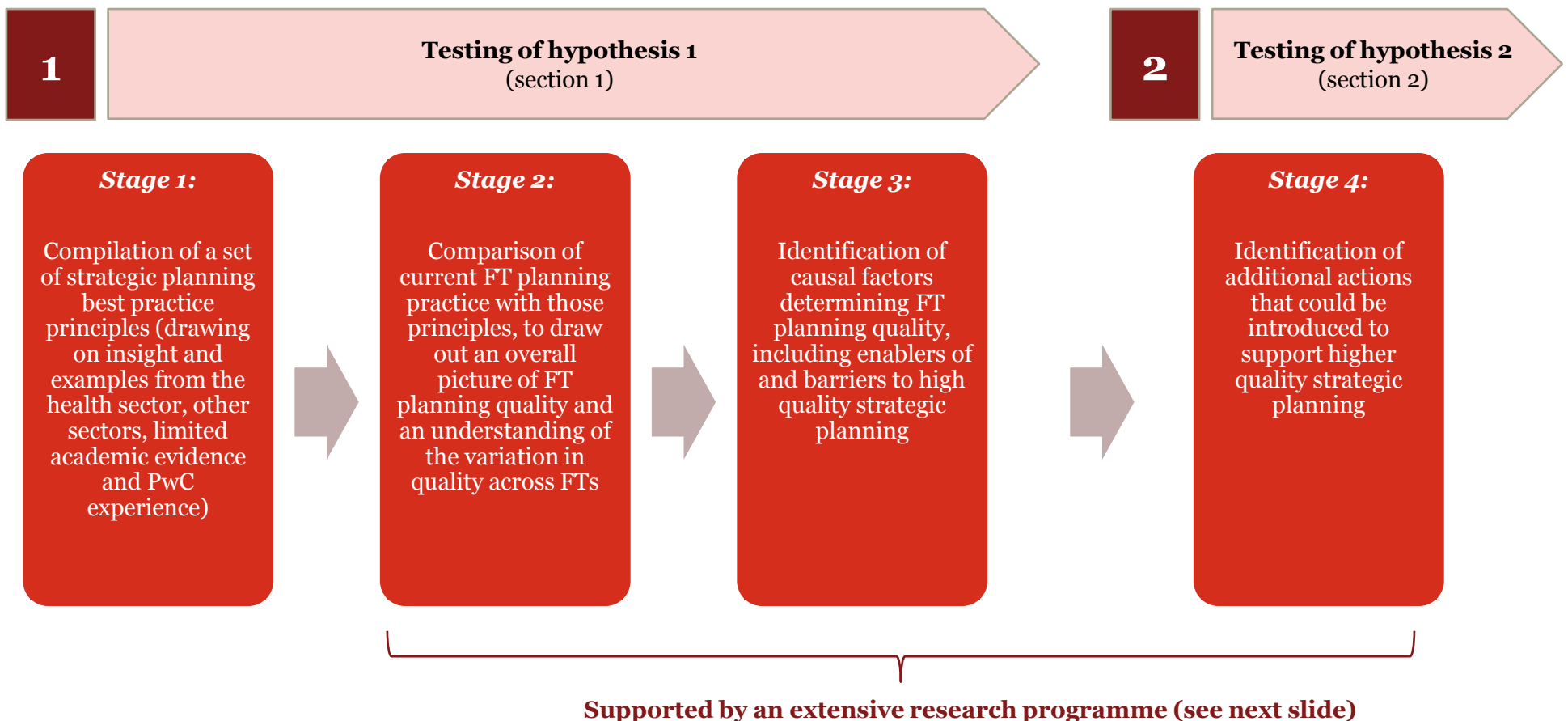
During Phase 1 Part 1 we tested two key hypotheses

We have tested two key hypotheses, whilst taking two other statements as given



We tested those hypotheses using a four-stage process

Stages 1,2 and 3 of our programme tested hypothesis 1 and stage 4 tested hypothesis 2



To gather evidence with which to test the hypotheses, we completed a primary and secondary research program

Overview of research program

Our detailed assessment framework for each research program is outlined in Appendix 2

Desktop Review of FT published plans

- We reviewed the publically available planning documents (e.g. Annual Plans, IBPs, Board minutes etc.) of **30 FTs**
- This sample was weighted by FT sub-type, region, financial performance and governance rating and revenue to **ensure it was representative of the wider population of FTs**
- We assessed FTs’ use of data and evidence; their clarity of presentation and expression; their identification of ambitions and initiatives; and their planning processes
- The Desktop Review gave us a **broad picture of FT planning performance**, but was limited because it only considered publically available documents, which **represent only a portion of strategic planning work and output**

Deep Dive Interviews with FTs

- We conducted extended interviews with **13 FTs**. The interviews involved **senior management** (Chief Executives, Board members, Planning and Strategy Directors, and Finance Directors)
- The selection of FTs took account of **region** and **FT sub-type**. Our sample was slightly weighted towards FTs demonstrating higher quality strategic planning
- We led discussion on six key topics: the strategic planning cycle; the value of strategic planning; developing forward plans; using plans to manage performance; enablers and barriers of strategic planning; and Monitor’s role in the planning process
- The Deep Dive interviews gave us a **more nuanced understanding on important aspects** of FT planning

Other sector experience

To supplement these programmes we drew upon insights into strategic planning from other sectors, previous PwC engagements, PwC strategy experts and business case studies

Monitor internal expertise

We also engaged with the internal Monitor compliance team and the Foundation Trust Network, to discuss hypotheses and gain their insights into strategic planning

There are 3 limitations of our research methodology which we have mitigated when possible

Limitations	Description	Mitigating actions and implications
A sample-based review	<ul style="list-style-type: none"> The scope of this 2 month study necessitated a sample based review. The observations that have informed the conclusions outlined in this report relate to the particular organisations that were reviewed and interviewed 	<ul style="list-style-type: none"> The approach to the sample considered provider type, geographical range and performance. The interviewers were conscious of asking participants to consider their experience of other organisations and to place their views within the context of the range of NHS organisations
The desktop review was limited to publically available documents	<ul style="list-style-type: none"> The desktop review covered a range of publically available strategy documents, although for some FTs this was limited to the Annual Plan. It was recognised at the outset that this would only provide an indication of the state of strategic planning and that it was not possible to review an organisation’s complete set of strategy development documents as many are not made publically available 	<ul style="list-style-type: none"> The approach to the deep dive interviews was tailored to mitigate against the limitations of the desktop review Initial findings from the desktop review were tested during deep dive interviews and conclusions are based on the output from both sources
The deep dive sample was slightly weighted towards FTs demonstrating higher quality planning	<ul style="list-style-type: none"> Although requests for interviews were sent to a broad range of FTs (and additional requests were made to balance the sample as the study progressed), our eventual sample included a higher proportion of FTs demonstrating high quality planning that the overall population. This reflects: <ul style="list-style-type: none"> A higher response rate from these FTs; and, Restrictions on access to FTs in ‘special measures’, limiting access to the most challenged FTs We have not attempted to quantify the distribution of FT performance 	<ul style="list-style-type: none"> We believe there has been sufficient coverage of a range of FTs to provide a balanced view on the overall quality of planning in the sector Although there is a risk that our conclusions may overstate the overall level of quality of strategic planning in the sector, best efforts have been made to reach balanced conclusions that take into account the nature of the sample While the performance distribution has not been quantified, a detailed qualitative matrix has been provided
The assessment was static rather than dynamic	<ul style="list-style-type: none"> The study captures views and examples provided at a single point in time and conclusions are not based on observations of strategic planning in action. For example, this has limited our ability to fully assess the effectiveness of ongoing activities such as monitoring At the outset of the project it was recognised that it would not be possible to assess planning beyond a single point in time and this is reflected in the scope 	<ul style="list-style-type: none"> In both desktop and deep dive interviews, specific attention was paid to the articulation of ongoing processes and their effectiveness. Conclusions have also been informed by previous PwC work with FTs

Research Findings

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1	The current state of FT strategic planning	22
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The current state of FT strategic planning

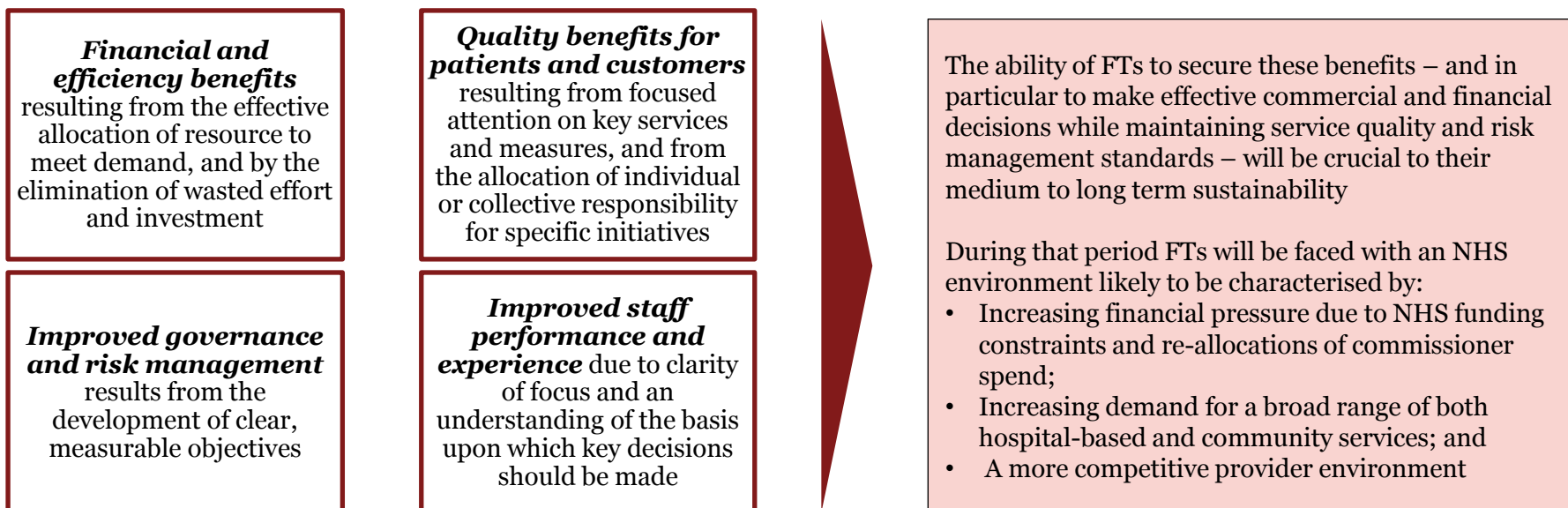
Setting the standard: strategic planning best practice principles

The quality of FTs' strategic planning will be a significant determinant of whether they can adjust to the changing healthcare environment

Why the quality of FT strategic planning matters

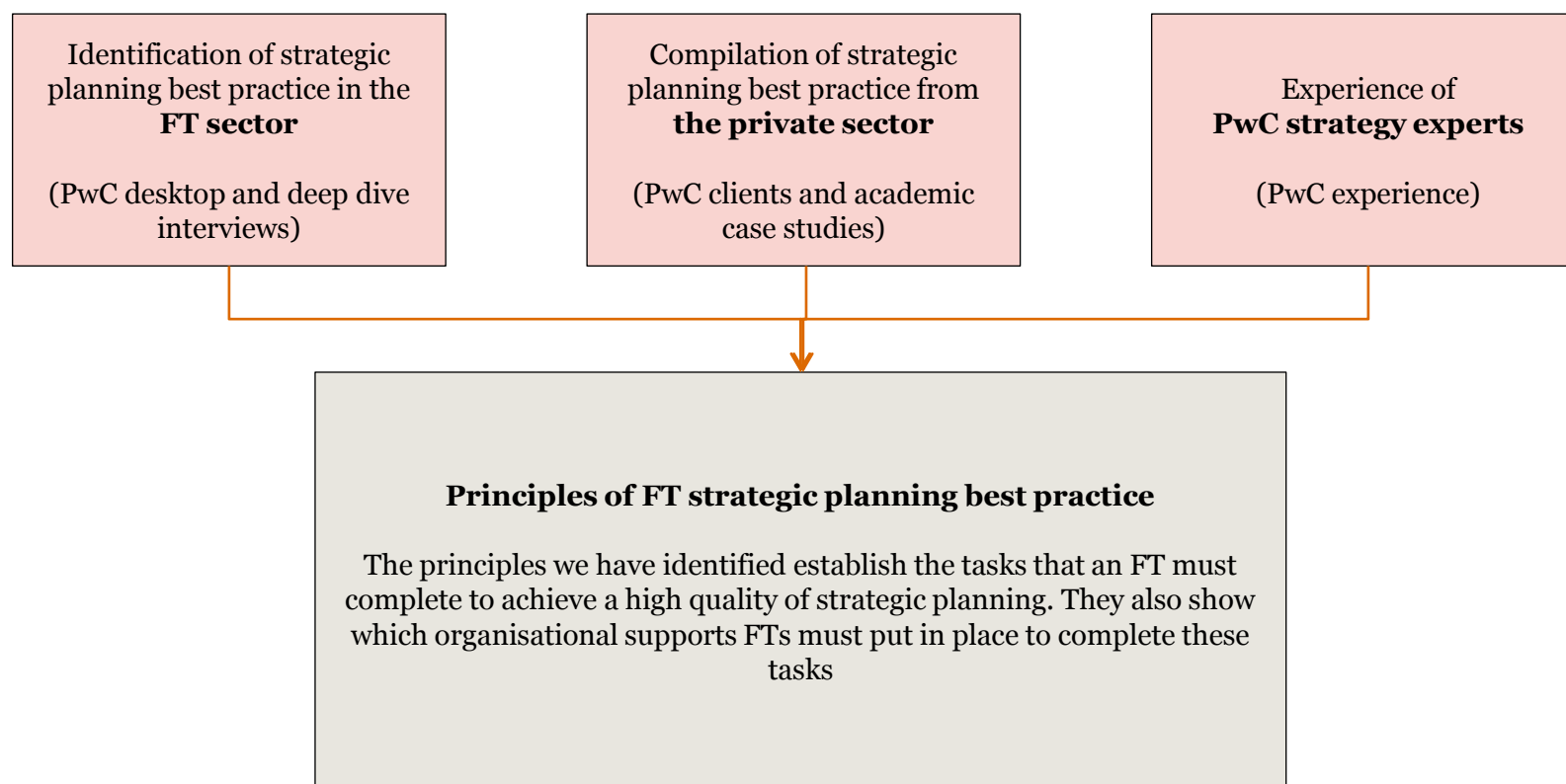
- Strategic planning is the process of developing the purpose, goals and objectives of an organisation. This also involves the allocation of related resources and responsibilities, drawing on robust evidence and framed in a time-bound way
- Across business sectors, including the healthcare sector, evidence suggests that robust strategic planning delivers significant benefits for organisations, their stakeholders, their staff and the customers that they serve. In particular, strategic planning undertaken at relevant points in the development of an organisation guides that organisation in making choices about service provision and resource allocation, and helps Executives and Non-Executives to govern effectively
- It is important that FTs use strategic plans to guide and inform appropriate development of their organisation in order to adjust to the changing and increasingly challenging dynamics in the English health sector and their local health economies. Identifying whether FTs are developing high quality strategic plans is therefore a key issue for Monitor to understand

The perceived benefits of high quality strategic planning



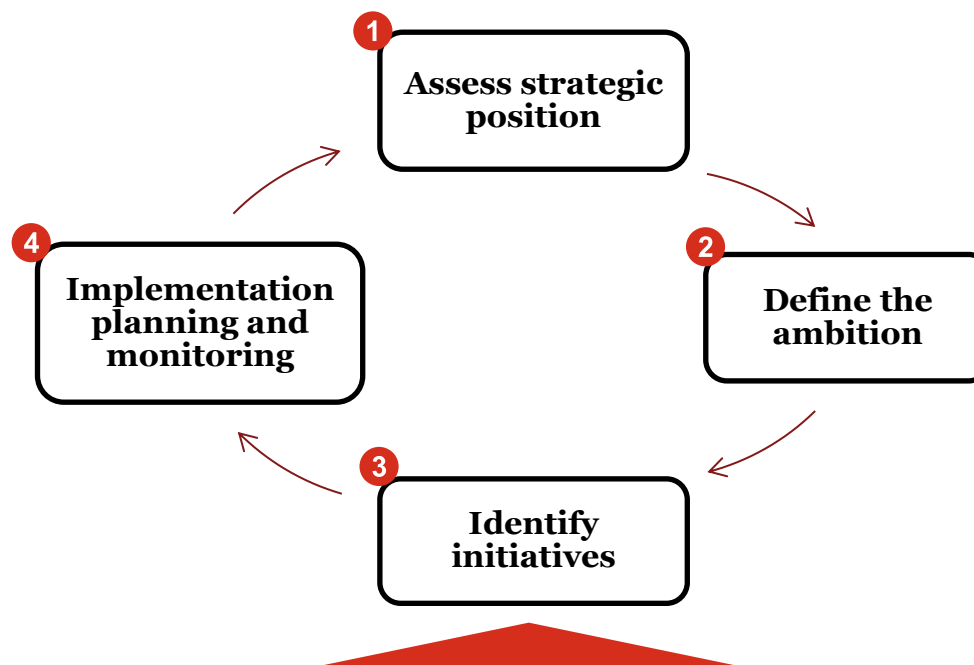
We have identified strategic planning best practice principles, based on best practice from the FT sector, the private sector and the experience of PwC strategic planning experts

Our approach to collating FT strategic planning best practice principles



Tasks and organisational supports required to achieve high quality strategic plans that are consistent with best practice principles have been identified

An FT should perform a range of detailed tasks effectively to achieve high quality strategic planning which is consistent with best practice...



There are behavioural and resource supports that must be put in place to allow FTs to do this...



Best practice principles require FTs to undertake a number of detailed planning tasks

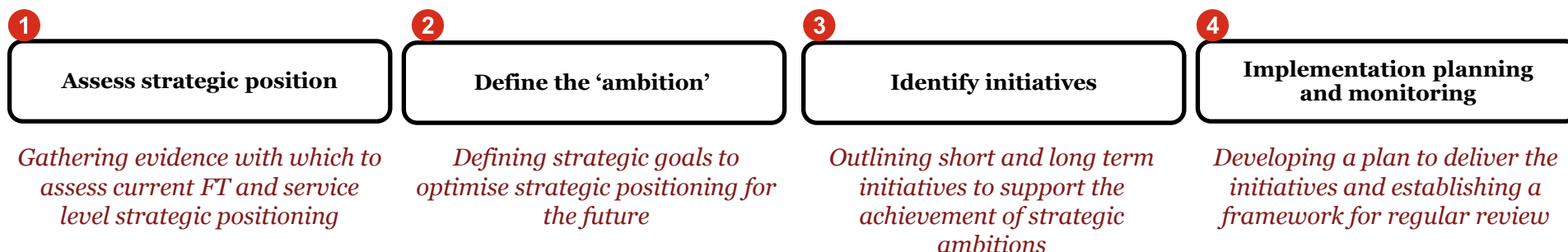
A leading FT will undertake the following planning tasks

Planning tasks in **red text** highlight the most important tasks which are essential for FTs to complete



The successful completion of these tasks will be evidenced by the production of a number of specific planning outputs

Each planning task should generate a number of specific outputs



Outputs

- | | | | |
|---|---|--|---|
| <ul style="list-style-type: none"> • An analysis of strategic positioning, including relative service positioning e.g. SWOT • An analysis of key threats and opportunities facing the organisation e.g. PESTLE • Internal and external data and analysis e.g. Service level demand and tariff forecasts, market share evolution and key competitor developments, service level profitability • Analysis of performance against previous initiatives | <ul style="list-style-type: none"> • A clearly articulated vision, supported by c.5 supporting strategic and financial goals • An analysis of the gap between current positioning and stated ambition | <ul style="list-style-type: none"> • A list of specific short and long term initiatives covering financial, commercial and quality aspects and ranked in order of priority • An assessment of risks and mitigating strategies to the FT at an organisational and individual initiative level | <ul style="list-style-type: none"> • A document detailing the strategy development and review cycle (defining on-going vs. annual vs. multiannual processes) • A strategy governance document detailing strategy roles and responsibilities • An implementation plan detailing initiatives, targets, milestones, KPIs, accountability and review timetable • Communication materials suitable for both internal and external stakeholders |
|---|---|--|---|

We have also identified key supports that enable FTs to complete those tasks successfully

Leadership, resource and commercial skills

Leadership and vision

- Leadership team place significant value on strategic planning and communicate this throughout the organisation. Leadership team take ownership, guide development and are accountable for delivery

Dedicated resource

- Allocating and investing in adequate resource to support the strategic planning process (people, time, budget). Defines specific roles and responsibilities up front (particularly if part of a broader position), rather than filling them in on an ad hoc basis

Analytical capabilities

- Availability of tools, information and skills to support internal and external analysis, monitoring and reporting. Decision makers are willing to engage with evidence as an input into the decision making process

Commercial skills

- Understanding and appreciating the need to assess and prioritise at service level. Taking into account quality and financial performance, external trends, competitive factors and other strategic value drivers

Bold and open minded culture

Bold and challenging

- Desire to set challenging, but realistic, goals to drive motivation and performance. Willing to challenge traditional and established processes and be bold in embracing new approaches when financially possible

Open minded and flexible

- Ability to flex approaches and processes in response to changes to the internal and external environment and new ways of thinking. Uses a dynamic approach which enables an organisation to behave opportunistically

Proactive in addressing external environment uncertainty

Proactive and forward looking

- Proactive in addressing challenges and uncertainty. Comfortable making forward looking forecasts and plans despite uncertain conditions. Proactive in leading and directing strategic thinking with external stakeholders

Engaged externally

- Outward facing and willing to engage with external parties to generate better information, decision making, delivery and strategic alignment in local health economies. Recognises the value of external views and experiences

Assessment of current FT planning practice

Taking the sector as a whole, there is potential for FTs to improve the quality of many aspects of their strategic planning

Generalised performance of FTs in relation to key strategic planning tasks

The assessment framework and detailed underlying evidence for these high level summaries can be found in Appendices 1 & 2

	Areas of strength	Development Areas	Overall Assessment
1 Assess strategic position	<ul style="list-style-type: none"> FTs assess their current strategic position, generally based on analysis of internal performance data and a high-level awareness of health economy trends 	<ul style="list-style-type: none"> FTs are less comfortable in the most important tasks related to understanding and forecasting long term health demand, local commissioning trends and competition. Service line analysis is also limited 	<ul style="list-style-type: none"> There is significant scope to improve service level thinking based on better analysis and forecasting of trends in local health economies
2 Define the ambition	<ul style="list-style-type: none"> FTs increasingly reflect a desire to improve quality in their ambition 	<ul style="list-style-type: none"> FTs' defined ambitions lack specificity, and focus where success is difficult to define They are rarely explicitly evidence based 	<ul style="list-style-type: none"> The long-term goals of many NHS foundation trusts are too general to be strategically useful or provide a meaningful framework for decision-making
3 Identify initiatives	<ul style="list-style-type: none"> FTs identify specific short term initiatives in finance and clinical quality, often with risks and mitigating factors identified 	<ul style="list-style-type: none"> FTs do not usually define long term initiatives, which are crucial for effective strategic planning FTs struggle to develop commercial and service level short term initiatives, and very rarely prioritise between initiatives 	<ul style="list-style-type: none"> Few NHS foundation trusts are proactively developing longer term initiatives in response to the changing health care environment
4 Implementation planning and monitoring	<ul style="list-style-type: none"> Where initiatives are identified, FTs are able to turn them into robust, trackable plans and arrange clinical and Board level monitoring processes 	<ul style="list-style-type: none"> Many FTs do not embed strategy review into ongoing FT management and lack processes to adapt plans for internal and external changes, which is important to ensure plans remain relevant 	<ul style="list-style-type: none"> Many NHS foundation trusts lack processes to review and adapt their plans and strategies to ensure they remain relevant and achievable

Summary: Assess strategic position

Though FTs demonstrate some of the required tasks, there is significant scope to develop external sector forecasting and service level thinking

Gathering evidence with which to assess current FT and service level strategic positioning

Research summary and implications for strategic planning

- FTs generally understand this to be an important part of strategic planning and **attempt some level of evidence gathering, analysis and subsequent strategic positioning** as part of the planning process. However, they **struggle with essential tasks** relating to analysing the external sector environment
- We believe that many FTs struggle with the most important tasks related to strategic positioning in that the depth and breadth of evidence gathering and analysis, the forecasting of trends forward and consequently the clarity of **both current and projected strategic positioning has significant potential for development**
- We believe that weaknesses in current performance impact FTs' abilities to **assess their relative performance and position when compared with competitors, and** forecast how this may evolve. Consequently, this limits their ability to set achievable and sustainable ambitions and initiatives

Strengths and development points

- There is good evidence that FTs gather and analyse data related to (i) **key performance indicators for clinical quality**; (ii) **high level trends in the health economy** in the short and medium-term; and (iii) **organisational-level financial performance**
 - However, this data is **rarely assessed at a service level, or in relation to performance against previous plans**
- **There is less evidence that FTs are able to perform the most important strategic positioning tasks.** They struggle to (i) **forecast demand** and competitive dynamics; (ii) develop **longer term forecasts based on scenario building**; (iii) gain detailed insight on **local commissioning priorities and strategies**; (iv) carry out **service specific analysis**; or (v) **clearly and concisely articulate the implications of future trends** on their strategic positioning

Variations between FTs

- Research detailed widespread variation in quality among acute and mental health FTs
- Research demonstrated a **higher level of quality among specialist FTs.** This was evidenced by:
 - Data analysis at a **service rather than organisational level**;
 - **More detail** in forecasting and competitor analysis;
 - More **effective engagement** with external stakeholders (CCGs and other providers); and
 - **Clearer articulation** of strategic positioning, both overall and at a service specific level

Summary: Define the ambition

FTs ambition setting is usually too general to be strategically useful or provide a meaningful framework to guide decisions

Defining strategic goals to optimise strategic positioning for the future

Research summary and implications for strategic planning

- All FTs **develop and articulate high level strategic goals**, usually for a 3 year period. Typically this takes the form of a vision with c.5-10 supporting strategic and financial goals
- However, in many organisations these **goals are insufficiently specific to be effective and are not explicitly evidence based** meaning they are sometimes unfeasible. Where this is the case, we also identified a number of FTs where ambitions lacked realistic stretch or drive
- The quality of planning would be improved if **goals were more specific and trackable** as this would **provide greater organisational focus and clarity in strategic direction**. It would also provide a more meaningful framework to guide ongoing management decisions around priorities and trade-offs

Strengths and development points

- Most FTs are **effective in setting goals that cover financial and especially quality factors**
- There is significant potential for further development, particularly in phrasing goals in a **specific and trackable way**, which is important in defining effective ambitions because it ensures they provide a meaningful framework to guide FT behaviour
- There is also scope for further development through (i) basing goals **on the strategic positioning exercise to ensure they are feasible and achievable**, whilst ensuring some stretch and ambition; (ii) setting organisational goals which incorporate commercial elements; and (iii) articulating the gap between the current situation and the future vision

Variations between FTs

- Quality varied across the sector, with **examples of best practice found across all FT sub-types**
- Overall, **specialist FTs tended to perform well**, because their ambitions tend to display a greater degree of specificity and measurability
- From our sample it appeared that mental health FTs **were less effective at stating clear ambitions**, with a higher degree of confusion based around multiple layers of goals, though this was not true of all organisations

Summary: Identify initiatives

FTs generally develop short term initiatives, but very rarely outline longer term initiatives in response to the changing healthcare environment

Outlining short and long term initiatives to support the achievement of strategic ambitions

Research summary and implications for strategic planning

- FTs demonstrate the ability to **identify and set specific short term quality and financial initiatives** to build towards strategic ambitions, however, **commercial initiatives** relating to service level developments are less evident
- **Long term planning tends to be less sophisticated**, with limited evidence that FTs are proactively seeking solutions to longer term healthcare sector challenges. However, we note that long term planning was more evident in deep dive conversations than in strategy documents
- There **is little evidence of prioritisation of initiatives** on the basis of strategic fit, impact or feasibility
- The lack of commercial initiatives, initiative prioritisation, and longer term planning is likely **to limit FTs' ability to achieve their strategic ambitions** and to meet future challenges in the sector

Strengths and development points

- Though performance varied across different aspects of planning (e.g. financial, commercial), most FTs were effective in (i) **clearly articulating potential risks to their initiatives** and some **mitigating plans**, and (ii) gaining good internal engagement and review of initiatives, from clinicians and other stakeholders
- The most important development points relate to **defining longer term initiatives** particularly around service configuration, and **clearly defining robust and specific commercial initiatives**
- There is also general scope for potential development around (i) **prioritising initiatives** by strategic fit, feasibility and impact; and (ii) **greater external review** and input in the generation of initiatives

Variations between FTs

- Performance **varied more between types of planning** (quality vs. commercial) than between FTs, with all types of FTs identifying more robust quality initiatives than commercial initiatives
- In general, **Specialist (and Ambulance) FTs tended to develop more detailed commercial plans**

Summary: Implementation planning and monitoring ***FTs develop practical implementation plans, but are less effective at flexing plans and strategies to reflect changing circumstances on an ongoing basis***

Developing a plan to deliver the initiatives and establishing a framework for regular review

Research summary and implications for strategic planning

- On the whole, where FTs have established initiatives, they **are effective at translating these into implementable plans** and communicating these plans within their organisations
- However, they **rarely articulate processes to review and adapt these plans and strategies on an ongoing basis**, which is important for ensuring they remain relevant and responsive to the changing external environment
- Due to the static nature of our research methodology we have not been able to fully assess how effectively monitoring is carried out, although **deep dive conversations indicate that it is frequent, with Board level review and accountability**
- Like initiative identification, there **is less focus on commercial aspects** in implementation planning and monitoring, and where present there tend to be fewer timescales and performance indicators identified to enable effective monitoring
- On the whole, this suggests that though **FTs are effective in integrating identified initiatives into every day activities**, they lack processes to adapt to change and ensure strategies remain relevant and achievable

Strengths and development points

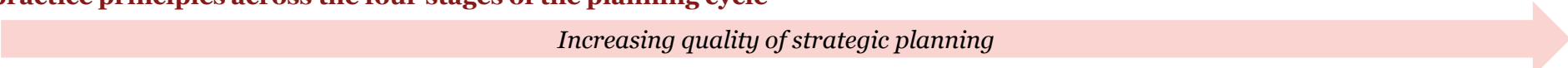
- There is good evidence that, allowing for the limitations in setting initiatives and ambitions, most FTs (i) formalise identified initiatives **into robust, trackable plans**; (ii) **establish clear initiative monitoring processes**; and (iii) demonstrate reasonable efforts to **communicate short term priorities to internal stakeholders**
- Performance could be **most markedly improved by developing more ongoing strategy review to ensure FT strategies** are adapted and responsive to internal and external changes
- Additionally, processes could be further developed by (i) a **greater inclusion of commercial elements** in implementation plans; (ii) a more **explicit recognition of individual responsibilities** for initiative delivery; and (iii) a clearer articulation of the **process for responding to under and over performance**

Variations between FTs

- Variations between FTs followed a similar pattern to short term initiative setting, with **specialist and ambulance FTs appearing better able** to set implementation plans for commercial initiatives
- In monitoring, standards were **similar across different types of FT**
- However, in general FTs where there had been a specific and identified problem (e.g. substandard CQC performance), appeared **more rigorous in their defined monitoring processes**

The FT population can be grouped into four distinct categories, across which there is significant variation in the consistency and rigour with which planning tasks are completed

We have grouped the FT population into four distinct categories based on their observed ability to display strategic planning best practice principles across the four stages of the planning cycle

Increasing quality of strategic planning 

“Struggling FTs”	“Lagging FTs”	“Competent FTs”	“Leading FTs”
<ul style="list-style-type: none"> • FTs do not cover all the individual planning tasks across the planning cycle. When covered, these tasks often lack the depth and detail required to be rigorous 	<ul style="list-style-type: none"> • FTs cover nearly all of the individual planning tasks across the cycle. However, some tasks lack depth and detail 	<ul style="list-style-type: none"> • FTs cover all of the individual planning tasks across the planning cycle. Most tasks are rigorous and detailed, but some have development potential 	<ul style="list-style-type: none"> • FTs complete all the individual planning tasks across the planning cycle and are rigorous and detailed in undertaking most of these
<ul style="list-style-type: none"> • FTs particularly struggle with the most important tasks such as external forecasting, long term planning and service level assessment 	<ul style="list-style-type: none"> • Although FTs attempt to undertake the most important tasks such as external forecasting, these often lack detail. Long term and service level planning are often not addressed 	<ul style="list-style-type: none"> • FTs attempt to undertake all the most important tasks including external forecasting and long term planning. However, some of these tasks lack detail 	<ul style="list-style-type: none"> • FTs demonstrate that they are able to complete the most important tasks. This includes detailed forecasting and commissioner engagement, robust service level assessment and long term planning
<ul style="list-style-type: none"> • Organisations lack supportive leadership teams and have significant resource and commercial skills gaps 	<ul style="list-style-type: none"> • Although leadership teams recognise the need for strategic planning, short term operational issues are prioritised and there are resource and skills gaps 	<ul style="list-style-type: none"> • Leadership teams invest time and resource in strategic planning, though they struggle with certain commercial skills 	<ul style="list-style-type: none"> • FTs have strong leadership teams that prioritise strategic planning. Skilled resource is available, partly enabled by the ability to recruit high calibre staff (including private sector)

Illustrative FT distribution

The ability to undertake the most important planning tasks such as external forecasting, long term planning and service level assessment are key differentiators between categories

Across the four FT categories there is variation in the consistency and rigour with which best practice planning principles are displayed

	“Struggling FTs”	“Lagging FTs”	“Competent FTs”	“Leading FTs”
1 Assess strategic position	<ul style="list-style-type: none"> Strategic positioning is unclear and not addressed at a service level. There is limited internal or external evidence or identification of key trends 	<ul style="list-style-type: none"> Organisational strategic positioning assessed. There is limited evidence gathering at service level and basic attempts at external forecasting 	<ul style="list-style-type: none"> Some articulation of strategic positioning at service level. External evidence is collected but forecasting is incomplete and lacks rigour 	<ul style="list-style-type: none"> Clarity of current and implied future strategic positioning at service level backed with detailed external forecasts and local commissioning insight
2 Define the ambition	<ul style="list-style-type: none"> Ambitions are not specific, and only focus on quality aspirations 	<ul style="list-style-type: none"> Ambitions cover quality and financial goals but lack specificity 	<ul style="list-style-type: none"> Ambitions cover quality, financial and commercial goals but lack specificity 	<ul style="list-style-type: none"> Specific, stretching ambitions cover financial, quality and commercial aspects
3 Identify initiatives	<ul style="list-style-type: none"> Strategic initiatives lack financial and commercial coverage, and are focused exclusively on quality. Long term strategy is not addressed 	<ul style="list-style-type: none"> Initiatives address quality and financial issues, but lack commercial targets. There is a lack of prioritisation and little long term planning 	<ul style="list-style-type: none"> Initiatives are quality and financial focused with some commercial coverage. There is some prioritisation and long term planning 	<ul style="list-style-type: none"> Initiatives equally address commercial, quality and financial aspects in an integrated manner. There is clear prioritisation and explicit long term strategy
4 Implementation planning and monitoring	<ul style="list-style-type: none"> Implementation plans lack detail (e.g. KPIs) and there is a lack of accountability for delivery and monitoring 	<ul style="list-style-type: none"> Implementation plans are detailed, but lack accountability and review processes 	<ul style="list-style-type: none"> Implementation plans are detailed, with some evidence of ongoing strategy review 	<ul style="list-style-type: none"> Rigorous plans with formal processes for reviewing strategy and responding to underperformance

Illustrative FT distribution

Although the current level of planning in most FT groups is adequate to meet short term incremental challenges, this is not adequate to respond to the long term challenges posed by the changing healthcare environment

Monitor has expressed an interest in understanding whether current FT planning practices will be sufficient to support FTs to meet the financial and commercial challenges posed by a worsening NHS climate over the next 5 years. We assessed FTs through our observed categories and found that at present only “Competent” and “Leading FTs” are sufficiently prepared to face future challenges. Hence, the “Competent” category is the minimum threshold FTs should be aiming for:

“Struggling FTs”

- The current level of planning is inadequate to enable FTs to respond to short term challenges, and this will become more problematic as conditions worsen in the long term
- There is a **substantial need to improve the quality of strategic planning** and this will require overcoming significant resource, skills and attitudinal gaps at leadership level and throughout the organisations

FTs that are significantly underprepared to respond to long term sector challenges

“Lagging FTs”

- The current level of planning is largely sufficient to support FTs in making incremental changes to meet short term challenges but is not adequate to best position FTs to meet longer term transformational challenges
- There is **significant scope for improving the quality of strategic planning** and this will require overcoming significant resource, skills and attitudinal gaps at leadership level and throughout the organisations

FTs that are underprepared to respond to long term sector challenges

“Competent FTs”

- The current level of planning has been sufficient to support FTs in meeting short term challenges but it lacks rigour in some areas which may limit their ability to respond to longer term transformational challenges
- There is **scope for improving the quality of strategic planning** which will be enabled by investing in more dedicated resource and commercial skills development. However, the scale of change will be less than ‘Lagging FTs’

FTs that are broadly prepared to respond to long term sector challenges

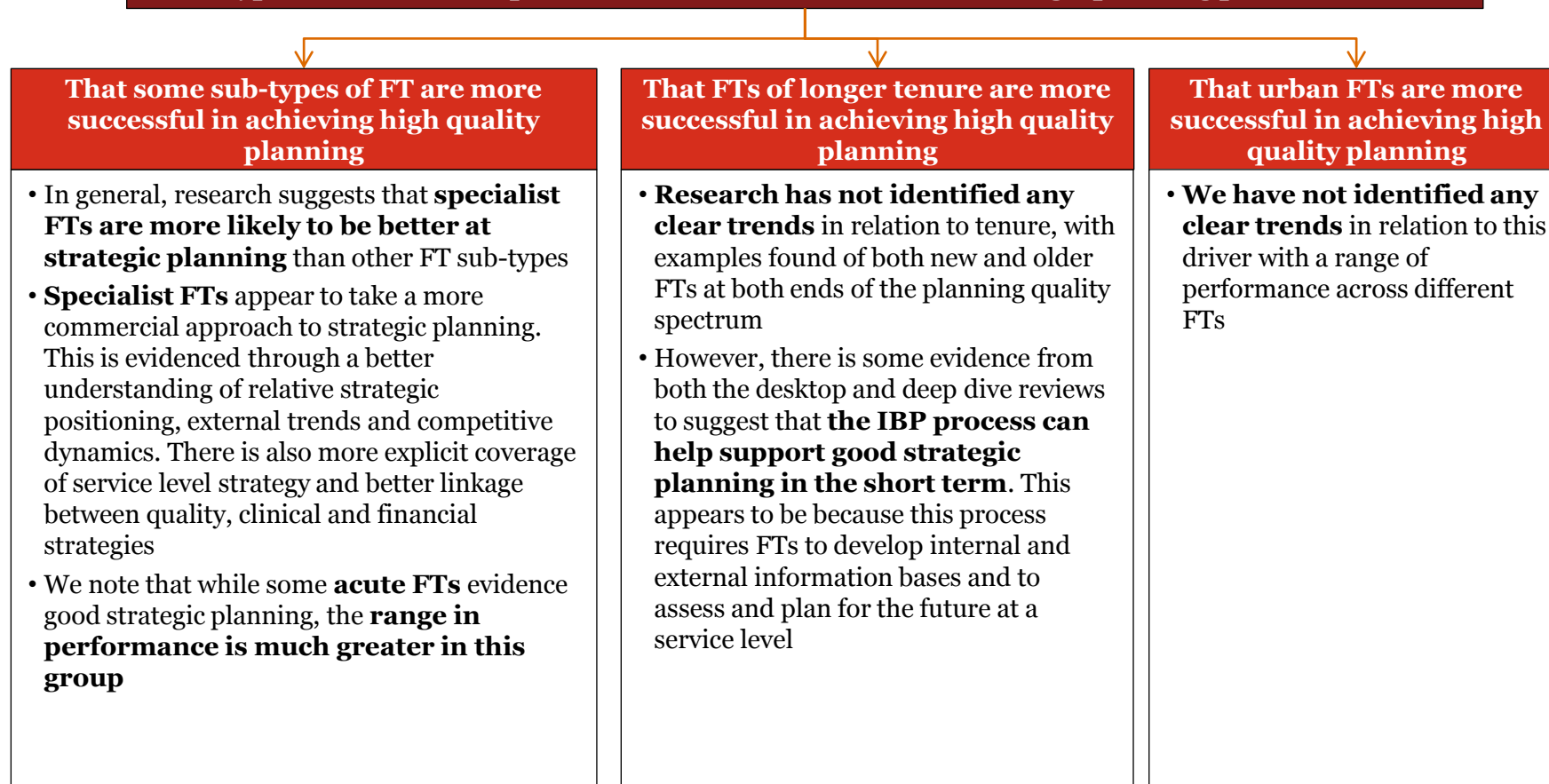
“Leading FTs”

- The current level of planning is sufficient to support FTs in meeting short term challenges and to best position themselves to respond to long term challenges and service transformation
- There is **limited scope for improving the quality of strategic planning** provided that resource and skills are maintained

FTs that are well prepared to respond long term sector challenges

Specialist FTs are more prevalent in the top two groups and are more likely to demonstrate high quality strategic planning than other FTs. There is no clear correlation between FT tenure or location and planning quality

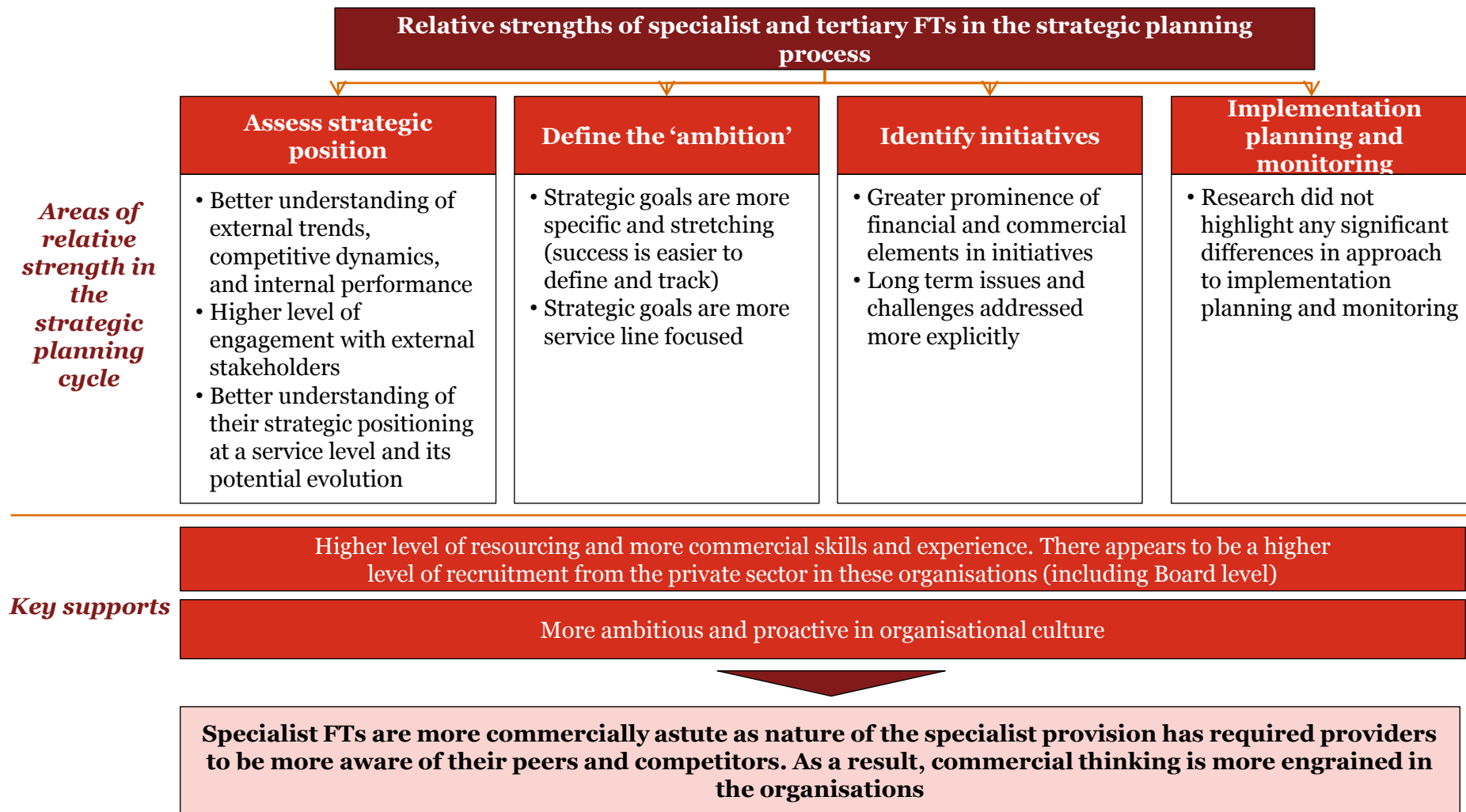
Hypotheses about the potential drivers of variance in FT strategic planning performance



Evidence of FT variance?



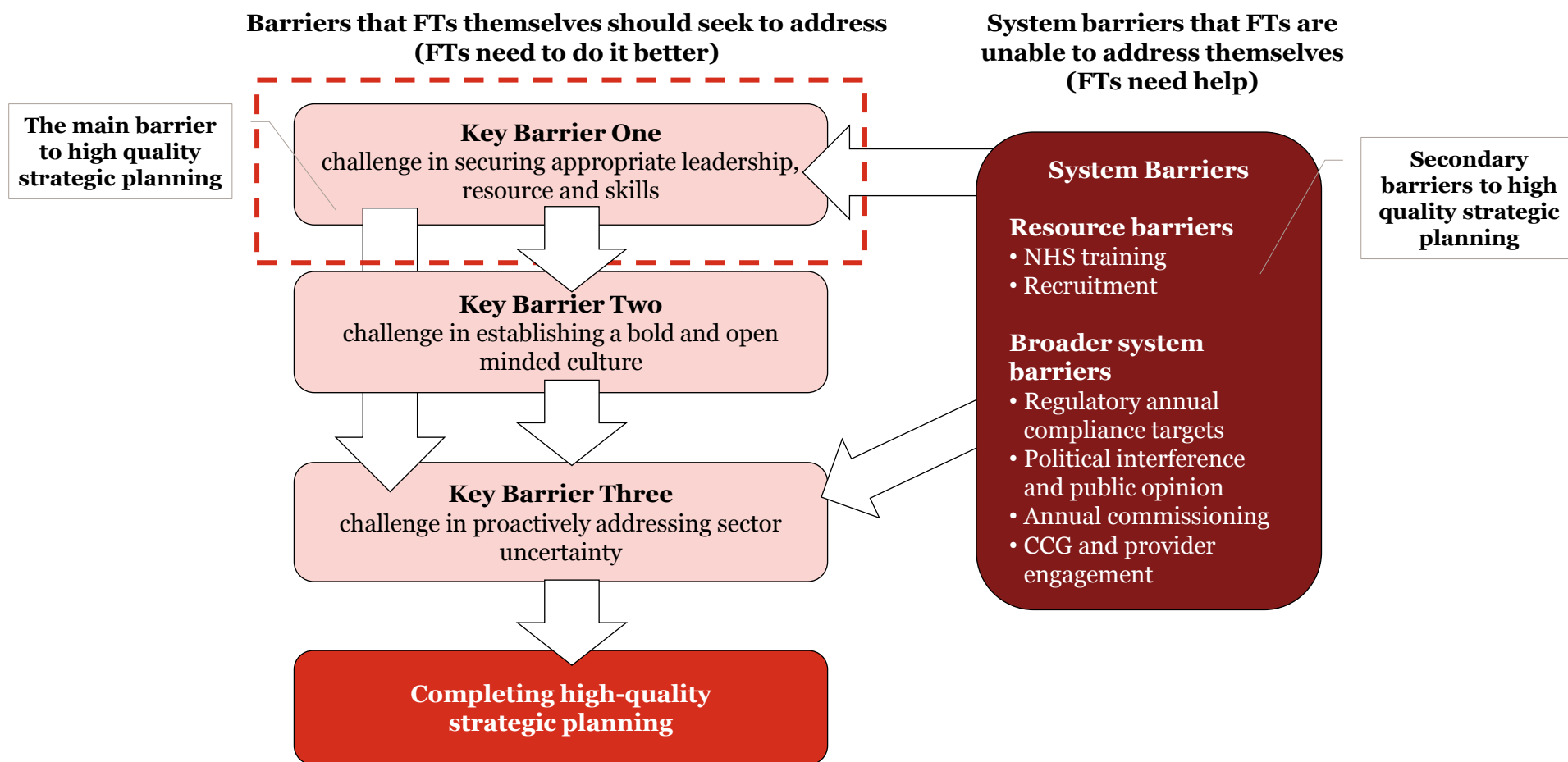
Specialist FTs may be more commercially astute because their service focus has necessitated this approach historically



Barriers to high quality strategic planning

Resource and skills issues create the greatest barrier to high quality strategic planning, impacting culture and ability to address sector uncertainty

FTs face challenges to their ability to undertake high quality planning which they have some power to address, but these can be exaggerated by a set of system barriers which are beyond their control



The primary challenges to higher quality strategic planning are resource and skills based. Although most of these issues are within the control of FTs, there are some system barriers which require external intervention

Resource issues that challenge high quality planning
(Internal focus required to address)

- **Leadership quality varies between FTs and many under value the importance of strategic planning** and don't prioritise sufficiently
- **Financial and time constraints** restrict:
 - FTs' ability and willingness to invest in resource to support strategic planning
 - FTs' ability to invest in training and skills development to support strategic planning
- Structural NHS changes create short term **operational issues** which are prioritised over longer term strategy development
- Challenging NHS environment and funding constraints limit **confidence** to be bold and forward looking restricting the **development of supportive culture**

System barriers that restrict high quality planning
(External intervention required to address)

- **Existing NHS training** does not develop relevant experience and commercial skills for high quality strategic planning, including at Board level
- **Recruiting** skilled people from outside the NHS is challenging due to restrictive NHS pay scales and the negative public image of working in the NHS

Resource issues and system barriers limit FTs' abilities to put in place the organisational supports ('bold and challenging culture' and 'leadership, resources and commercial skills') required to undertake the tasks required to achieve high quality strategic planning

Potential actions can be identified which address both issues and system barriers

These resource and skill gaps also impact FTs' abilities to plan against a background of external sector uncertainty. However, there are some system barriers beyond their control that also make this challenging

Areas of sector uncertainty that challenge high quality planning

(Requires resource and skills issues to be addressed)

• **Lack of clarity on national funding and external sector development, particularly in relation to:**

- Service reimbursement and tariff evolution;
- The timing and extent to which further NHS wide efficiency savings will be required;
- The future evolution of clinical and quality requirements and models of care;
- The proposed treatment of failing FTs; and
- How competition will evolve and how new regulation impacts FT external engagement

• **Lack of clarity from CCGs on local commissioning strategy and intentions**

System barriers that restrict high quality planning

(External intervention required to address)

• **Monitor's regulatory compliance requires annual financial performance targets to be met, which limit FTs' abilities to implement long term and transformational initiatives that have short term financial trade-offs**

• **Potential for political interference and public opinion to overturn and retract agreed national strategies and schemes**

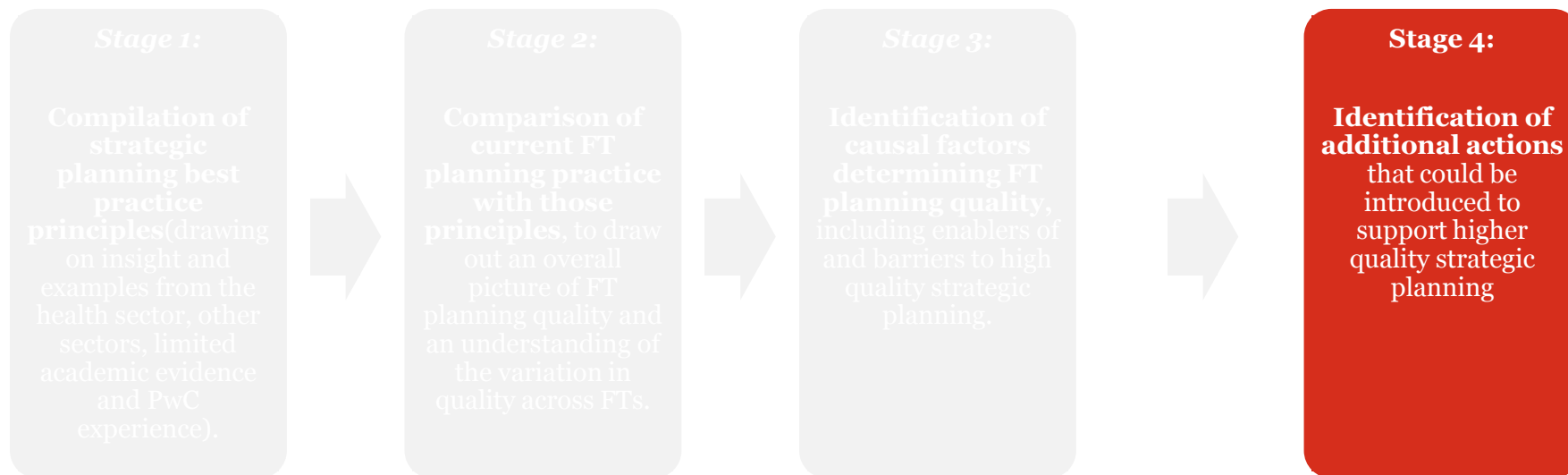
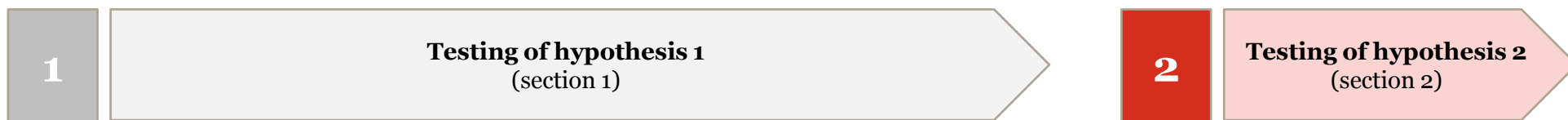
• **Annual commissioning cycle presents structural challenges to long term planning**

• **Limitations to the extent and willingness of CCG and other providers to engage with FTs**

The resolution of resource and skills issues are required to improve FTs' abilities to address sector uncertainty in strategic planning. However, there are also some significant system barriers that require external intervention to further improve strategic planning

Potential actions

We have tested hypothesis 2 by exploring the effectiveness of Monitor’s current interventions and assessing the scope for any additional actions



Review of potential actions

We have identified potential actions to remedy the barriers to strategic planning

Our approach to identifying potential actions

Potential actions

- We have identified actions that Monitor or other organisations could take to enable a higher quality of strategic planning in the FT sector based on the issues and system barriers identified in pages 43-45 for Monitor's consideration:
 - Although most FTs have the ability to address some of the resource issues and adjust their approaches to better deal with sector uncertainty, there are potential actions that could help FTs meet these challenges
 - System barriers are beyond the reasonable control of most FTs and require external intervention to overcome. Where appropriate we have addressed these in our identification of potential actions, although some issues are beyond the scope of a Monitor intervention
- The actions identified here relate to Monitor's role as a regulator driving the development of the FT sector. Monitor is also making adjustments to its provider regulation processes. The identification of such improvements was out of the scope of this report.

We have identified 10 actions which could cumulatively help to address the barriers to high quality strategic planning identified in section 1 (1 of 4)

Actions related to improving FT resource and skills (1 of 2)

Actions	Description	Barriers Addressed
Publishing of written strategic planning guidance, including best practice guidelines	<ul style="list-style-type: none"> • Non-mandatory written guidance that provides FTs with advice on the tasks and skills required to demonstrate best practice standards 	<ul style="list-style-type: none"> • Sharing best practice would improve the commercial skills and analytical capabilities of FTs to increase the rigour of strategic planning • Guidance would also reiterate the value of effective strategic planning to organisational performance, and help create a more supportive culture
Running strategic planning workshops and training sessions to support written guidance	<ul style="list-style-type: none"> • Workshops to be delivered in conjunction with action 1a (written guidance) • Detailed and interactive face to face sessions led by a strategic planning expert to enable greater understanding and accurate interpretation of the written guidance 	<ul style="list-style-type: none"> • In conjunction with issuing guidance, this would help to improve the commercial skills and analytical capabilities of FTs • From an external engagement perspective, it would also give FTs an opportunity to share best practice with other providers
Providing more comprehensive commercial skills training	<ul style="list-style-type: none"> • A greater number of centrally coordinated training sessions led by strategic planning experts to explain commercial and analytical skills to all levels of FT management (e.g. commercial analysis, service line assessment, scenario planning, stakeholder engagement skills) 	<ul style="list-style-type: none"> • Though this would require significant investment it would address gaps in commercial and analytical skills, which are required across the strategic planning cycle, for all levels of staff involved in the planning process

We have identified 10 actions which could cumulatively help to address the barriers to high quality strategic planning identified in section 1 (2 of 4)

Actions related to improving FT resource and skills (2 of 2)

Action	Description	Barriers Addressed
Establishing central pool of healthcare experts with strategic planning expertise to be consulted by FTs	<ul style="list-style-type: none"> Central team of independent healthcare experts with experience and skills in strategic planning FTs could request short term support to challenge and review planning assumptions, as well as discuss approaches to addressing long term challenges Distinct from Monitor's relationship managers because they would be independent of the regulator and would be expert in various issues facing FTs 	<ul style="list-style-type: none"> This would enable a higher level of commercial and analytical rigour in strategic planning and best practice sharing This would help address resource and skills gaps It would give FTs confidence to address new challenges and opportunities where they understandably lack internal expertise (e.g. joint ventures with other providers)
Commissioning a review of training and recruitment policies	<ul style="list-style-type: none"> A review of the effectiveness and suitability of existing NHS training to develop required commercial skills. This could identify interventions to improve training (e.g. assessing what skills clinicians would most benefit from when considering strategy, and providing managers with more training on how to respond to uncertainty in the external environment) An assessment of recruitment practices and review of barriers to effective recruitment. This could identify interventions to improve training (e.g. changes to pay-scales, additional funding for commercial roles, role descriptions, interviewing process and final decision makers) 	<ul style="list-style-type: none"> A more effective training programme for all levels of management would improve commercial skills and analytical capabilities and sector self-sufficiency in the long term

We have identified 10 actions which could cumulatively help to address the barriers to high quality strategic planning identified in section 1 (3 of 4)

Actions related to improving provision and accessibility of data and information (1 of 2)

Action	Description	Barriers Addressed
Commissioning a review of strategic planning in CCGs	<ul style="list-style-type: none"> A review of current CCG planning practices to explore how they can be encouraged to display commissioning best practice by understanding provider needs and having a long term strategic outlook 	<ul style="list-style-type: none"> More effective CCG planning would provide clarity over long term commissioning intentions, allowing FTs to plan with more confidence It could also help address resourcing constraints within FTs by making local information gathering and analysis a more straightforward process
Publishing national outlook summaries on healthcare sector developments	<ul style="list-style-type: none"> Monitor published national outlook summaries interpreting how emerging healthcare sector developments, including policy and regulatory changes, might affect FTs (e.g. tariff evolutions and their impact on FTs) Similar in style and content to outlook documents that Monitor has previously published for aspirant FTs 	<ul style="list-style-type: none"> This could help FTs to gain clarity over external trends by providing them with an interpretation of health sector dynamics, tailored to the FT sector Greater clarity would help address resourcing constraints and analytical skills gaps by simplifying the evidence gathering process
Publishing benchmarking data (financial, clinical quality) at organisation and service level	<ul style="list-style-type: none"> A centrally compiled database of key performance metrics, with guidance to help FTs benchmark their performance against comparable providers Performance metrics and data could relate to financial sustainability (e.g. what is an appropriate level of surplus) or clinical data (e.g. what is the critical mass of consultants for a given type of provider in a particular speciality) 	<ul style="list-style-type: none"> Benchmarking would support commercial skills and analytical capabilities as it would allow FTs to position themselves in the local health economy, as well as to plan and set specific trackable targets It would also help to address resourcing constraints as it would make analysis less time-intensive and would reduce the need for consultants and third party data

We have identified 10 actions which could cumulatively help to address the barriers to high quality strategic planning identified in section 1 (4 of 4)

Actions related to improving provision and accessibility of data and information (2 of 2)

Action	Description	Barriers Addressed
Publishing a list of recommended external data sources	<ul style="list-style-type: none"> A quick reference guide of available public and third party data sources which can be used by FTs in their strategic planning process 	<ul style="list-style-type: none"> This would also help address resourcing constraints as it would reduce the time demands of collating relevant data to evidence strategic planning This would also provide FTs with a more comprehensive data toolkit to support data gathering and analysis

Actions related to FT networks and forums

Action	Description	Barriers Addressed
Establishing national forums for sharing best practice (Expert to FT)	<ul style="list-style-type: none"> Centrally coordinated national forums with individuals sessions led by strategy and healthcare experts Sessions would provide FTs with an opportunity to discuss strategic issues and approaches to strategic planning. This would also provide a platform for FTs to sense-check their forward planning scenarios and assumptions 	<ul style="list-style-type: none"> This form of external engagement could provide FTs with an opportunity to further develop commercial skills and analytical capabilities
Expanding local sector forums to support coordinated local planning	<ul style="list-style-type: none"> Locally organised FT and CCG forums to discuss a range of issues within the local health economy (e.g. competition regulations) 	<ul style="list-style-type: none"> This would help FTs to improve the effectiveness of local external engagement and provide more clarity on service level priorities within a local health economy Best practice sharing could support development of commercial skills and analytical capabilities

We have reviewed the long list of actions in terms of potential impact and feasibility

Review framework for potential actions

Impact	Feasibility	Responsible Body
<p>Actions were reviewed for their potential to:</p> <ul style="list-style-type: none"> • Make overall improvements and effectiveness of sector strategic planning (impact); • Address all areas of the strategic planning process and supporting organisational factors (breadth); and • Be relevant and useful to a broad range of FTs (coverage) 	<p>Actions were reviewed for their potential to:</p> <ul style="list-style-type: none"> • Be accepted and perceived as useful by FT (FT receptiveness); • Be deliverable within existing people and skills resources, both at the sponsoring body and within FTs (people); • Be implemented at low cost for the sponsoring body and FTs (cost); and • Be deliverable quickly by the sponsoring body and FTs (speed) 	<p>We have also considered whether Monitor or another party would be best placed to deliver and oversee each action:</p> <ul style="list-style-type: none"> • We considered a variety of responsible bodies: <ul style="list-style-type: none"> – Monitor; – Foundation Trust Network (FTN); – TDA; – FTs themselves; – Other national healthcare bodies; and – CCGs • We considered respective parties according to their ability to: <ul style="list-style-type: none"> – Deliver the action with its present resources; – Support the action in the long term; and – Gain FT buy-in to the action • At this stage we have not been able to assess the willingness of the different parties to support this process

In the first instance, Monitor has decided to develop sector guidance through written guidance documents

Monitor's planned actions

Action	Impact	Feasibility	Comments
Publishing of written strategic planning guidance, including best practice guidelines	<ul style="list-style-type: none"> • Moderate impact because while a broad range of issues would be addressed, impact would be likely to be weighted towards FTs that currently do not carry out high quality strategic planning 	<ul style="list-style-type: none"> • High feasibility as this could be delivered quickly and feedback suggests that FTs would in principle be receptive to guidance 	<ul style="list-style-type: none"> • Has potential to improve quality standards for underperforming FTs and would be easy to implement • Monitor would be well placed to issue guidance due to its strong voice in the sector, though it might consider partnering with the FTN to issue guidance • The first set of guidance of this type is included in the Technical Annex to this document

Monitor will also consider other potential long term actions which could further improve strategic planning (1 of 3)

Other potential actions

Action	Impact	Feasibility	Comments
Providing more comprehensive commercial skills training	<ul style="list-style-type: none"> • Moderate impact because while increased commercial skill would have an impact across the planning cycle, impact would be likely to be weighted towards lower performing FTs 	<ul style="list-style-type: none"> • Moderate to low feasibility, because a comprehensive training programme would require significant investment to develop training staff and resources 	<ul style="list-style-type: none"> • Has potential to improve commercial skills in the majority of FTs, but would require some initial investment to be feasible • FTN might be better placed than Monitor to deliver skills training
Establishing a central pool of healthcare experts with strategic planning expertise to be consulted by FTs	<ul style="list-style-type: none"> • Moderate to low impact because while it would help all FTs across the planning process, it would facilitate only incremental improvements to existing practices 	<ul style="list-style-type: none"> • Moderate feasibility because while interviews suggest FTs are open to expert advice, resource would be required to form and maintain the expert panel, which could be costly 	<ul style="list-style-type: none"> • The impact on FT planning would be moderate, and would require some initial investment to be feasible • Monitor would have the contacts and relationships to create the expert pool, though could also engage with health sector think tanks
Commissioning a review of training and recruitment policies	<ul style="list-style-type: none"> • High impact because improvements in management resource and skill at all levels would improve all planning tasks at all FTs 	<ul style="list-style-type: none"> • Low feasibility because carrying out the review would be long term and costly, and any eventual changes would be challenging to implement (and require cooperation across several healthcare bodies) 	<ul style="list-style-type: none"> • The potential impact of more skilled management teams would be high, but effective implementation would be very challenging • Monitor could assess current practices, but would have to work with the DH to implement any eventual changes

Monitor will also consider other potential long term actions which could further improve strategic planning (2 of 3)

Other potential actions

Action	Impact	Feasibility	Comments
Commissioning a review of strategic planning in CCGs	<ul style="list-style-type: none"> • Moderate impact because though all FTs would benefit from more strategic CCGs, this would only facilitate improved strategic positioning and would not develop FTs strategic planning capabilities 	<ul style="list-style-type: none"> • Low feasibility because any eventual outputs would be challenging to implement as commissioners are unused to long term planning and are currently dealing with large disruption 	<ul style="list-style-type: none"> • The potential impact would be high, but implementation appears unfeasible • Monitor could attempt implementation through its role with CCGs
Publishing a national outlook summaries on healthcare sector developments	<ul style="list-style-type: none"> • Low impact because though it would help most FTs, it would facilitate only small improvements in planning quality, limited to evidence gathering 	<ul style="list-style-type: none"> • High feasibility because it would be deliverable through Monitor's existing resource and expertise 	<ul style="list-style-type: none"> • Though feasible to implement, an outlook would have a small overall impact on FT strategic planning • Monitor would be well placed to deliver this action due to its strong voice in the sector, though there might be a conflict of interest for Monitor in sharing insights in its new role
Publishing benchmarking data (financial, clinical quality) at organisation and service level	<ul style="list-style-type: none"> • Moderate to low impact because while reliable benchmark data would potentially benefit all FTs, the impact would be limited to facilitating strategic positioning and monitoring exercises 	<ul style="list-style-type: none"> • Moderate to low feasibility because collecting and collating reliable benchmark data would be difficult, slow and costly 	<ul style="list-style-type: none"> • The initiative would have only a moderate impact on planning quality and would face challenges in implementation • Monitor would have to work collaboratively with other bodies to consolidate useful data

Monitor will also consider other potential long term actions which could further improve strategic planning (3 of 3)

Other potential actions

Action	Impact	Feasibility	Comments
Publishing a list of recommended external data sources	<ul style="list-style-type: none"> • Moderate impact because while it would benefit low performing FTs, it would only assist their initial evidence gathering tasks, and the impact on other FTs would be very limited 	<ul style="list-style-type: none"> • High feasibility because it would be rapidly deliverable after a small research programme 	<ul style="list-style-type: none"> • Feasible to implement, but the potential impact would be limited to developing evidence gathering activities, mainly for underperforming FTs
Establishing national forums for sharing best practice (Expert to FT)	<ul style="list-style-type: none"> • High impact because it could address a broad range of strategic planning issues (e.g. through sense checking scenario planning), and would benefit the full stock of FTs 	<ul style="list-style-type: none"> • Moderate feasibility because while interviews indicate many FTs are receptive to networking, arranging sessions and maintaining momentum may be challenging 	<ul style="list-style-type: none"> • Has potential to improve planning quality at all FTs, but there are some implementation challenges • Monitor would be well placed to arrange networks through its existing relationships
Expanding local sector forums to support coordinated local planning	<ul style="list-style-type: none"> • High impact because all FTs would benefit from a greater understanding of the local environment in developing plans 	<ul style="list-style-type: none"> • Low feasibility because local competitive dynamics and present uncertainty relating to the new system would make effective coordination very challenging 	<ul style="list-style-type: none"> • The potential impact would be high, but implementation appears challenging • Monitor would have to collaborate with local stakeholders to facilitate forums

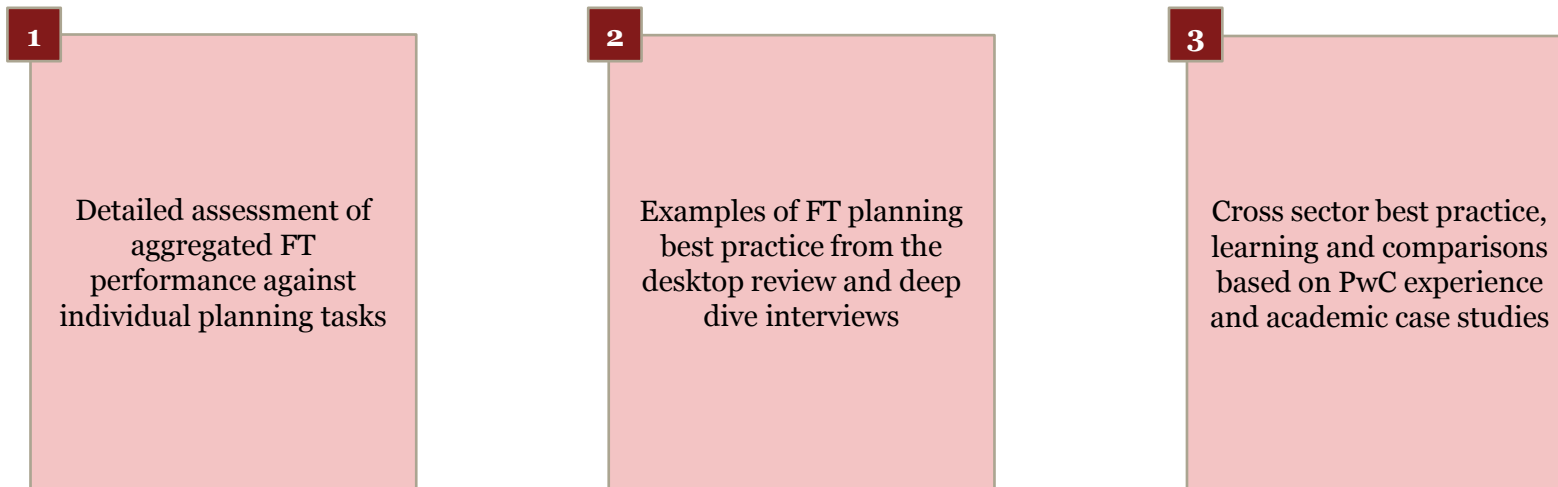
Appendices

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Appendix 1 – Additional supporting evidence

Our conclusions are supported by a broad base of evidence from our research programme which are presented in relation to the four stages of the planning cycle

Across each stage of the planning cycle evidence presented includes:



Assess strategic position

Assess strategic position: ***Generally internal data is reviewed well, although there is significant scope for development in external analysis***

PwC assessment of aggregated FT performance against best practice tasks

Planning tasks in red text highlight the most important tasks which are essential for FTs to complete

Key Principles	Areas of Strength	Development areas	Overall assessment
Assessment of key emerging threats and opportunities	<ul style="list-style-type: none"> • Displaying a broad awareness of high level emerging threats and opportunities 	<ul style="list-style-type: none"> • Articulating threats and opportunities at service level • Assessing the implications of identified trends for future strategic positioning 	<ul style="list-style-type: none"> • Limited scope for development through better assessment of threats and opportunities at a service level
Assessment of progress against previous strategic initiatives and KPIs		<ul style="list-style-type: none"> • Assessing progress against previous ambitions and initiatives and understanding the drivers of performance 	<ul style="list-style-type: none"> • Significant scope for development in assessing progress against past strategic initiatives as an input to the planning process
Review of internal performance and resource data	<ul style="list-style-type: none"> • Analysing and reviewing clinical quality and high level financial performance 	<ul style="list-style-type: none"> • Analysing and interpreting data at service level in greater detail 	<ul style="list-style-type: none"> • Limited scope for development through analysing evidence more thoroughly at a service level
Review of external environment and forecasting	<ul style="list-style-type: none"> • Analysing and reviewing high level health economy and demographic trends (e.g. funding) 	<ul style="list-style-type: none"> • Analysing developing trends in demand and competition at a service level • Understanding of local commissioning strategies in the medium to long term • Longer term scenario planning 	<ul style="list-style-type: none"> • Significant scope for development as most FTs do not rigorously undertake external analysis or long term forecasting, especially at service level
Clear assessment of current and projected future strategic position	<ul style="list-style-type: none"> • Summarising current strategic position at a high level 	<ul style="list-style-type: none"> • Assessing strategic positioning at a service level, differentiating core and non-core services 	<ul style="list-style-type: none"> • Moderate scope for development as FTs could present their strategic positioning and forecasts with greater clarity incorporating more service level assessment

Assess strategic position:

We have identified examples of FT best practice in reviewing service level and competitor trends in the external environment

Best practice examples from the FT Sector

Review of external sector environment

- **Service level external assessment:**

- Some FTs have continued to draw on the lessons they learnt from producing their integrated business plans. They conduct detailed service line assessments into sector trends (e.g. demand levels and competitive positioning, market share trends and competitor service developments). These organisations recognise that service level assessment has been valuable as it has provided a lens through which the relative importance of services and future service configuration can be assessed, enabling them to identify services to grow, maintain or divest

- **Competitor assessment**

- One acute FT has carried out due diligence on competing local providers, to investigate a range of factors, such as financial stability, service level market share, new service developments and quality ratings. This information has been used to assess the FT's relative competitive positioning and to make high level assessments about the potential for future mergers, so that the FT could make informed decisions if acquisition opportunities were presented. It has also provided some insight on what the potential impact on the FT would be if a neighbouring provider were to fail

- **Real time intelligence gathering:**

- One FT has decided to develop a business intelligence tracker to help capture and monitor sector and competitor trends, as well as the outcomes of local tendering processes. The intention is to capture information in one place to act as an information tool to aid both short term tactical and long term strategic decision making. It is also hoped to provide more clarity on local tendering activity (particularly in light of more private sector competition) and the determinants of FT success. By providing a greater level of clarity on demand, commissioning and competitor trends the information is also intended to feed into the formal strategic planning process

Assess strategic position:

We have also identified examples of FT best practice in scenario planning and engaging with external stakeholders to support this

Best practice examples from the FT Sector

Review of external sector environment (cont.)

• **Scenario planning:**

- The Executive Team of one acute provider invests significant time in scenario planning. The team have developed and frequently review a range of 5-10 year scenarios on the evolution of the health sector. These scenarios are used to help the FT make decisions about its future service configuration, investments and the requirement and scale of future cost savings. To ensure their scenario planning is robust and considering the full range of potential scenarios, an independent healthcare expert is brought in to validate and challenge their scenarios and bring fresh insight to ensure the FT's strategy is appropriate for expected sector developments

• **Networking with other providers:**

- Several FTs highlighted that talking to other providers enabled them to sense-check their views on sector evolution and potential responses to a range of strategic issues. National forums such as the Shelford Group were considered to have been particularly useful. For example, discussion about the role of the ward system in hospitals and the sharing of best practice from across the group helped one organisation to change its approach and this resulted in an improvement in quality
- One organisation also highlighted how proactive engagement with local providers had enabled greater strategic alignment across the region and the development of new care pathways that were required to meet long term commissioning objectives, such as service rationalisation and quality standards. Engagement with other providers also enabled a greater level of clarity to support demand forecasting and scenario planning

Assess strategic position:

There are also best practice examples of how FTs review internal performance data and undertake progress reporting as an input to planning

Best practice examples from the FT Sector

Review of internal performance and resource data

• **Understanding the drivers of internal performance:**

- Two specialist organisations demonstrated how service line reporting and high quality financial performance metrics were used to understand the drivers of organisational performance and help strategic decision making. The organisations invested time and resource in analysing the data and have used this information to help assess the relative performance of services and as a tool for negotiating with commissioners. It has also helped the FT management team to better evidence strategic decision making to clinicians and to get buy in for new service line initiatives
- Recognising the value of service line reporting, these organisations have been proactive in developing new data systems to enable performance to be assessed in greater detail, at both patient and clinician level. This new information has enabled the organisations to gain a deeper insight into organisational cost drivers and provided a robust evidence base (e.g. reducing length of time in hospital for patients in one of the loss making services)

Progress reporting

• **Incorporating progress reporting into the formal strategy review:**

- One organisation had a formal strategy review process which was treated as an input into the strategy development cycle. As a part of this process, they assessed how well the organisation had performed against the strategic ambition and previous initiatives and critically evaluated the reasons for over and under performance. This helped the organisation to prioritise initiatives for the year ahead (by identifying areas where the less progress had been made). It also enabled the FT to incorporate learning from the previous year into future strategy development to make sure ambitions, initiatives and implementation plans were more robust

Assess strategic position:

Many organisations in other industry sectors face similar challenges, but recognise the benefits of robust internal and external evidence gathering

Many organisations find evidence gathering challenging, but it is recognised as a key enabler of effective strategic planning

Organisations that invest resource into evidence gathering, recognise its central importance to strategic planning

Overview

- Assessing strategic positioning, evidence gathering and analysis are activities that many organisations find challenging. This often reflects analytical skill and resource gaps and has been made more challenging recently due to changes in the macro economy and difficulty in predicting future trends

Best practice principles

- Multifaceted review incorporating internal and external factors e.g. sector trends, regulation, competitors, business unit financial and operational KPIs, customer and supplier feedback
- Critically assessing and reviewing data and analysis, rather than blindly repeating past exercises
- Focus data gathering and analysis on issues that are material, uncertain and/or controversial e.g. focus on sector developments
- Understanding the internal and external drivers of success and profitability at a business unit and/or product level
- Critical assessment of past performance and ability to meet strategic objectives e.g. revisiting original business cases to understand what might be driving disappointing performance

Example 1 - Professional services company

- The analytical skills of the strategy team are highly valued as they have given a greater level of confidence and decisiveness to strategy development at Board level and a level of evidence that is valuable to gain buy in at business unit level
- Data gathering and analysis key activities include unpicking the drivers of business unit and product profitability, forecasting system developments, modelling the impact of regulatory changes, gathering competitor intelligence and analysing market share developments

Example 2 – Higher Education Institutions

- Guidelines published by HEFCE outline the importance of evidence gathering and analysis in strategy development
- Best practice is defined as including:
 - Environmental scanning (political, economic, social, technological)
 - Internal resource assessment
 - Analysis (market position, portfolio analysis of programmes e.g. financial performance vs. academic performance, quantitative modelling of financial and other data e.g. institution benchmarking)

Define the ambition

Define the ambition: Though FTs define broad long term goals, these lack specificity and ambition and do not provide an overarching framework for planning

PwC assessment of aggregated FT performance against best practice tasks

Planning tasks in red text highlight the most important tasks which are essential for FTs to complete

Key Principles	Areas of Strength	Development areas	Overall assessment
Broad in coverage to provide an overarching ambition to frame all aspects of FT planning	<ul style="list-style-type: none"> Developing ambitions that generally provide quality and financial goals 	<ul style="list-style-type: none"> Developing broad ambitions which include commercial goals 	<ul style="list-style-type: none"> Moderate scope for development as ambitions rarely direct commercial goals, and therefore, do not provide an overarching framework to improve FT planning
‘Stretching’, long term and , through an explicit link to the underlying evidence base, feasible , providing a meaningful framework to guide day to day decisions	<ul style="list-style-type: none"> Stating goals with long term time frames 	<ul style="list-style-type: none"> Developing feasible plans with a clear link to strategic positioning Developing more stretching long term goals, and articulating the gap between these goals and the FT’s ‘as is’ position 	<ul style="list-style-type: none"> Significant scope for development as though FTs develop long term goals, these do not link closely to their strategic position and often lack stretching ambitions (in part through their lack of specificity)
Specific and trackable , whilst retaining some flexibility to respond to the changing environment	<ul style="list-style-type: none"> Developing flexible ambitions, though this is mainly due to their high level nature 	<ul style="list-style-type: none"> Developing more clear and specific ambitions to provide a better definition of success, allow progress to be tracked and ensure goals are challenging 	<ul style="list-style-type: none"> Significant scope for development because most FTs do not articulate their ambitions in a trackable way, which is important to ensure that success and progress can be measured and assessed
Inspirational to all levels of staff within a care organisation	<ul style="list-style-type: none"> Quality aspects are often prioritised, making them inspiring for a ‘care’ organisation 	<ul style="list-style-type: none"> Articulating the interdependency of quality to other ambitions (e.g. financial) more clearly Stating bold and ambitious targets to galvanise staff 	<ul style="list-style-type: none"> Limited scope for development because most strategies focus on ‘care’, making them relevant to internal stakeholders, though they might be more inspirational if they proposed more ambitious targets

Define the ambition:

We have identified best practice examples in ambition setting which include service level and specific commercial goals

Best practice examples from the FT Sector

Setting specific and stretching ambitions

- **Service level ambitions:**
 - One organisation developed an ambition that includes clear service level goals. This was supported by internal performance and external evidence and provides a clear framework through which ongoing organisational decisions can be made to drive long term service level transformation. The organisation recognises that the development of ambitions that are clear and specific has enabled a greater level of organisational focus and progress than was achieved previously with a more general ambition ‘that tried to be all things to all people’. The organisation was able to demonstrate how the new ambition had been used to guide ongoing operational decisions such as recent acquisition and tendering opportunities, provided better direction for clinicians and supported greater alignment and strategic discussion with commissioners
- **Stretching and specific commercial and quality goals:**
 - Some organisations have set specific goals which strive to improve the relative positioning of their FT as compared to the total FT population or other local providers. Commercial examples include ambitions that focus on rank (e.g. being in the top 10 FTs in the country) for financial performance, market share, or size, both at organisational and service level. Quality examples include ambitions that focus on rank for patient experience or quality indicators. These ambitions have provided a benchmark against which progress can be assessed and provide a degree of challenge that is motivating to drive organisational change and improvement
- **Stretching and specific financial goals:**
 - One organisation undertook detailed financial modelling in the early stages of its strategy development process. They modelled their business in terms of cost to deliver (using demographic data as a proxy for demand) and then by funded demand (based on a range of tariff scenarios). This helped them understand what a stretching financial target would be, as well as what level of stretch would be feasible to achieve

Define the ambition:

There are also examples of FTs setting financial goals and approaches to gaining organisational buy in

Best practice examples from the FT Sector

Setting specific and stretching ambitions (cont.)

- **Stretching and specific financial goals (cont.):**
 - One organisation explained that they have developed both ‘base case’ and ‘stretch’ goals for financial performance, particularly in relation to revenue and surplus. Base goals are defined as financial goals that the organisation is confident it will reach and these are reported in the APR process. Stretch goals are not reported, but used internally. They are defined as quantitative aspirations that the organisation considers to be feasible but challenging and are intended to motivate management to improve performance beyond the quick and easy wins. The organisation believes that by setting stretching internal financial goals, it has been able to improve financial performance to a greater extent that would have been possible if they had focused on the base case goals alone

Engaging with stakeholders

- **Getting stakeholder support and buy in**
 - Some FTs have held ‘Strategy Away Days’ to bring together internal (e.g. Board, clinical leads) and external stakeholders (e.g. commissioners) to develop and test the organisation’s ambition. This has allowed them to draw on a range of perspectives and helped them to engage and align their strategic direction with commissioners. As a result, they were better able to get buy-in from clinicians and commissioners and build a strategy that can support their role as a leader within the local health economy. It has also helped them to develop an ambition that was acceptable and supported across the organisation

Define the ambition:

Cross sector organisations tend to set more measurable ambitions, though these are exclusively financially focused

Unlike the FT sector, most businesses define their ambitions financially. However, other best practice principles are similar

Getting the ambition right is recognised as a key enabler of organisational performance

Overview

- It is common for most companies to have some type of vision statement, together with a statement of key strategic aims. Unlike companies in the FT sector, many companies define their ambitions financially and some lack strategic goals. Their success in creating sufficiently challenging and evidence based ambitions is variable

Best practice principles

- Goals should span 3-5, or 5+ year periods, not annual targets
- Should be inspiring across the organisation
- Ambition should be challenging but achievable, not business as usual. This should be based on an assessment of current performance and projected developments within the sector
- Good practice defines the degree of stretch required to meet the ambition and what this implies for future growth
- Businesses should set a financial ambition in addition to strategic ambitions (these should be developed together rather than in silo)
- Language used to express strategies should be accessible and meaningful across the organisation

Example 1 – Global Consumer Goods Company

- The company wanted to stimulate ambition and creativity in the strategy process as a means of driving performance. It changed its approach in the goal setting stage by:
 - Setting a top down ambition at the start of the process to cover a 4 year period (and in doing so abolished single year targets)
 - Setting stretching goals so as to promote ambitious strategy development (stretching thinking beyond what appeared realistic) and therefore, goals which needed to be met through maximising both short and long term performance rather than sacrificing one at the expense of the other
 - Setting measurable goals, in business value terms, to stimulate strategy development through enabling the value gap to be quantified

Example 2 – National Council for Voluntary Organisations

- NCVO's strategy guidelines refer to the importance of having a robust ambition :
 - "It is the ideal state an organisation wants to see and what it is focusing on moving towards. It describes what complete success would look like. The vision should serve to keep them on course towards actions closer to their vision and steer them away from things that could distract them"

Identify Initiatives

Identify initiatives: ***Commercial initiatives are less well developed, and there is an overarching weakness in longer term planning***

PwC assessment of aggregated FT performance against best practice tasks

Planning tasks in red text highlight the most important tasks which are essential for FTs to complete

Key Principles	Areas of Strength	Development areas	Overall assessment
Inclusion of quality, financial and commercial initiatives which address the strategic ambitions and underlying evidence base	<ul style="list-style-type: none"> Defining clear, feasible, short term initiatives for quality and financial goals, which are usually linked to broader ambitions 	<ul style="list-style-type: none"> Stating clear and feasible, service level commercial initiatives, linked to broader ambitions Integrating initiatives coherently 	<ul style="list-style-type: none"> Moderate scope for development because quality and financial initiatives are generally effective, but commercial initiatives and priorities are not well articulated
Prioritisation of initiatives based on time criticality, feasibility and impact		<ul style="list-style-type: none"> Prioritising initiatives based on an assessment of their impact and achievability Limiting initiatives to a group of important areas to reduce delivery risks 	<ul style="list-style-type: none"> Significant scope for development because there is little evidence of FTs prioritising initiatives, preventing them from focusing resources and efforts more effectively and reduce delivery risks
Inclusion of specific targets to define success , where appropriate for short-medium term initiatives	<ul style="list-style-type: none"> Defining specific targets based on measurable indicators for shorter term clinical quality and financial initiatives 	<ul style="list-style-type: none"> Developing commercial initiatives with defined targets to drive service line prioritisation and implementation 	<ul style="list-style-type: none"> Moderate scope for development particularly in relation to commercial initiatives
Evidence of longer term planning , with 3-5 and 5+ year targets and plans for long term initiatives (e.g. capex strategy)		<ul style="list-style-type: none"> Developing longer term initiatives to bridge the gap between detailed short term targets and strategic ambitions and address long term challenges 	<ul style="list-style-type: none"> Significant scope for development because FTs rarely outline longer term initiatives to reach their strategic ambitions, particularly in relation to service configurations
Assessment of potential risks and mitigating strategies	<ul style="list-style-type: none"> Identifying delivery risks for initiatives and some high level mitigating strategies 	<ul style="list-style-type: none"> Developing more detailed and practicable mitigation strategies to address all identified risks (e.g. identified responsible parties) 	<ul style="list-style-type: none"> Limited scope for development because risks and mitigating strategies are usually articulated, although these could be more robust
Evidence of internal and external input and review	<ul style="list-style-type: none"> Gaining internal stakeholder input and review of strategic plans (e.g. engaging clinicians during strategy development) 	<ul style="list-style-type: none"> Submitting plans for greater review and input from external stakeholders 	<ul style="list-style-type: none"> Moderate scope for development in improving external engagement, but internal engagement is currently well evidenced

Identify initiatives:

FT best practice examples cover FTs that integrate financial and service level initiatives and prioritise initiatives effectively

Best practice examples from the FT Sector

Integrated commercial and service line initiatives

- **Integrated financial, quality and commercial initiatives:**
 - One organisation has developed an approach to initiate identification that considers strategic initiatives by considering financial, quality and commercial ambitions and needs in an integrated manner. At the start of the initiative generation process, the organisation makes a service level assessment about service priorities and investment needs as well as quality issues (commercial, service level and quality initiatives). This is then used to inform the financial strategy, so that the financial initiatives and targets are appropriate and enable the organisation to meet required service level investments. Alternative funding initiatives are considered where ‘business as usual’ is considered to be insufficient to meet investment needs and if necessary, service level initiatives are adjusted and reassessed to ensure alignment with the financial plan

Initiative prioritisation

- **Focusing on high impact initiatives:**
 - One FT has changed its service level initiative setting process over the last 3 years so that there is more focus on generating a short list of important initiatives rather than a long list of lower impact initiatives. Initiatives are assessed based on impact and feasibility. Assessing initiatives in this way has enabled the FT to focus constrained resource and effort on the initiatives that are most likely to drive the greatest performance gains and has resulted in a fewer delays and a higher completion rate

Identify initiatives:

There are also examples of FTs who demonstrate a robust approach to long term planning and initiative setting

Best practice examples from the FT Sector

Long term planning and strategy development

- **Proactive in addressing long term challenges with transformational change:**
 - Two FTs have recognised that their long term financial sustainability will be difficult to sustain without significant estate rationalisation and transformation. In both cases this has been identified early through external forecasting, and scenario planning and internal financial modelling
 - One FT has approached this challenge through internal engagement across the organisation and organising ‘blue sky thinking’ sessions with the Board and Executive team to brainstorm a long list of potential solutions to the challenges faced. This has ensured a range of views are captured and that short term initiatives have been prioritised to address the longer term problems
 - The other organisation has sought external engagement with other providers who face similar challenges and have already started addressing these challenges. This has enabled the FT to identify different potential solutions and learn from the experiences of others about what the drivers of success have been. The FT has also been proactive in engaging with Monitor to discuss the need for transformational change and how short term financial performance trade-offs can be managed against longer term gains
 - Another organisation has identified that its short term surplus is likely to be insufficient to support the level of investment (e.g. new technology) required to develop its high priority services and maintain its competitive position in the long term. This has been based on external forecasting, service level trends and competitive positioning and internal financial modelling. As a result of this, the FT has been proactive in investigating alternative funding strategies to support long term growth aspirations from internal trust fundraising to market lending options

Identify initiatives:

In general, cross sector organisations tend to demonstrate a better balance of long to short term planning

Good strategy development is considered to balance both short term performance and long term transformation initiatives

Initiative generation is a time consuming, evidence based process and requires setting measurable targets

Overview

- Initiative generation includes both short and long term initiatives, although the balance in focus varies by organisation. For example, when organisations develop short term strategies or annual strategies, there is a tendency for short term initiatives to be prioritised over longer term goals. Moreover, where organisations have faced long term and significant sector-wide change, there has been more incentive to pursue longer term transformational change

Best practice principles

- Identify which initiatives have the greatest potential impact on ability to deliver strategic ambitions and prioritise accordingly, specifying targets for each one
- Set a level of prudence which is appropriate for the business (e.g. stretch target vs. less challenging base case target)
- Develop a simple framework to help frame multiple initiatives (e.g. a one page summary framework which is easy to understand and distribute)
- In long term planning, be brave and innovative and consider both new behaviours and activities
- Consider both incremental and transformational initiatives

Example 1 – UK clothing retailer

- The company needed to identify a range of short term incremental and long term transformational initiatives to meet its stretching 5 year financial growth ambition
- Short term initiatives were identified initially:
 - They were explicitly linked to the financial and strategic ambition and based on rigorous analysis of internal performance and external market forecasts
 - Initiatives were developed by channel to market
 - Both new and development initiatives were included
 - Measurable targets were assigned (some financial, others more operational KPIs) and prioritised accordingly. The targets included both base and upside cases
- After short term initiatives had been set:
 - The business attempted to quantify the gap between the short term initiatives and the ambition
 - A day was set aside with the Executive team for unconstrained thought and idea generation
 - A long list of ideas was generated, both incremental and transformational e.g. alliances, international expansion
 - The long list was prioritised by impact and feasibility
- A simple summary framework was created linking both short and long term initiatives to the ambition and underlying evidence

Implementation planning and monitoring

Implementation planning and monitoring: Most implementation plans detail KPIs and timescales, though FTs do not review their strategies on an on-going basis

PwC assessment of aggregated FT performance against best practice tasks

Planning tasks in red text highlight the most important tasks which are essential for FTs to complete

Key principles	Areas of Strength	Development Areas	Overall Assessment
Allocation of measurable targets, timescales, responsibilities and KPIs	<ul style="list-style-type: none"> Detailing financial and quality plans with timescales for targets to be achieved, and KPIs to track performance 	<ul style="list-style-type: none"> Developing commercial plans with fixed timescales and trackable KPIs Assigning specific responsibility for all short term initiatives 	<ul style="list-style-type: none"> Moderate scope for development, because most FTs do develop timescales and KPIs when undertaking quality and financial planning – but often do not do so when developing commercial plans. Planning could also be improved via the clear allocation of responsibility to individuals when undertaking implementation planning
Development of a communication plan	<ul style="list-style-type: none"> Producing summary documents to communicate plans Gaining internal stakeholder involvement early in the planning cycle, to facilitate communication Conducting limited engagement exercises with external stakeholders 	<ul style="list-style-type: none"> Increasing external engagement with commissioners and other providers, to communicate and test strategic plans 	<ul style="list-style-type: none"> Limited scope for development, because FTs appear to communicate plans clearly, though there is scope for further external engagement
Development of a strategy review calendar	<ul style="list-style-type: none"> Setting frequent and formal review meetings for the year ahead, typically at Board level (for both KPI review and more general discussions of strategy) 	<ul style="list-style-type: none"> Increasing the level of strategic review and discussion conducted by more junior members of management teams 	<ul style="list-style-type: none"> Limited scope for development, as monitoring and review appears well-embedded in most FT governance structures
Articulation of the process for adapting strategy and plans	<ul style="list-style-type: none"> Establishing embedded annual, and in some cases semi-annual, processes for strategic review 	<ul style="list-style-type: none"> Developing a culture of on-going review of strategic plans, to ensure that goals and initiatives remain relevant given changing internal performance issues and external conditions 	<ul style="list-style-type: none"> Significant scope for development, because strategic review does not always appear to be an active process
Articulation of the process for responding to underperformance		<ul style="list-style-type: none"> Defining response strategies to be followed in the event of underperformance 	<ul style="list-style-type: none"> Significant scope for development, because response strategies and escalation procedures are presently unclear in many organisations

Implementation planning and monitoring: Several FTs are flexible in their approach to strategic planning and demonstrate an ability to review strategy on an ongoing basis

Best practice examples from the FT Sector

On-going strategic review and adaptation

- **Formal sessions for strategic debate**
 - Two organisations have established a formal routine whereby the Executive team meet on a weekly basis to discuss a range of high priority issues including FT strategy. During these sessions strategic issues are discussed and strategic ambitions and initiatives are reassessed against the changing healthcare environment. This enables the FT management team to ensure their strategy remains relevant and focused on the key issues and provides a platform through which strategy can be flexed to respond to situational changes. It also enables long term challenges to be identified and potential solutions to be discussed
 - One organisation conducts a bi-annual service strategy review, which considers financial, commercial and quality performance. This formal review process enables management to better monitor progress against strategic objectives and better prepares them to make informed decisions about long term service configuration, trade-offs and priorities to feed into annual planning processes
- **Ongoing real time strategy development:**
 - Some organisations treat strategic planning as an ongoing process. In one example, a small team from across the organisation take responsibility for a 'live' strategy document which is updated on a weekly basis and presents emerging strategy thinking and ideas, particularly in relation to long term challenges and opportunities. They continuously adapt the approach to overarching strategic issues as well as more specific short term initiatives. This approach has helped them to regularly test the validity of their strategic planning against evolving sector developments and to ensure that strategic planning is embedded in the FT's culture rather than an annual process

Implementation planning and monitoring:

There are also examples of good practice in FTs' approaches to building accountability for strategy delivery across the organisation

Best practice examples from the FT Sector

On-going strategic review and adaptation (cont.)

- **Adapting the Strategy development process in response to past performance:**
 - One organisation has been proactive in developing and adjusting its overall strategic planning process over the last seven years in response to past successes and failures. The organisation has reviewed the overall strategy process and learnt from past experience to identify ways of improving the rigour of the overall quality of strategic planning and how effectively this is implemented and monitored. One example is the development of an improved planning template for service divisions. This has enabled more service level planning and clinical engagement early in the process and enabled the FT to be better informed when approaching commissioners to discuss strategy. It has also provided more clarity about service level dynamics which enable better strategic decision making and prioritisation within the organisation

Accountability

- **Building accountability throughout the organisation:**
 - Some FTs have developed two tier strategy development and monitoring processes, with accountability at both management (Executive and Board level) and service division level (with clinical leads). Bottom up input into strategy development and responsibility for monitoring progress and outcomes has led to a higher level of flexibility in responding to underperformance, identifying problems and creating more drive to accomplish goals
 - Several organisations have achieved greater organisational accountability by producing communication documents that outline simple, key messages for the organisation. In some cases, organisations also produced simple, visual aids that were able to communicate strategic intentions to staff, patients and service users. This helped to create an environment that was more supportive of implementation where people felt engaged and empowered in helping deliver the strategic ambition

Implementation planning and monitoring: Practice in this area appears to be broadly in line with similar examples in other sectors

Implementation planning and monitoring are well embedded in cross sector strategic planning

Upfront planning and process definition is key to successful monitoring and responding to underperformance

Overview

- Robust strategic road mapping and monitoring frameworks are widely considered to be the key factors underpinning successful strategy delivery. This is now relatively well embedded in most commercial strategy development processes and most businesses have formal development and review cycles

Best practice principles

- An implementation plan should be holistic and include a number of different aspects such as timings, milestones, risk assessment, governance and detailed initiative plans
- The plan should be accompanied by a practical set of KPIs (financial and strategic) – to be effective, they need to be manageable
- Formal strategy and performance reviews should be scheduled throughout the year to enable ongoing strategic review and challenge
- Ongoing strategic review and monitoring should seek to understand and explain variances and ensure lessons learnt feed into future strategy development processes

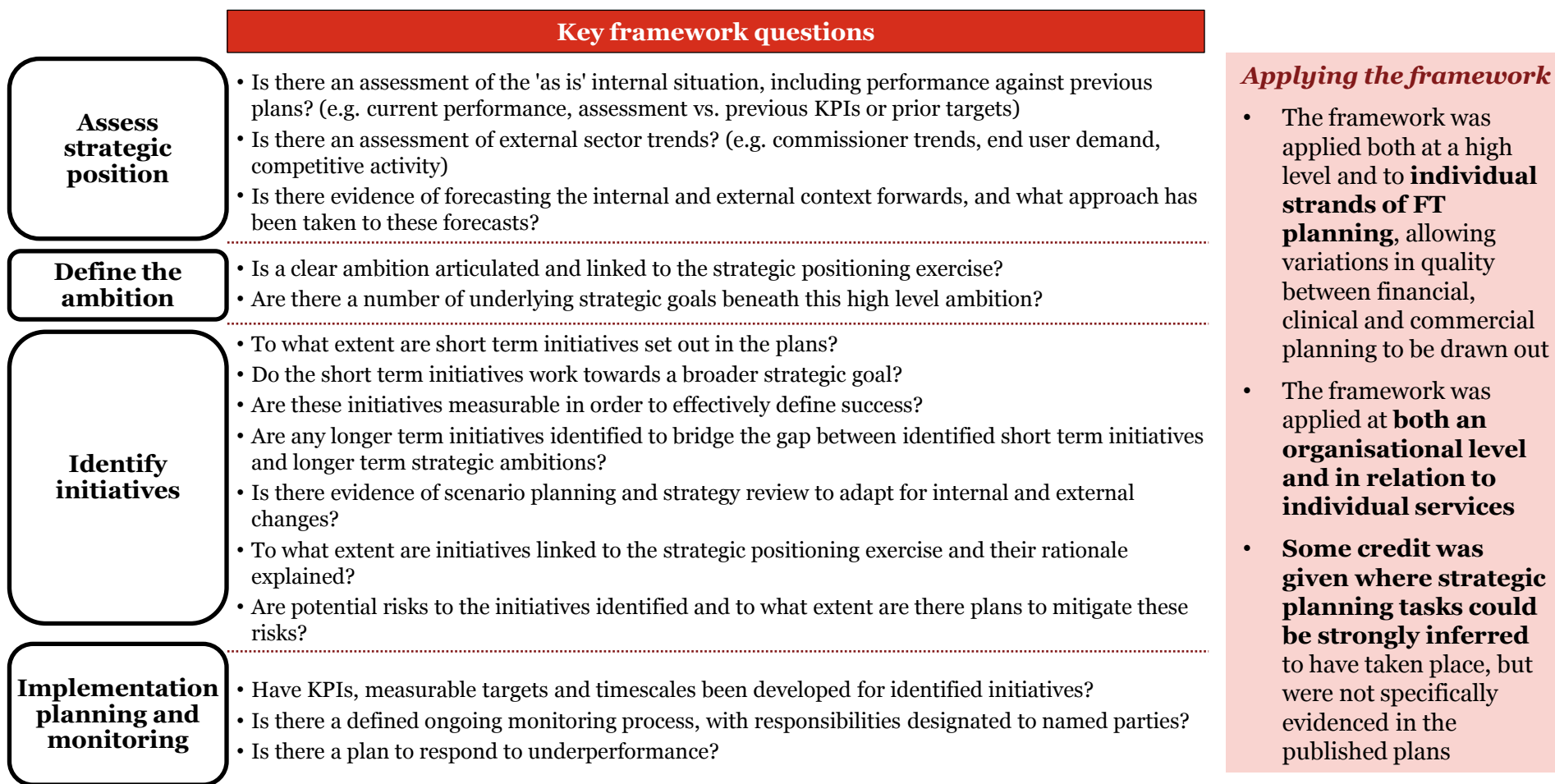
Example 1 – Higher Education Institutions

- HEFCE strategic planning guidance states that implementation planning and monitoring are key factors in successful delivery
- The key stages of this are summarised as:
 - Establishing a clear implementation plan, assigning responsibility with clear targets and milestones
 - The frequency of target and strategy review should be determined up front (e.g. monthly)
 - High level performance indicators may be used as a supplementary monitoring tool, particularly for governors
 - Variance reports detailing under or over achievement should be issued when KPIs are not met
 - The strategic plan need to be monitored with a focus on identifying key areas of risk
 - There should be an element of supportive challenge in monitoring to test the reliability of information
 - Monitoring takes place at several levels (from senior management to programme line managers) and reporting process should be clearly defined
 - Senior Management should periodically review the institution's monitoring systems

Appendix 2 – Detailed assessment methodology

Our assessment framework for the desktop review primarily focused on strategic planning tasks

Desktop review assessment framework (strategic planning tasks)



Though the assessment framework also drew out some broader insights

Desktop review assessment framework (other insights into strategic planning)

Key framework questions

Strategic planning cycle

- What is the role of the annual plan in the FT's strategic planning process? Is it a standalone exercise or developed within a broader process?
- Is there evidence of continuity with previous annual plans and other strategic planning activities?
- Is strategic planning a one off process or is it an ongoing process?
- Are there established dates or processes for revisiting strategic plans?

Strategic resource and responsible parties

- Is there an identified responsible party for strategy development?
- Who has been involved in formulating and reviewing strategic planning? (e.g. Members, board members, governors, clinicians)

Clarity of presentation

- Is the plan easy to understand and follow (for both Monitor and trust members and the public)?
- Is there a high level overview, or does it require the reader to summarise key themes independently?
- Is there continuity between themes and chapters?
- Does the evidence and rationale explain the direction of the strategy in a clear and sequential way?

Applying the framework

- Since some of our questions related to processes rather than strategic outputs, it was not always possible to answer all these questions during the desktop review
- **Where possible, credit was given where strategic planning processes could be strongly inferred** to have taken place

In our deep dive interviews we followed a high level structure, but tailored our questions to address issues relevant to each FT

Deep Dive Interview Assessment methodology

General thematic questions on the strategic planning process

To ensure broad coverage, discussions were focused on six key topics: the strategic planning cycle; the value of strategic planning; developing forward plans; using plans to manage performance; enablers and barriers of strategic planning; and, Monitor's role in the planning process

Topics were selected because they (i) filled gaps that could not be assessed by the desktop review (e.g. planning processes) , and/or (ii), addressed our developing hypotheses for underperformance

Tailored questioning to specific FTs

We also tailored discussions based on the FTs' situation (e.g. local health economy context) and on insights drawn from their publically available documents

This tailoring of questions helped us gain deeper insights, but meant the responses we received were slightly subjective

Open forum to allow FTs to air their own views

We gave all FTs the opportunity to address issues that might not have been covered in our more structured questioning

Example questions and topics

- What steps do you take to develop a strategic plan?
 - How valuable is strategic planning to your organisation?
 - What are the key enablers to developing effective strategy (people, experience, access to information etc)?
 - How does the annual plan fit into the broader strategy development process? How important is it?
 - How do you take national and local uncertainties into account?
-
- When developing your five year plan, how did you account for uncertainty within the sector?
 - Does the behaviour of neighbouring Trusts impact your ability to plan effectively?
 - How, if at all, do you prioritise between your strategic initiatives to mitigate delivery risk?
-
- Topics discussed included:
 - The timing of the APR process
 - The impact of compliance and regulatory burdens on strategic planning
 - Difficulties in attracting sufficiently skilled staff
 - Challenges in assigning board level resource to strategy development

Appendix 3 - Glossary

Glossary

Term	Definition
Capabilities, skills and staffing	
Skills	A learned capacity, relating to the completion of tasks in the strategic planning cycle (e.g., effective demand forecasting)
Capabilities	The capacity of a person to perform a strategic task. Capabilities can be learned (e.g. effective demand forecasting) or more experience and personality based (e.g. a proactive attitude)
Roles and responsibilities	Specific tasks which are assigned to a job role and for which the relevant person is personally accountable
The strategic planning cycle	
Best practice principle	A principle of strategic planning which has been shown to be effective in many successful organisations in both the public sector and other areas
Strategic position	An organisation's position in terms of its internal performance and external environment, incorporating both a current assessment and a future projection
Strategic ambition	A collection of goals and targets that embody an organisation's aspirations and overall direction
Strategic goal	A high level aim for the future which contributes to an organisation's overarching ambition
Strategic target	A measurable aim, which will build towards a strategic goal
Strategic initiative	A specific, practical action which can be completed, to achieve a strategic target either individually or in combination with other initiatives
Short term	Relating to an annual, or 1-3 year, time period
Medium term	Relating to a 3-5 year time frame
Long term	Relating to a 5-10 year time frame
Monitoring and review	
KPI (Key Performance Indicator)	A specific measure which can be easily and accurately tracked to record progress towards strategic targets, goals and ambitions

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