27 April 2018

Rt Hon Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
Westminster
SW1A 0AA

Dear Ms Hillier

Re: subsidiary companies in the NHS

Thank you for your letter of 26 March. In your letter it states that NHS Improvement and the Department of Health and Social Care (DHSC) should be ‘closely monitoring the formation of subsidiary companies’. A set of proposals taken to NHS Improvement’s Resources Committee on 17 April will give us greater visibility of trusts seeking to establish subsidiary companies. Currently, there is no requirement on trusts to notify NHS Improvement when they establish subsidiaries and our visibility comes at year end when information is included in trust accounts. The proposals change this.

The Resources Committee accepted proposals that will see:

- The proposed creation of subsidiary companies becoming a reportable transaction to NHS Improvement under the Transactions Guidance, irrespective of size. This would ensure that transactions are visible to NHS Improvement and that assurance could be sought that NHS trusts had properly identified and reviewed associated risks.
- Trusts self-certify when creating subsidiary companies such that NHS trust boards can evidence they have considered and mitigated all relevant risks. The self-certification will be accompanied by the relevant trust board papers outlining the strategy for the subsidiary and why services are improved as a result.
- A requirement for trusts to inform NHS Improvement of any subsequent changes to these companies.

There are many legitimate reasons why trusts may choose to establish subsidiary companies (bringing contracted out services back into the NHS; generation of profit to reinvest in patient care; flexibility on terms and conditions such that better recruitment and retention of staff is achieved) and it is for local NHS organisations to decide the most appropriate structures they need to deliver safe and efficient care. NHS Improvement’s role is to ensure that subsidiary companies are being established in such a way as to minimise the risk to the financial stability of individual trusts and we are confident that the proposals outline above will achieve this. I have copied Sir Chris Wormald into this response in case he has a view of the role of DHSC that he would like to offer.

Yours sincerely
NHS Improvement is the operational name for the organisation that brings together Monitor, NHS Trust Development Authority, Patient Safety, the National Reporting and Learning System, the Advancing Change team and the Intensive Support Teams.

Ian Dalton
CBE
Chief Executive, NHS Improvement