

9 October 2018

Rt Hon Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
Westminster
London
SE1A 0AA

Dear Ms Hillier

Wholly Owned Subsidiary Companies in the NHS

We have exchanged correspondence about wholly owned subsidiary companies in the NHS several times in recent months. Given your interest and that of other members of your committee I write now to provide you with information on a consultation to update guidance on NHS Improvement's regulatory approach.

On the 16 October we will start consulting on new guidance setting out a revised regulatory approach for overseeing proposals with regards to NHS subsidiaries. NHS Improvement is seeking to change the way we regulate these proposals to ensure they are appropriate, properly planned and that risks have been understood and mitigated. We want the new framework to strike the right balance between providing NHS Improvement with assurance whilst respecting NHS freedoms and enabling innovation. Our guidance will allow trusts to focus their business cases for new wholly-owned subsidiary companies on creating the best value for patients and for the sector, while ensuring their staff are engaged appropriately.

Whilst we undertake this consultation we have paused our consideration of any existing proposals and we have asked NHS foundation trusts and NHS trusts to also pause their plans to establish additional wholly-owned subsidiary companies. This is so that trusts can ensure they can meet the requirements of the new guidance. In a small number of cases we have advised trusts that they do not need to adhere to this pause where plans are advanced and the trust has followed appropriate staff consultation and engagement process.

NHS foundation trusts will continue to have the legal power to form subsidiaries however and NHS trusts will continue to have the ability to set up income-generating subsidiaries. These are not things which NHS Improvement can change through the consultation process as they are a matter of law. As such, the new approach cannot result in a blanket 'halt' on all subsidiaries.

If it is helpful, I will be happy to let you know the outcome of the consultation in due course.

Yours sincerely



Ian Dalton CBE

Chief Executive, NHS Improvement