

From the Permanent Secretary
Sir Chris Wormald



Department
of Health &
Social Care

Meg Hillier MP
Chair of the Committee of Public Accounts
House of Commons
[Redacted]

39 Victoria Street
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Dear Chair

17 May 2018

Subsidiary Companies in the NHS

I am writing further to your letter to Ian Dalton of 26th March and regarding your expectation that NHSI and DHSC closely monitor the formation of wholly owned subsidiary companies and actively consider the effects they are likely to have on the NHS in the short and the long term.

You will have seen Ian Dalton's response. I wanted to take this opportunity to confirm to you that we fully support the work NHS Improvement is leading to improve the visibility of newly formed subsidiary companies.

At the heart of these changes is the introduction of a requirement for trusts to notify NHS Improvement, and through them the Department of Health and Social Care (DHSC), when they establish a subsidiary company irrespective of size. We will continue to work closely with NHSI and with colleagues in HMRC and HMT to ensure that these structures comply with tax law.

The Department wrote out to all NHS Trusts and NHS Foundation Trusts last September to reaffirm the Departments position that the only tax advice which should be taken by NHS organisations is that "necessary for the fulfilment of statutory functions or to assist in compliance with tax rules beyond in-house expertise" and that "tax avoidance schemes should not be entered into under any circumstances". NHSI's proposal to require trusts to self-certify the risks and benefits of creating a subsidiary company will help provide evidence that any new subsidiary companies are not being established for the purpose of gaining VAT advantages.

Yours sincerely,

Chris Wormald

**SIR CHRIS WORMALD
PERMANENT SECRETARY**