

## Background to the acquisition of the RNHRD by the RUH.

### Why did the RNHRD have underlying financial issues which could not be resolved?

A number of reasons including:

- **High levels of overhead costs in relation to the size of the organisation** -regardless of its small size, the RNHRD needed to have an infrastructure in place that adequately supported the services in the delivery of patient care and enables the organisation to meet all of its responsibilities as a Foundation Trust. The cost of providing this infrastructure was disproportionately high at the RNHRD compared to other larger Trusts. ...
- **Costs involved in providing services from a heritage building** - the Trust operates from a Grade II listed building in the centre of Bath, there is a significant cost associated with maintaining a building of this nature and ensuring it is fit for purpose.
- **Changes in tariff payments**, reductions in tariffs mean income levels fall year on year, even if activity levels remain stable.
- **Changes in commissioning patterns**, as commissioners across the NHS look to reduce inpatient beds and increase service provision in the community where appropriate.
- **Changing financial context of the NHS.**

Monitor has previously acknowledged that the Trust had taken steps to reduce its costs and improve efficiency, however these actions alone could not address the Trust's underlying financial issues.

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