

# House of Commons: Written Statement (HCWS161)

## Department of Health

Written Statement made by: **The Secretary of State for Health (Mr Jeremy Hunt)** on 21 Jul 2015.

### Costs and benefits of NHS modernisation

The health and care reforms came into operation on 1st April 2013. They reshaped the NHS to give patients a stronger voice and give doctors, nurses and elected councillors more power to decide how best to use local resources to significantly improve services and patients' health.

The National Audit Office subsequently reported that the transition to the reformed health system was successfully implemented and the savings in administration costs would far outweigh the implementation costs.

The Department of Health originally forecast the total cost of transition to be £1.5 billion. On publication of the Department's Annual Report and Accounts for 2014-15, I can today announce that the actual costs to 31 March 2015 are £1.38 billion, and total costs are forecast to be under £1.43 billion. The costs to 31 March 2015 comprises:

- £473 million on staff redundancies;
- £75 million on IT for the new organisations;
- £88 million on estates costs of closing bodies and setting up new organisations;
- £29 million on internal Departmental costs (e.g. programme management);
- £323 million on setting up Clinical Commissioning Groups (excluding items above); and
- £395 million on other costs of closing bodies (e.g. PCTs) and setting up new organisations.

The Department of Health also originally forecast that between 2010-11 and 2014-15 the reforms would save the NHS £4.5 billion in lower administration costs, as well as a further £1.5 billion a year thereafter. I can today also announce that actual savings were far greater, in cash terms at £6.9 billion over this period, including £2 billion in 2014-15 (and in 2010-11 prices comparable to the impact assessment £6.5 billion, including £1.8 billion in 2014-15.) This means the government has successfully achieved its aim to reduce NHS bureaucracy costs by a third.

By removing excessive layers of bureaucracy, the NHS has significantly reduced the number of managers it employs. For example, the reduction of central administrative staff by 18,000 since 2010 has helped the NHS to increase the number of professionally qualified clinical staff by over 23,500, including over 8,500 more nurses and over 9,000 more doctors. These extra clinicians are treating record numbers of patients. For example, compared to 2012-2013, in 2014-2015 the NHS admitted 600,000 more patients to hospital, saw 3.4 million more outpatients, and did 2.2 million more diagnostic tests.