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Early News

Dossier reveals true extent of management consultant spend

The imposition of turnaround teams on cash-strapped trusts has cost the NHS more than £22m, new figures reveal.

Three of the trusts with the worst financial problems have each paid out over £1m to finance the management consultants. Surrey and Sussex Healthcare trust came out on top with a £1.5m bill.

The Department of Health contributed just £93,000 towards the costs.

The figures were revealed in a 300-page memorandum from the Department of Health to the Commons health select committee's annual inquiry on public expenditure. The response was one of the answers to over 140 questions posed by MPs contained in the dossier.

In the document, the DoH admitted the accuracy of HSJ's revelations on the estimated redundancy costs of the current NHS restructuring (news, page 5, 24 November 2005). The evidence said the cost of payments to staff who lost their jobs under the reconfiguration of primary care trusts and strategic health authorities has been projected at 'around £325m', assuming an average age profile.

And the report showed that the DoH spent a massive £133m on management consultants last year - more than the £94m projected net deficit for the NHS next year.

It confirms that the DoH underestimated the annual cost of the consultant contract by £90m, and the *Agenda for Change* contract for nurses and managers by £220m, due to mistakes in calculating overtime and the cost of replacing staff working fewer hours under the contract.

The document also shows that in 2005-06 PCTs overspent by £196m on the GP contract, due to better than expected results from the quality and outcomes framework, and extra spend on out-of-hours care.

This was despite a £322m injection from the DoH to help PCTs commission and provide new services after 90 per cent of GPs opted out of the out-of-hours part of their contract.

The memorandum shows that in 2005-06 total management costs rose on the previous year to £2.6bn; but as a proportion of total NHS spend it fell slightly, to 3.7 per cent. Nevertheless it reveals that the number of managers and senior managers has leapt by more than three-quarters since 1997.

The £21.1m turnaround bill comprises only 97 trusts and PCTs. Since the figures were compiled for MPs in May, the number of turnaround teams has risen to 143.

Turnaround trusts have had to fund their own support; the DoH only contributed £93,000 towards the first three months of the 23 turnaround trusts with the deepest problems.

NHS Confederation chief executive Dr Gill Morgan said: 'Before we can say whether this has been money well spent, we need to know what has been released in terms of savings. If it has delivered more than £22.1m it will have been money well spent; if it has only delivered £5m it may have been a waste.'

Of the extra £5.5bn invested in the NHS last year, 56 per cent was spent on pay and 33 per cent on drugs and supplies.

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