

**Cutting agency staff costs has proved tricky and the Department of Health is upping the ante by capping spending. But will it help, asks Seamus Ward**

Over the past few months, spending on agency staff in England has become a hot topic and a casual observer would be forgiven for thinking it was the cause of all the service's financial woes. Politicians never like to be seen as idle over such issues, so last month health secretary Jeremy Hunt announced measures to curb agency spending.

In 2014/15, NHS trusts and foundation trusts spent about £3.3bn on temporary staff – £1.8bn more than planned. Much of this spending was the result of vacancies in substantive positions, money trusts would have spent anyway had they been able to fill these posts.

Even before the latest numbers, NHS managers agreed action was needed on agency costs. It is commonly held that the recent rise in temporary staff spending is mostly a reaction to the Francis inquiry into Mid Staffordshire NHS Foundation Trust. In the wake of its findings, trusts vowed to increase staff numbers – especially nursing staff – to improve quality. National Institute for Health and Care Excellence (NICE) guidelines on safe staffing and Care Quality Commission inspections also point trusts in this direction.

The extent of the Francis effect on nurse numbers was revealed at last month's NHS Confederation annual conference. Health Education England chief executive Ian Cumming said the Francis report led to demand for 20,000 additional nurses. While 8,000 new staff were in post, 12,000 agency nurses were needed to make up the balance.

So, in the immediate future, trusts will have to focus on cost control. Mr Hunt says the NHS must eliminate waste using these controls.

'Expensive staffing agencies are quite simply ripping off the NHS. It's outrageous taxpayers are being taken for a ride by companies charging up to £3,500 a shift for a doctor,' he says. His new measures will give:

- A maximum hourly rate for agency doctors and nurses
- A ban on the use of agencies not on an approved framework
- A cap on total agency spending in NHS trusts in financial difficulty.

The Department of Health says the cap will be introduced initially for agency nurses and then extended to other clinical, management and administrative staff.

### Foundation process

Monitor has expanded on the process for foundations. From 1 July, an approval process for agency nursing costs will be introduced for foundation trusts in breach of their licence for financial reasons. This will be extended to other staff by 1 September. The process will include:

- A trust-specific ceiling on the percentage of staff that can be employed on an agency basis
- A cap on the maximum rates of agency pay for different types of staff
- A list of approved frameworks.

There will be a mechanism for local managers to override these limits in

## NHS England on safe staffing

Chief nursing officer Jane Cummings (pictured) has taken over NICE's work on safe staffing, NHS England has announced.



NICE began looking at ratios of nursing and midwifery staff to patients in 2013 following the Francis report and Berwick review of patient safety. The reports and NICE guidelines are widely believed

to have contributed to the increase in agency staff spending. Last month, Ms Cummings wrote to the service about next steps on safe staffing. She insisted NHS England's work on safe staffing had nothing to do with saving money, nor was it about changing the NICE guidance or contradicting the Care Quality Commission's inspection role.

While the number of nurses on a shift was important, a greater range of issues influences good quality care, she said. As it develops the approach

to safe staffing in mental health, urgent care, learning disability and community services, NHS England aims to:

- Take account of all staff, not just nurses
- Reflect the fact that many care settings are outside hospital and span organisations
- Look at how much time nurses spend with patients.

The new approach would also allow for career progression, retention of nursing staff and flexible working.

the interests of patient safety and Monitor has asked foundations not in breach to comply voluntarily.

Generally, providers welcome the cap, with a caveat that some details need attention. 'It's important to remember that agency staff are useful for ensuring continuity and quality of care,' says Danny Mortimer, chief executive of NHS Employers. 'There is potential for NHS trusts to reduce spend on agency workers through further improvements in flexible working, technology and arrangements with local agencies.'

Chris Hopson, chief executive of NHS Providers, asks what trusts should do if capping clashes with other policies. 'Trust leaders will want clarity on which is more important if there is a conflict – meeting central requirements on staffing levels or staying within any new cap. Ideally, both sets of requirements need to be aligned – for example, by setting each trust's cap at a level that reflects quality and financial need and the availability of permanent staff for that trust,' he says.

The Recruitment and Employment Confederation, which represents agencies, is disappointed that the Department has not consulted on the new rules. '[We] await more detail about exactly how they propose to reconcile them with NHS trusts' legal responsibility to ensure safe staffing levels on wards,' says Tom Hadley, its director of policy.

He asks what would happen if a trust reaches its spending ceiling but faces an increase in activity and needs staff quickly. He also points out that trust spending on agency staff is already regulated. 'Nobody objects to there being set parameters for pricing of agency staff, but they already exist in the form of NHS framework agreements,' says Mr Hadley.

It is true that a number of framework agreements exist. These include four operated by the Crown Commercial Service, covering medical locums, nursing staff, allied health professionals and non-medical, non-clinical workers. As well as providing some assurance on employment checks, the frameworks include controls on pay. However, the new


arrangements go further, not only capping hourly rates, but also banning the use of non-framework agencies and placing a ceiling on the overall spend of trusts in financial difficulty.

There is evidence that the existing frameworks are being bypassed. Liaison analysed locum doctor spending during quarter three in 2014/15 in 40 trusts. It found that pay rates exceeded the recommended national framework rates. For example, consultant rates were 46% higher on average than the framework rates, excluding tax and National Insurance.

## Pay variations

Liaison gives reasons for this. Two-thirds of temporary staff hours were booked to cover unfilled vacancies, but previously agreed pay rates (through the frameworks) were overridden in 26% of bookings. In 42% of these cases, pay rates were raised to attract the locum and the agency agreed to decrease commission to secure the booking. In 27%, higher rate bookings were due to the need for a specialist locum and a further 25% were made at very short notice. Liaison says this shows the pressure trusts are under to fill roles to meet quotas and requirements.

Liaison also found that while average commission fell from £7.41 per hour in the previous quarter to £7.12 in quarter three, average pay increased from £60.26 per hour to £60.78. There were also regional variations, with 16 trusts in the north of England booking 50% more temporary staff hours than the same number of trusts in the south. The former spent almost £10m in pay and commission for temporary workers, almost £3.5m more than those in the south.

The clampdown on spending may lead to trusts exploring alternatives, including boosting their own bank arrangements, reducing sickness absence and more flexible contracts for substantive staff. But while the NHS grows its pool of new clinicians to fill vacant posts, it is likely trusts will continue to juggle safe staffing and agency spending limits. 



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