Reducing agency spending in the NHS

Safe Staffing Event,
19th January 2016
Central messages from this presentation

• Provider finances are in a perilous state with deficits increasing significant in the last two years and rising staff costs are a central factor in this

• Spending Review continues the tough financial challenge for the NHS and the efficiency savings needed in the next five years are unlike anything the NHS has ever seen before

• There are five high impact actions for trusts to consider that are based on the shared learning from how other organisations have been able to bring down agency costs

• New price cap for agency costs in principle could support NHS organisations to reduce costs, although it is important this is implemented careful to have the intended impact
Quick note on the NHS Confederation

- We are an independent membership body for the NHS with around 500 members, including all types of commissioners and providers of NHS-funded care.
- We bring together the whole system in one group, including NHS Employers, NHS Clinical Commissioners, Mental Health Network, NHS Partners Network, National Association of Primary Care, NHS European Office, Welsh NHS Confederation and the Northern Ireland Confederation.
- We aim to support, represent and be system leaders on behalf of our members on the issues that matter to them in health and care.

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Decline in provider finances and tough challenge ahead
Decline of provider finances

- The First Great Efficiency Challenge (2011 to 2015) had a plan from the start for how savings could be delivered.

**Nationally-driven (40%, £8bn)**
- Central budgets, pay restraint and administration costs

**Provider-driven (40%, £8bn)**
- Productivity gains driven by reductions in tariff prices

**Transformation (20%, £4bn)**
- Service change and redesign

Source: Department of Health, 2010

More information at: [http://www.nhsconfed.org/finance](http://www.nhsconfed.org/finance)
Decline of provider finances

- Reported savings in early years show major focus on making savings through providers, by cutting tariff prices

Source:
Department of Health, 2012

More information at: http://www.nhsconfed.org/finance
Decline of provider finances

- This focus was maintained throughout the period and beyond, with an 8 per cent net cut in tariff prices.

More information at: http://www.nhsconfed.org/finance

Source: Monitor and NHS England
Decline of provider finances

- Despite a period of resilience, persistent cuts have caused a provider deficit and seen more individual trusts fail to break even

<table>
<thead>
<tr>
<th>Year</th>
<th>FTs</th>
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<tbody>
<tr>
<td>2010-11</td>
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<tr>
<td>2011-12</td>
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<td>£437m</td>
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<td>2012-13</td>
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<td>2013-14</td>
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<td>£134m</td>
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Period of resilience

- £345m
- £1,107m

Source: Monitor, data for FTs only

More information at: http://www.nhsconfed.org/finance
Tough challenge ahead

- A Second Great Efficiency Challenge (2016 to 2020) has now been set by the Spending Review with health spending broadly flat per person.

Source: Health Foundation, 2015
Tough challenge ahead

- Flat spending per person accounts for increase in population, which is expected to grow year-on-year in the UK

Source: Office for National Statistics, 2015

More information at: [http://www.nhsconfed.org/finance](http://www.nhsconfed.org/finance)
Tough challenge ahead

- It does not cover our ageing population though, which puts additional pressures on the NHS

Source: Office for National Statistics, 2015

More information at: http://www.nhsconfed.org/finance
Tough challenge ahead

- It also does not cover additional health cost inflation, which often varies from economic-wide pressures.

In last decade, pay was mostly above economic inflation and prices were below.

In this decade, the trend has reversed with pay lower and prices higher.

Source: Personal Social Services Research Unit, 2014
### Tough challenge ahead

- NHS is now tasked with delivering £22 billion worth of savings by 2020/21, which is much more than ever before

<table>
<thead>
<tr>
<th>Efficiency scenarios (up to 2020-21)</th>
<th>Additional funding required (by 2020-21)</th>
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</thead>
<tbody>
<tr>
<td><strong>None</strong> – 0 per cent</td>
<td><em>NHS delivers no productivity improvement</em></td>
</tr>
<tr>
<td><strong>Standard</strong> – 0.8 per cent</td>
<td><em>NHS delivers long-run productivity average</em></td>
</tr>
<tr>
<td><strong>Enhanced</strong> – 1.5 per cent</td>
<td><em>NHS delivers productivity average in last five years</em></td>
</tr>
<tr>
<td><strong>Ambitious</strong> – 2.4 per cent</td>
<td><em>NHS delivers unprecedented productivity</em></td>
</tr>
</tbody>
</table>

Reducing Agency Spending

More information at: [http://www.nhsconfed.org/finance](http://www.nhsconfed.org/finance)
Tough challenge ahead

• The savings plan for the Second Great Efficiency Challenge (2016 to 2020) has not been outlined yet

Provider-driven
(25%, c.£5bn)

As suggested by Lord Carter

???
(50%, c.£12bn)

Still to be outlined by Government with the NHS

Nationally-driven
(25%, c.£5bn)

Savings from pay and system costs

More information at: http://www.nhsconfed.org/finance
Agency spending and the efficiency challenge
Agency spending and the efficiency challenge

• Trusts in deficits have shifted in the last five years with more failing to break even

17 per cent in deficit in 2012-13
38 per cent in deficit in 2014-15

Source: Monitor (FT data only)

More information at: http://www.nhsconfed.org/finance
Agency spending and the efficiency challenge

- Spending on agency costs over this period have grown significantly with a 55 per cent increase in three years.

Source: Monitor (FT data only)

More information at: [http://www.nhsconfed.org/finance](http://www.nhsconfed.org/finance)
Agency spending and the efficiency challenge

- Agency costs as a portion of turnover has also increased, showing the increased relative impact on spending.

Source: Monitor (FT data only)

More information at: http://www.nhsconfed.org/finance
Agency spending and the efficiency challenge

- High-level data indicates trusts in deficit were more likely to spend above the average on agency staffing as percentage of turnover

36% of trusts in surplus had above average agency spend to turnover

55% of trusts in deficit had above average agency spend to turnover

More information at: http://www.nhsconfed.org/finance
Agency spending and the efficiency challenge

- This is also the case when 5 per cent outliers are removed with a clear trend of increased agency spending with reduced financial position

Source: Monitor (FT data only)

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Agency spending and the efficiency challenge

- High-level data indicates trusts in deficit more likely to have a lower than average engagement score from staff survey results

![Graph showing correlation between agency spending and staff survey engagement scores.](http://www.nhsconfed.org/finance)

- **39%** of trusts in surplus had below average staff survey engagement scores
- **61%** of trusts in deficit had below average staff survey engagement scores

Source: Monitor (FT data only)

More information at: [http://www.nhsconfed.org/finance](http://www.nhsconfed.org/finance)
Agency spending and the efficiency challenge

- This is also the case when 5 per cent outliers are removed with a clear trend of increased engagement score and increased financial position.

Source: Monitor (FT data only)

More information at: http://www.nhsconfed.org/finance
Reducing agency spending
Reducing agency spending

• Agency workers and temporary staff in general can play a vital role in helping NHS organisations to plan and manage fluctuations in demand, as well as covering for periods of short term workforce shortage.

• In combination, they can though prove an expensive resource for the NHS and trusts are therefore looking at options to reduce their temporary staffing costs.

• NHS Employers have developed an important set of resources to help trusts reduce their agency costs, including ‘how to’ and ‘top tips’ guides, which can be found in full at nhsemployers.org.

• Learning shows that reducing agency expenditure doesn't always mean implementing big organisational change programmes and sometimes small actions at a local level can help to reduce costs considerably.
Reducing agency spending

- Five high impact actions for trusts to consider, however these shouldn’t be considered in isolation from wider actions
- Good recruitment practices, such as values-based recruitment and reducing time to hire, can help recruit people who that are a good fit with organisational values
- Other aspects of good practice, like effective inductions, support and appraisals, can ensure the ‘post offer’ activity helps people to settle into an organisation
- There is good evidence on how to improve retention of staff, for example through investment in health and wellbeing, encouraging an open culture and improving staff engagement
- High agency costs are not solely caused by management of agency spend (multi-factorial) and managing agency spending is not solely achieved by addressing high impact actions (multi-faceted)
Reducing agency spending

The five high impact actions we describe on agency spending for NHS trusts to consider are:

- Increasing understanding of the issue
- Managing the process and take control
- Managing your workforce, create a sustainable supply
- Working collaboratively
- Engaging with staff

These actions are supported by extensive engagement with trusts on how they are working to reduce agency spending, highlighted through case studies

More information at: http://www.nhsconfed.org/finance
Increase understanding of the issue – shared learning

• It vital that trusts understand the drivers behind agency use and while each organisation will face unique challenges, there are often common reasons for high temporary staffing usage
• These include: high sickness absence, high turnover of staff, slow recruitment time, poor workforce planning and attitudes towards use of agency staff as a routine practice
• An effective e-rostering system, for example, can improve visibility of staff resources and it can evaluate if bookings for bank and agency staff are necessary
• One IT system for all staff and reporting through workforce management systems can better utilise and enable trusts to identify cost effective ways to fill vacant shifts

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Increase understanding of the issue – shared learning

- Specialist rota coordinators can help ensure the most appropriate staff are working at any point in time, while allowing clinical staff to dedicate more of their time to patient care.
- Regular reporting, including on bank and agency usage, can help ensure consistency across departments and identify areas where staff could be better deployed.
- Management information systems can accurately differentiate between internal bank and external agency staff, highlighting the difference in cost between the two that can sometimes be substantial.

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Manage the process and take control – shared learning

• Reviewing internal processes relating to agency booking is important to identify what systems and controls are in place, as well as examining policies and procedures in place.

• Authorisation for the requisition of bank and agency staff can improve control for trust on the booking of temporary staff and improve accountability within the organisation.

• Process can be streamlined using electronic authorisation, which allows requests to be submitted to required level of authority for approval.

• Responsibility can be centralised for booking temporary staff to increase control of the billing procedure and lead to a more effective invoicing system and a more cost effective method of requisitioning agency staff.
Manage the process and take control – shared learning

• Economies of scale can be achieved by shifting responsibility to a single point and also ensure temporary staff are being booked from the most cost effective agency
• Effective billing mechanisms provide full visibility of what is being paid and there are a number of options to make billing and invoicing procedures robust
• These include:
  – ensuring all invoices received are validated
  – exploring the possibility of agency self billing
  – reporting non compliant agencies when using a framework agency
  – cross checking invoices received with temporary staff used

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Manage your workforce, create a sustainable supply – shared learning

- It is important to consider wider measures and their impact on agency usage, including information on overtime, internal banks, sickness absence, turnover, recruitment time and shift patterns
- Ensure substantive workforce is being used as effectively as possible before looking to external agencies, for example through new ways of working and internal and external benchmarking
- When vacancies do occur, consider whether a direct replacement is required and if they are, explore whether part time staff would be interested in increasing their hours before bringing in temporary staff
- Looking at how to increase hours of part time employees or explore alternative ways of working could reduce costs and may improve quality by increasing hours of employees familiar with the organisation

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Manage your workforce, create a sustainable supply – shared learning

- Using redeployment registers for permanent vacancy to utilise staff already working in the organisation making the most of their skills, knowledge and experience
- Review when temporary staff are being used, such as on expensive evening and weekends, to analyse whether substantive and temporary workforce are being used as effectively as possible
- Ensure substantive staff are not re-employed back into the organisation on part time basis through external agencies, by looking to recruit them back in through a bank or increasing existing hours

Reducing Agency Spending

More information at: [http://www.nhsconfed.org/finance](http://www.nhsconfed.org/finance)
Work collaboratively – shared learning

• There are opportunities in working with others within an organisation, such as managers sharing staff across work areas or finance and workforce information colleagues sharing data on agency usage
• On a much wider scale, working collaboratively could mean trusts working together to develop shared banks or to negotiate prices with local employment agencies
• Develop effective working relationships with partner agencies and use these to best manage demand for temporary staffing and reduce costs
• Work with NHS procurement hubs to find economies of scale through larger purchasing arrangements that supplement the various framework agreements that are in place across the NHS

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Work collaboratively – shared learning

• Work with other neighbouring trusts and consider setting up joint staff banks to work across an area to provide temporary cover with dual benefits of being significantly cheaper and better quality
• Involve service managers, employees, HR, finance and procurement professionals where practical in procuring temporary staff to access the highest quality temporary staff in the most cost effective ways

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Engage with staff – shared learning

• Reducing agency costs requires the engagement and co-operation of existing and substantive staff, either through a change to their work practice or a need for them to adhere to more rigorous controls.

• As with any change process, there needs to be effective communication of policies and working practices to your staff, using groups such as Social Partnership Forums and JNCC.

More information at: http://www.nhsconfed.org/finance
Reducing agency spending – case studies

• **Central Manchester University Hospitals NHS Foundation Trust:**
  Developing a new medical locum framework

• Central Manchester University Hospitals NHS Foundation Trust has worked with HealthTrust Europe to develop a new medical locum framework for the trust which has led to savings in temporary staffing spend, efficiency savings and improved management information

• More information:
Reducing agency spending – case studies

- **Taunton and Somerset Foundation Trust**: Reducing agency staff costs

- Taunton and Somerset Foundation Trust implemented consistent processes for managing temporary staff and e-rostering. Combining both provided complete visibility of the workforce which has enabled a reduction in workforce expenditure, particularly agency costs.

Reducing agency spending – case studies

- **Blackpool Teaching Hospitals Foundation Trust**: Involving doctors in implementing an online rostering system

- Blackpool Teaching Hospitals NHS Foundation Trust made savings valued at £20,000 across a six-month pilot project to implement an online rostering system for junior doctors.

- More information: [http://www.nhsemployers.org/~/media/Employers/Documents/Plan/BlackpoolTeachingFTInvolvingDoctorsOnlineRosteringCS.pdf](http://www.nhsemployers.org/~/media/Employers/Documents/Plan/BlackpoolTeachingFTInvolvingDoctorsOnlineRosteringCS.pdf)
Reducing agency spending – case studies

- **Leicester Partnership Trust**: Implementing e-Rostering for all medical trainees

- Leicestershire Partnership NHS Trust has improved the way its medical trainee on-call rosters are compiled and managed. It is now planning to end paper rotas for medical staff, which will save time for the medical staffing team and medical trainees.

- More information: [http://www.nhsemployers.org/~media/Employers/Documents/Plan/LeicesterPartnershipTrustImplementingERrosteringForAllMedicalTrainees.pdf](http://www.nhsemployers.org/~media/Employers/Documents/Plan/LeicesterPartnershipTrustImplementingERrosteringForAllMedicalTrainees.pdf)
Reducing agency spending – case studies

• **York Teaching Hospitals Foundation Trust**: Minimising the cost of medical rotas management

• York Teaching Hospitals NHS Foundation Trust made efficiency savings of £225,000 through introducing a rota coordination team to maintain rotas, freeing up clinical and management time for service delivery.

Reducing agency spending – case studies

• **Bradford District Care Trust**: Working in partnership to dramatically reduce agency spend

• Bradford District Care Trust reduced its agency staff spending by 25 per cent over six months by joining forces with NHS Professionals (NHSP). This has been supported by a 13 per cent increase in bank (NHSP) versus agency fill rate to date.

• More information: [http://www.nhsemployers.org/~/media/Employers/Documents/Plan/WorkingInPartnershipToDramaticallyReduceAgencySpendFinal18Nov.pdf](http://www.nhsemployers.org/~/media/Employers/Documents/Plan/WorkingInPartnershipToDramaticallyReduceAgencySpendFinal18Nov.pdf)
Reducing agency spending – case studies

• Norfolk and Waveney Mental Health Foundation Trust:
  Collaborating across units to increase bank shift fill

• In just one year, Norfolk and Waveney Mental Health NHS Foundation Trust has more than doubled its bank fill rates and reduced by 35 per cent the number of agency staff shifts through implementing a managed flexible worker solution.

• More information:
  http://www.nhsemployers.org/~/media/Employers/Documents/Plan/CollaboratingAcrossUnitsCaseStudyFinal15Nov.pdf
Reducing agency spending – case studies

• **University Hospital of South Manchester Foundation Trust:** Updating administration and offering pre-employment courses to meet staffing demand

• University Hospital of South Manchester NHS Foundation Trust saved more than £2 million on temporary staffing in one year after streamlining its temporary workforce management system, and piloting a new scheme for unqualified trainees.

• More information: [http://www.nhsemployers.org/~/media/Employers/Documents/Plan/UpdatingAdminCaseStudy15Nov.pdf](http://www.nhsemployers.org/~/media/Employers/Documents/Plan/UpdatingAdminCaseStudy15Nov.pdf)

More information at: [http://www.nhsconfed.org/finance](http://www.nhsconfed.org/finance)
Reducing agency spending – case studies

- **Dorset County Hospital Foundation Trust:** Using workforce intelligence to reduce agency spend

- Dorset County Hospital NHS Foundation Trust has successfully implemented a programme to reduce temporary staffing costs, saving approximately £70,000 a month in 2011/2012 and with ongoing benefits.

- More information:
  
  [http://www.nhsemployers.org/~/media/Employers/Documents/Plan/DorsetCountyHospitalNHSFoundationTrustFinal.pdf](http://www.nhsemployers.org/~/media/Employers/Documents/Plan/DorsetCountyHospitalNHSFoundationTrustFinal.pdf)
Reducing agency spending – case studies

• **North Tees and Hartlepool Foundation Trust:** Making effective use of bank and agency staff

• North Tees and Hartlepool NHS Foundation Trust introduced a Bank Staff Management System (BSMS) to ensure that appropriately skilled and qualified temporary staff are allocated bank duties, to minimise clinical risks and control agency costs and spend.

Reducing agency spending – case studies

• **The Royal Berkshire Foundation Trust**: Creating a managed service platform to reduce cost and improve governance standards

• The Royal Berkshire NHS Foundation Trust (Royal Berks) has managed to channel its entire locum doctor requirement through the NHS Professionals (NHSP) managed service platform to reduce costs, improve governance standards and help achieve key objectives within 12 working days.

Reducing agency spending – case studies

• **United Lincolnshire Hospitals Trust:** Implementing a locum booking, authorisation and monitoring system to control costs and increase shift fill

• United Lincolnshire Hospitals Trust commissioned a report to investigate the high spend on locum doctors. The trust introduced a pilot locum booking system aimed at reducing locum costs and improving management control issues.

Reducing agency spending – case studies

• **Hertfordshire Partnership NHS Foundation Trust**: Implementing e-rostering to reduce agency spend

  E-rostering has helped Hertfordshire Partnership NHS Foundation Trust to save more than £750,000 over three years and understand the total resources they have available at any one time. Now in the second phase of the project they are rolling it out across the trust.

Further information and support

- NHS Confederation website: [http://www.nhsconfed.org](http://www.nhsconfed.org)
- NHS Employers website: [http://www.nhsemployers.org](http://www.nhsemployers.org)

- Second workshop on staff retention in London (4th February)
- Good Recruitment Practice event in Leeds (30th March)
Price caps for agency staff

• Cap on amount of money that trusts can pay per hour for agency staff working for the NHS, which all staff groups covered by national pay scales and came into force in November 2015

• Importantly, it does not apply to bank staff, which was requested by NHS Employers who argued for flexibility for organisations to design their own local reward strategies for their bank

• Price caps set maximum total hourly rate:
  – Junior doctors: 150% (Nov 2015), 100% (Feb 2016), 55% (Apr 2016)
  – Other medical: 100% (Nov 2015), 75% (Feb 2016), 55% (Apr 2016)
  – Other clinical: 100% (Nov 2015), 75% (Feb 2016), 55% (Apr 2016)
  – Non-clinical: 55% (Nov 2015)
Price caps for agency staff

- There are also Monitor and NHS Trust Development Authority rules on procurement of agency staff
- Rules are intended to increase trusts’ bargaining power when procuring from agencies and encourage nurses to return to permanent and bank working
- Rules include:
  - an annual ceiling for total nursing agency spending for each trust
  - mandatory use of approved frameworks for procuring agency staff.
- These sit alongside the price cap rules
Price caps for agency staff – support for the principle

- Employers agree with the principle of introducing price caps and understand reasons why action on agency spending needs to be taken
- Price caps are only one part of the solution and need to be accompanied by increasing supply of staff (both domestic and from international recruitment) to meet large workforce challenge
- We also need to use data to understand why people are leaving their organisations and consider the impact of staff experience, including flexible working
- Should be wary of application of caps and employers will need support at a national level, rather than punitive measures, to implement them successfully
Price caps for agency staff – some concerns about design

- Speed and timing of implementation create a challenge for employers, in particular ahead of winter pressures and with time lag for benefits on increasing supply through training and recruitment
- Blanket approach to pricing across grades does not take into account particular specialities that are hard to recruit, including in accident and emergency departments
- Framework agreements will not help trust stay within caps and these need to be renegotiated to ensure agencies under the frameworks support compliance
- Reporting requirements could create a burden on trusts with shift level reporting increasing work of individual trusts, which could be adapted to reflect the seriousness with which trusts are taking the issue

Reducing Agency Spending

More information at: http://www.nhsconfed.org/finance
Price caps for agency staff – impact so far

• Difficult to assess - we are working with trusts to understand early impact and to identify issues in implementation to be raised with the national bodies as proposals are taken forward

• Need to monitor carefully the impact on staff morale, in particular with staff who work substantively within their organisations but do extra shifts through agency to supplement income

• Success of the cap will depend on ability of trusts to comply with the rules and ‘hold the line’ – behaviour of agency staff may change and they may move to substantive or bank employment

• Changes in behaviour though will likely vary according to staff group and geography
More information:

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http://www.nhsconfed.org/finance

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