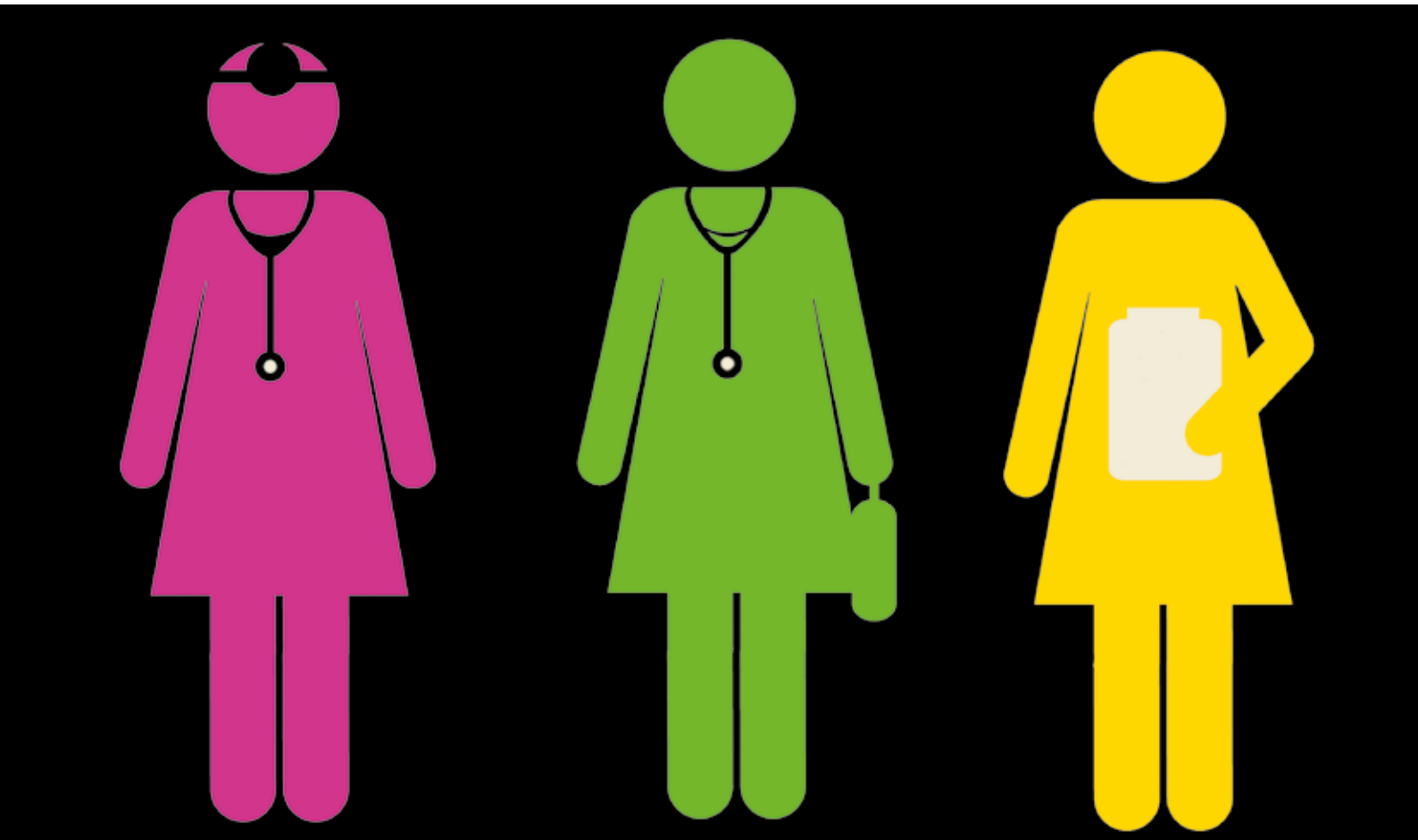


Short-term fix

The cost of non-permanent staff continues to rise, causing alarm in government and regulators. Seamus Ward asks what's causing the increase and what trusts can do about it

The cost of staffing the NHS is back in the news, with rising alarm about the cost of temporary workers. In September, Monitor said the failure to meet a planned reduction in spending on contract and agency staff in the first quarter of the financial year contributed to the foundation sector's first ever deficit. FTs spent £391m on temporary staff, compared with the planned £189m.

In the most recent HFMA *Financial temperature check* (June 2014), the cost of additional nursing staff was the second biggest short-term cost pressure identified by finance directors.

Ministers have linked financial distress and the costs of temporary staff. Last month, it emerged that a reduction in temporary staff costs could be one of the conditions set by the Department of Health when providing financial assistance to trusts. Failure to meet this condition could lead to the appointment of a trust special administrator (see news, page 5).

Temporary staff spending across the NHS in England stands at about £2.6bn a year – which includes all types of staff – and trusts have been trying to reduce this.

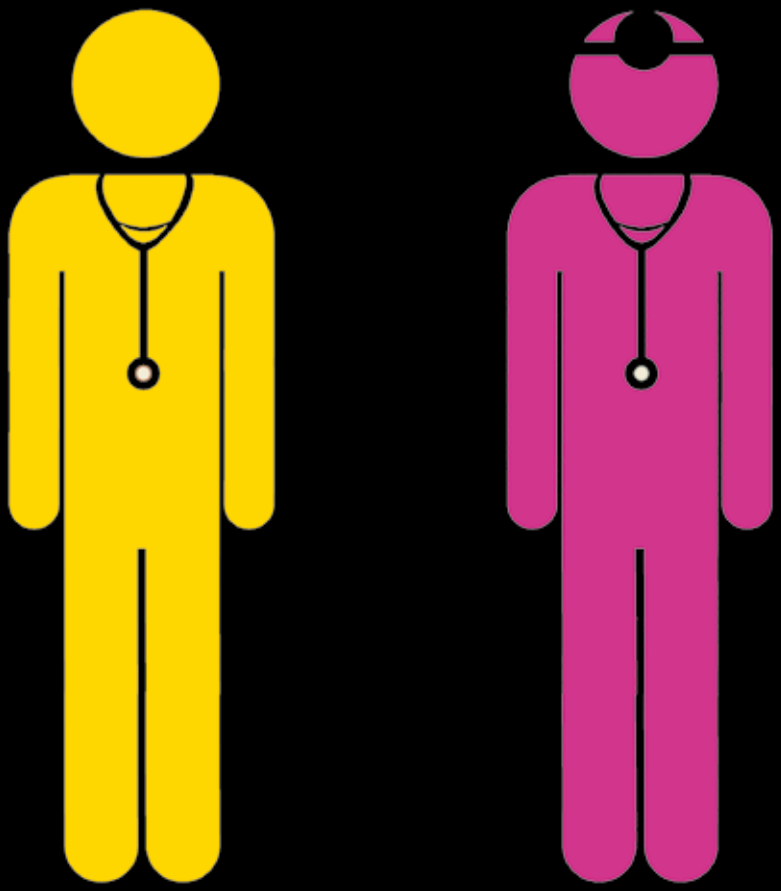
Most additional staff are provided through banks – a cohort of staff, many of whom will already be employed by the trust on a substantive contract, who are willing to work additional hours. The only overhead is the cost of the staff who run the bank, so trusts are focusing on the cost of staff provided by commercial agencies, where fees can be high. Agency staff can cost 1.75 to twice as much as through a trust's own bank.

Locum doctors make up about 2% of the medical workforce (2,448 of 109,950), according to the latest provisional monthly statistics from the Health and Social Care Information Centre (HSCIC). More than 1,800 of these are locum consultants.

The 2% figure has remained steady over the past two years, but, going further back, the service employed 400-500 more locum doctors each month in 2010, which saw the proportion of locums nudging towards 3% of the medical workforce.

While overall numbers vary month to month, the total number of doctors in hospital and community health services (HCHS) is about the same as in July 2012 and around 7,000 more than in July 2010.

While this appears to be a successful reduction in temporary doctors and an increase in medics on substantive contracts, trusts report difficulties in recruiting



"There is an absolute trend upwards. Over the 40 months from April 2011 to August this year we have spent £5.4m on agency nursing"

Karl Simkins (above)

substantive or locum doctors in a number of specialties.

To avoid nursing bank or agency costs, trusts are recruiting staff to permanent contracts. In the two years to July 2014, the NHS hired an additional 5,400 nurses, midwives and health visitors in HCHS, according to the HSCIC.

Despite this, the demand for temporary nursing staff is rising. According to NHS Professionals, which manages temporary staff banks on behalf of some 60 trusts in England, in the 12 months to March 2014 the number of temporary hours requested rose by 17% compared with 2012/13. Hours filled by agency staff increased by 3% to 16% of total demand.

NHS Professionals (NHSP) chief executive Stephen Dangerfield says: 'Demand for both registered nurses and midwives and healthcare support bank workers has increased steadily across the acute healthcare sector since 2012. While trusts are continually recruiting for permanent staff, they aren't able to recruit the number they need to fulfil their allocation and are therefore turning to temporary staff to fulfil these roles.'

Trusts are also building up their banks. NHSP says the number of requested hours filled by bank staff rose by 8%. Figures varied by region – in London, for example, requested hours increased by 27%. Bank-filled hours rose by 6%, but agency hours increased by 11% to 24% of hours filled. The South of England also filled 24% of additional hours with agency staff, though this was a slight decrease on the year before. Overall in the region, bank-filled hours increased by 8% and additional hours requested rose by 17%.

Regional variation

Last year's Department of Health procurement development programme (*Better procurement, better value, better care*) showed a variation in temporary staff costs between trusts and regions. Its report said three of the five foundation trusts that spent the most on non-permanent staff in 2011/12 are in London. This included the Royal Brompton and Harefield NHS Foundation Trust, which the report said spent 9.9% of its total workforce expenditure on temporary staff.

The trust says it must contend both with the nature of the capital's labour market and the lack of experienced specialist staff.

'The specialist nature of our work means that we will always need some agency nurses to match nursing staff levels to fluctuating patient needs and numbers. When demand for our services peaks, the support of additional specialist cardiac and thoracic agency nurses is crucial in providing effective, safe care.'

A spokesperson continues: 'At the same time, and in common with other trusts in central London, we face some difficulties with recruitment of staff who live in, or close to, the area. That said, we are taking steps to reduce the number of unfilled vacancies through an active recruitment programme, which has resulted in the appointment of around 550 nurses since April last year.'

The Department's procurement development report put the Royal Cornwall Hospitals NHS Trust among the lowest spenders on agency staff in 2011/12. While director of finance Karl Simkins is unable to offer a like-for-like comparison, as the benchmarking information is not available, he is sure agency nursing staff costs have increased since April 2011.

'There is an absolute trend upwards,' he says. 'Over the 40 months from April 2011 to August this year we have spent £5.4m on agency nursing. Locum medical staff through agencies was another £8m. So, over that period we have spent more than £13m.

'When I came to the trust, it was spending £800,000 to £900,000 a month on variable pay [which includes agency and bank staff, locums and overtime]. But this is now £1.7m to £1.9m a month, so it's more than doubled.'

Why has demand risen? Finance staff have told *Healthcare Finance* that the dynamic between quality and finance has changed. This is largely led by the focus on safety and quality following the second Francis report on

Mid Staffordshire NHS Foundation Trust and the subsequent Berwick report on safety, the Keogh review of trusts with outlying mortality rates, and National Institute for Health and Care Excellence guidance on staffing levels.

Mr Simkins says there are a number of reasons for the increased use of temporary staff at the Royal Cornwall. Some of this is due to national initiatives, such as the push on quality and safety and waiting times reduction programmes. In the wake of the Francis reports and the renewed focus on staffing, the Royal Cornwall has spent £2m to £3m on increasing nurse staffing levels.

'Where in the past you might have looked at savings around turning off the tap for bank and agency staff, it's a priority that staffing levels are at the right levels as much as possible,' he says.

Staff are more scarce in some specialties than in others – for example, theatre nurses, who are important in delivering the national push on waiting times.

'Although our referral to treatment and waiting times position was pretty good, we wanted to support the national initiative. However, the drive on waiting times has meant weekend working and that comes at a significant premium,' Mr Simkins says.

Capacity pressures

Other pressures are leading to increased agency staff use, he adds. 'We are seeing an increase in non-elective patients of 4.5%-5% across the financial year. Despite plans to take physical capacity out to make us more efficient and to support the clinical commissioning group QIPP plan, activity has grown and we've had to add capacity. We've used a mix of substantive and temporary staff, which is a significant reason why we are seeing an increase in bank and agency costs.'

So what can trusts do to get a grip on temporary staff, particularly agency, spending? NHSP's Mr Dangerfield says e-rostering enables a trust to make the most of its existing permanent workforce and plan more effectively. Vacant shifts at NHSP clients are passed to its booking system automatically.

The NHSP system also feeds back information on where demand originates and the reason given by the originator. 'This enables them to more accurately predict temporary workforce demand and release bank shifts as early as possible to ensure that bank workers have visibility of available shifts. This increases the opportunity for a bank worker to fill a shift that they would normally only see 24-48 hours before the start time,' Mr Dangerfield adds.

South Tees NHS Trust, which is working with NHSP, is seeking to eliminate the use of agency staff altogether. Trust director of nursing and quality assurance Ruth Holt says it stopped the use of all agency staff from 1 June this year. 'NHSP is now our only provider of temporary nursing, midwifery and healthcare assistant staff. To achieve this we worked closely with NHSP on a recruitment campaign encouraging staff who have previously worked in the trust through agencies to join NHSP.

'We are currently working to reduce the use of overtime and have set ourselves a target of an 80% reduction with NHSP staff replacing the hours previously worked as overtime.'

Trusts are turning to other organisations for help. This includes Liaison, whose Staff Flow product is used by 20% of all NHS trusts in England and Wales. Staff Flow director Ian Child, an experienced NHS finance manager, says the system has evolved to help trusts manage the whole of their temporary staff spending, not just locums.

'We focus on helping trusts gain real control over this area of spend. Trusts hire temporary staff through recruitment agencies with little transparency of costs showing how much the worker is being paid, and how much commission the agency is charging. This hinders them from effectively controlling how much they are spending on temporary staff.

'It's about delivering control and transparency and giving them the ability to see what the pay and commission split is. Trusts set their own parameters for both and can then challenge any escalations at the point of booking, not when the invoice arrives, which is often too late.'

Using its clients' figures, Liaison has been able to develop a database that supports

Keeping costs down

In last year's Department of Health procurement development programme report, the Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust was one of the lowest spenders on temporary staff – 0.9% of total workforce spending in 2011/12.

Director of finance John Grinnell says the trust has a relatively low turnover of staff and low sickness levels and is fully focused on maintaining this.

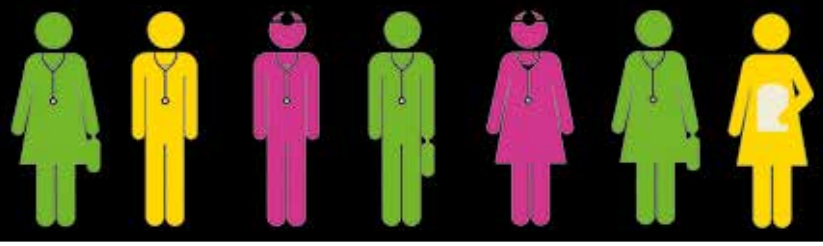
'We have a well-established bank of internal staff and a 99% utilisation rate for all nursing and healthcare assistant posts, with similar arrangements in place for administration,' he says. 'These measures combine to limit our requirement for agency staff and we only need to use an agency if we require specialist support for the needs of a specific patient.'

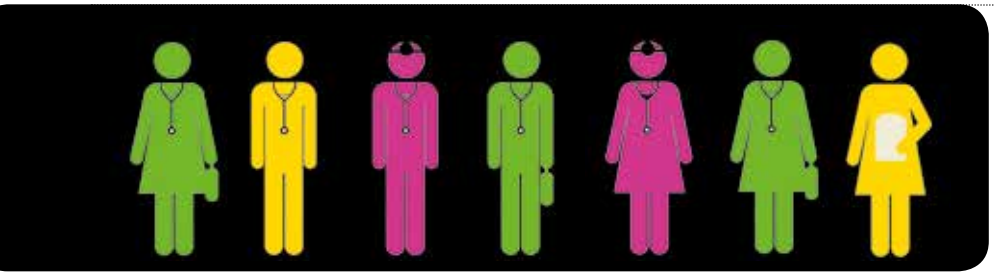
As internal staff make up its bank, temporary staff from the bank are in tune with the hospital's values and offer improved continuity of care. This gives the trust confidence that it can maintain high standards, he adds.

'Our focus this year will be on maintaining the effectiveness of our current systems and ensuring safe and effective staffing, he says. 'We have subscribed to a procurement framework for temporary medical staff that has improved rates, but our demand remains low, as we prefer to appoint our own temporary medical staff.

'We have a good track record of recruitment in this field, which we attribute to our specialist trust status and reputation as an orthopaedic centre. Our agency spend is forecast to be around £800,000 for this year – about 1.5% of our total pay bill.'

"We have a well-established bank of internal staff and a 99% utilisation rate for all nursing and healthcare assistant posts"
John Grinnell (right)





trusts that use Staff Flow to benchmark their spending and share rates, identifying outliers and opportunities for further savings.

Mr Child says there are touch points where the fees trusts pay for temporary staff are challenged. 'We're not attached to any agency, so take a true vendor-neutral approach. We help trusts control the booking process, have a detailed advance view of agency commitment and manage down their rates,' he says.

Under Liaison's method, while locums are still recruited through agencies, they become temporary workers of the trust and are paid directly by them using an outsourced temporary payroll operated by Liaison on the trust's behalf.

'We do all the time sheets, invoicing and accounts payable and payroll,' says Mr Child. 'The trust only has to make one payment each week. And we also handle the compliance side – checking medical qualifications, for example.'

This centralised system means trusts are able to see, and better control, how much they are spending through agencies. By having centralised management of these workers they are also able to analyse their management information on the use of temporary staff so that they can see if they are able to manage this spending more effectively.

The system is also more efficient, Mr Child says. 'The NHS quotes a figure of £30 to process each invoice and with 8,000 of these transactions a year at some trusts, that is a significant sum trusts should be able to save in their back office.'

Recently, Liaison acquired a majority stake in medical staffing technology organisation 3 Blue Dots. It hopes to expand its software to help trusts manage their temporary staffing, including by facilitating the sharing of their staff banks across NHS organisations and controlling the release of vacancies to agencies to ensure NHS bank staff are utilised first.

The Royal Cornwall has taken steps to reduce agency spending. The trust is trying to increase recruitment, both to its substantive workforce and its bank, selling not only the attractiveness of the working environment but also the attractions of living in the county.

It is part of a collaborative consortium of South West trusts that tendered contracts for agency staff. 'We are using it to drive up the quality of the staff and reduce the price we pay,' Mr Simkins says. 'But you don't always get 100% fill rates, so you have to go to other agencies.

The cost of temporary staffing is more complex than simple supply and demand. There are other factors, including the need to maintain the quality of care to patients. Nor is it a case of 'agency: bad, bank: good'. Sometimes only an agency can find a particular clinician, for example. But with demand showing no sign of abating, trusts will continue to grapple with the temporary staff question.