17 July 2017

To: All Provider CEOs

Dear Colleagues

I am writing to thank you for your efforts over the last year in tackling agency spend. We have made significant inroads into this, and despite some challenges, continue to see sustained month on month improvements. I also want to take this opportunity to outline some of the key priorities for the rest of 2017/18 as it is crucial that we build on this momentum in order to achieve further savings and maintain a safe and high quality service for patients.

Total agency spend reduced in 2016/17 by £700m compared to 2015/16, and represented 5.8% of total NHS paybill as opposed to 7.4% the previous year.

Last year’s reduction in agency spend is significant progress, and financial returns for the first two months of 2017/18 are also showing that the efforts of 2016/17 are continuing into this financial year with spend falling in both months. Also, for the first time since the agency controls began monthly agency spend is now less than bank spend, which is a great achievement. At executive/VSM level, we have also significantly reduced the number of individuals being paid on a day rate basis since the VSM policy was introduced in October 2016.

Despite this progress I’m sure that we all recognise that spending on agency staff is still at an unsustainable level, both from a quality and economic viewpoint, and much is still to be done to reduce spend to a more normal level. One of the keys to reducing agency spend further in 2017/18 is to go further in applying the mechanisms that have brought savings in the last year. There are still far too many price cap breaches and use of off-framework agencies. The sector therefore needs to re-double its efforts in applying price caps and using approved frameworks to procure agency staff, with the only exception to this approach being where there is an identified safety risk. In addition the controls introduced on VSMs, CEO sign off of shifts over £120 per hour plus reporting and taking action on the top rates paid for agency staff have all had a positive impact in 2016/17, and should continue to be applied consistently. Trusts also made progress last year in improving rostering efficiency, job planning and faster turnaround of vacancies. However, there is
still further to go in terms of ensuring consistency of application and many trusts are yet to realise the full potential of what can be achieved here, and we will look to support providers further in order to realise more gains in these areas.

Providers have also risen to their new responsibilities around IR35. We continue to support trusts in making the transition and believe that there is now a good understanding in the sector around how the rules should be applied. It is important that providers continue to apply the HMRC rules accurately and fairly as outlined in the HMRC toolkit, and do not accept increases in locum costs beyond current levels.

Each organisation needs to ensure that it has a staff bank in place across all staff groups, and also that these work collaboratively and collectively across each health system. We are keen that the sector reaps the benefit of this move in terms of quality and the savings released to reinvest back into patient care. This week we are collecting data from trusts via a survey that will give us a useful baseline of where each trust is at with this issue, and where the gaps are in terms of coverage and quality. This data will be shared with trusts as much as possible. We have also asked for users of staff banks and their representatives to give us feedback on how the experience of registering, working for and getting paid from a staff bank can be improved. From this feedback we will work with providers to target areas for improvement that staff have identified are barriers to them joining an NHS bank as opposed to an agency.

We recognise that collaborative banks working across systems will in some instances require different technology solutions to support more effective deployment of agency and bank staff. We will therefore work with providers to assess the different options. We would also be grateful for your views and ideas on this important enabler and examples you have seen of these solutions in action.

In order to ensure that we design and review the approach to agency reduction with the sector we have set up a stakeholder reference group comprising of CEOs, medical and nursing directors, HR directors and representatives of relevant national bodies. We will use this group to test our improvement offer and policy development going forward to ensure our approach is aligned to the needs of the sector.

Finally, we are keen to pro-actively support providers to prepare for what will be a tough winter, in particular around A&E workforce challenges. Part of this work will focus on the use of agency and locum staff in this area – we want to help providers create working environments that encourage substantive working within A&E departments, but that still have the ability to respond to short-term fluctuations in demand. We are looking at how exemplar providers have created a senior decision-making model and staff mix that optimises the safety and cost of A&E departments and will be working with professional bodies to ensure our support offer also helps build the right substantive workforce for the longer term.

NHS Improvement is the operational name for the organisation that brings together Monitor, NHS Trust Development Authority, Patient Safety, the National Reporting and Learning System, the Advancing Change team and the Intensive Support Teams.
I appreciate your continued support in this area and hope that we will all continue to realise the wide benefits of reducing the sector’s reliance on agency and locum staff. If you wish to discuss any of the above points please contact your NHSI Regional Director who will be happy to support you.

Yours sincerely

Jim Mackey
Chief Executive, NHS Improvement