

The real cost to the NHS of using staffing agencies

Authored by
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For many years staffing agencies have been vilified in the press for charging the NHS billions of pounds for additional staff. Most recently '£4.6 billion agency personnel'. This sum in itself appears huge and the public have every right to question its necessity.

However, what few articles make clear is that there are two types of agency. Those termed 'on-framework' and those not, i.e. 'off-framework'. Framework suppliers have to go through a rigorous tendering process and adhere to strict rate cards as well as passing every candidate through a detailed and complex compliance process. Off-framework agencies have none of these restrictions, they can charge what they want and check nurses' credentials as thoroughly, or not, as they choose.

It is these off-framework agencies that have caused the increase in agency spend. Mainly because clinical need outweighs cost and last-minute demand is often filled by these agencies. Once the off-framework agencies have a candidate in place, and that candidate is liked by the hospital, they can stay for years. Thankfully, the government has recently implemented a successful programme to remove these off-framework agencies that will culminate in Jul 24.

Going back to the £4.6 billion agency spend, what the press fails to make clear is that the vast majority of this sum goes directly to the nurse, or doctor, providing the care. For framework agencies current margins are around 11%. This means that 89% of that £4.6 billion, or £4.09 billion is paid as salary to those workers. Workers without whom the NHS would significantly struggle.

Currently, every agency worker shift has to be approved by senior management. This is having a positive effect on the

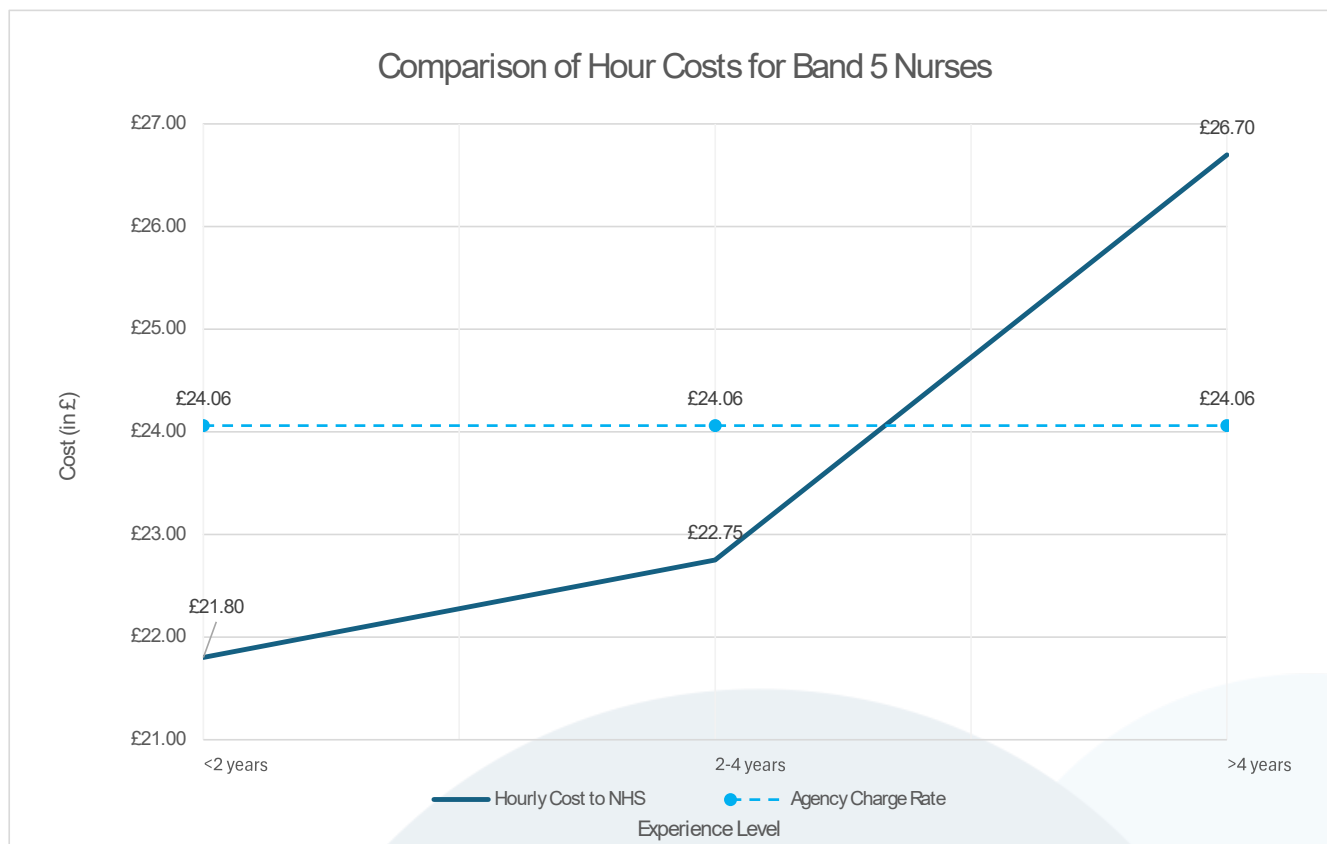
agency worker spend but according to the General Secretary of the Royal College of Nursing, it is increasing patient mortality '[Cuts will result in patient deaths](#)'. The fact is, the NHS cannot in its current state, be operated safely without an additional, flexible, workforce.

So, what is the real cost of an agency worker. Let's look at a band 5 general nurse. The bread and butter of nursing care. Basic salaries start at £29,402 for a nurse with less than 2 years' experience, £30,639 for those with over 2 years' experience and £35,791 for over 4 years.



Framework agencies, however, have a single charge rate of £24.06ph. If we take those basic salaries above and add the statutory employment costs of employers' national insurance, NHS pension and apprenticeship levy it shows that the hourly cost of each of those levels of experienced nurses to the NHS is £21.80, £22.75 and £26.70. Yes, that last number is more than the charge rate.

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Unfortunately, we must add VAT to the charges and this makes the actual cost to the NHS higher, but, because we then pay that VAT to the government, the actual cost to the public purse are the figures above. **In other words, for nurses with >4 years' experience, using agency saves the public £2.64 for every hour worked.**

This is a ludicrous realisation. Why the NHS can't reclaim VAT is bonkers to start with, all it does is move money between government budgets and gives a false impression of the reality. It is clear that the whole 'agencies are evil' trope is a lie (once you've got rid of the off-framework cowboys) and that much more progress would be made if government were to engage with us rather than painting us as the enemy.

These are just the basic figures and it could also be argued that there are other administrative costs, taken on by the agency, that saves the NHS further. Such as their own compliance checks, payroll and HR services that are not needed for temporary workers.

The use of temporary workers is a vital resource for any organisation over a few tens of employees, and therefore especially for those as large as the NHS. It gives the employer flexibility for seasonal variation in demand, avoids additional administration, as mentioned above, and it gives the worker flexibility to work around family and life demands.

Surely the public should be more interested in other much larger areas of the NHS budget, for example, the price of drugs in [19/20 was £20.9bn](#). This is over four times as much as the total agency cost and less than 0.4% of the gross profit (i.e. before all their operating and administrative costs) that the agencies make. We already know that the pharmaceutical companies make huge profits, sometimes in the billions themselves, so why isn't this a much bigger news item? It's because they hold more sway at a senior political level, I don't know...

The potential overreliance on international nursing is also a potential looming issue. The government's target was

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to add 50,000 additional nurses last year, they managed to achieve 60,000. Notably, 90% of the 50,000 target was met with overseas nurses. Historically, international nurses tend to have a limited tenure, increasing the risk of high turnover. This overreliance might soon surpass the number of new registrants, creating a demand vacuum and exacerbating waiting lists due to staffing shortages, ['Nursing Times CNO warning'](#) and ['health.org International recruitment'](#)

Here's a final twist to consider, there have been instances where NHS trusts have increased their bank pay rates beyond the rates charged by framework agencies. Whilst this approach can reduce agency spending, a big win for the Trust and the government, this strategy leads to higher expenses overall, impacting the public purse. This highlights the need for careful consideration in balancing short-term savings with long-term financial sustainability.

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* <https://www.theguardian.com/society/article/2024/may/05/cuts-will-result-in-patient-deaths-hospitals-shed-medical-staff-after-being-told-to-balance-the-books>

* <https://digital.nhs.uk/data-and-information/publications/statistical/prescribing-costs-in-hospitals-and-the-community/2019-2020>

* <https://www.nursingtimes.net/news/workforce/englands-cno-warns-overseas-recruitment-must-reduce-15-03-2024/>



Industry Insights 2024

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