

Rt Hon Nicky Morgan MP, Chair
Treasury Committee
House of Commons
London
SW1A 0AA

Dear Nicky,

We are writing on behalf of the Hospital Consultants and Specialists Association, a nationally recognised professional association and trade union which represents and advises all grades of hospital doctor in the UK.

As we are sure you are aware from recent media reports, owing to a succession of changes to pension taxation, senior hospital doctors across the country are reining in their hours or planning to retire early. If left unaddressed, this situation risks deepening the existing workforce crisis in the NHS and could impact upon patient care. We are aware that the same issues are also being raised in other parts of the public sector, including the Civil Service.

While we are aware that some changes to the contribution system have been mooted in respect of General Practitioners, no such proposals have emerged in respect of hospital doctors or other public servants. We are firmly of the belief that this issue cannot be resolved in a piecemeal way and that any solution arrived at must be for the benefit of all public sector staff.

Against this background, HCSA is requesting that the Work & Pensions Committee undertakes an inquiry into the impact of changes to pension taxation on the NHS.

Until recently, very few hospital doctors were likely to exceed the annual allowance and lifetime allowance pension tax limit. However, changes in recent years and the introduction of the tapered annual allowance mean that more staff are now impacted. Any NHS employee who has pension benefits above tax thresholds may be liable to a tax charge.

Our own research suggests that changes to Pensions Lifetime and Annual Allowances are affecting the behaviour of particularly senior doctors in three ways:

- In disincentivising additional shifts, which may effectively be unpaid or push hospital doctors over a tax "cliff edge," or causing hospital doctors to seek to reduce their working hours.
- In incentivising early retirement.

- In incentivising members to leave the pension scheme early.

The 40th annual report by the review body on senior salaries supports our findings and noted that:

“For gross salaries between £118,000 and £170,000, take-home pay increases by less than £3,000. Marginal tax rates above 100 per cent are experienced between £118,800 and £122,600, although this calculation does not factor in increases to the value of the pension. Such high marginal tax rates mean it could be rational for an individual to seek to work part time rather than work full time. This may result in a need to recruit more post-holders or to deny requests to work reduced hours, impacting negatively on motivation.”

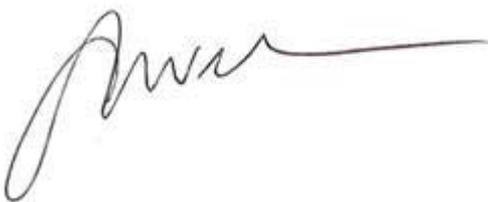
In addition to the impact on staffing, the recent trends in early retirement and early exiting from the pension scheme could also potentially impact on the ongoing sustainability of the scheme. This is because the viability of the scheme in effect relies upon the higher contributions made by high earners subsidising those paying lower contributions.

In successive submissions to the Review Body on Doctors’ and Dentists’ Remuneration (DDRB), we have expressed our concern at the paucity of accurate data around retirement and early retirement among hospital doctors. This is also something that the DDRB has identified as a data gap. We are still awaiting a practical response to our proposal for a joint taskforce, involving NHS Employers, the Department of Health, the HCSA and other interested parties, to explore and seek better evidence around early retirement among hospital doctors.

Given the potentially serious consequences if this situation is allowed to continue, we hope that you will look positively on this request for an inquiry to be undertaken. If you require any further information or would be amenable to a meeting to discuss this issue further, please do not hesitate to contact us.

We look forward to hearing from you.

Yours sincerely,



Professor Ross Welch FRCOG,
President, HCSA



Dr Claudia Paoloni FRCA,
Chairman of the Executive and
President-elect, HCSA