Consultation questions

The Department would like to receive responses on the following consultation questions, including evidence (where available) to support the response:

The Royal College of Physicians and Surgeons of Glasgow was founded in 1599 to improve quality and practice of Medicine.

Although based in Glasgow, we have 14,000 Fellows and Members who work as senior clinicians throughout the United Kingdom and across the world. We're unique amongst the UK's Royal Colleges as we have a multidisciplinary membership, which we believe gives us a complete viewpoint of the health environment and the needs of patients and medical professionals.

This year's annual Physicians Census (performed on behalf of the three Royal Colleges of Physicians in the UK) highlighted the shortfall in available candidates for consultant posts (43% across the UK). Regions and countries across the UK with fewer consultants in relation to their population are likely to have more unfilled posts. 40% of consultants and 63% of higher speciality trainees report rota gaps on a daily or weekly basis, the majority of which affect patient care. The full results of this research can be found online at https://www.rcplondon.ac.uk/file/14100/download.

The three Royal Colleges have also conducted a snapshot survey of our members on the issue of retirement. 2,800 of our members responded to this survey, which reported:

- 45% of respondents reported that in the past two years that they have decided to retire at a younger age than previously planned (86% of these respondents stated pension arrangements and concerns as one of the reasons for this decision).
- In the last two years, 71% of clinicians aged 60 to 65 have had an annual pension allowance tax charge due to exceeding their pension threshold. The tax charge is also having an impact on those aged 50 to 59 with 39% of this age group reporting being impacted.
- As a consequence of having to pay an annual pension allowance charge due to exceeding pension threshold:
    - 62% of senior clinicians said that they avoided extra paid work (such as waiting list initiatives or covering for colleagues)
    - 25% have reduced the number of programmed activities they work
    - 22% have reported having stepped down from a leadership or other role with extra remuneration

The full results of this survey can be found online at:
https://news.rcpsg.ac.uk/workforce/pension-tax-driving-half-of-doctors-to-retire-early/

The College has consulted our own membership on this issue, and we are aware of a concerning number of our senior members who are reducing their NHS work and refusing the opportunity to work additional shifts as a consequence of the current pension tax rules, which have resulted in some members receiving high tax bills

which were unforeseen and out of proportion to any extra work performed. It is clear to us that the current pensions tax issues are a major contributing factor into the staffing crisis faced by the NHS across the UK, and that this issue requires urgent reform.

There are three contributing factors to this situation; the reduction in the lifetime allowance, the limitation of annual allowance and the crucial tapering allowance which includes all income and not just pensionable income. We believe that the best way to resolve these issues would be to address the root cause of the current problem rather than adding additional rules elsewhere in the pensions process.

These rules are already complex. This has led to our members facing unexpected and high tax bills. The complexity of this system has contributed to the problem, as some of our members have reported that this is a further disincentive to take on additional work, as doing so would mean that they would require to pay for financial advice.

We believe, therefore, that any future reforms of NHS pensions must be fair and transparent - an over-complex pensions system would benefit no-one, and may create additional unforeseen issues over time.

While we welcome the government's aspiration that these issues are dealt with as a matter of urgency, and ideally in the current tax year, we would be concerned that unduly complex solutions, if developed and implemented too quickly without due scrutiny and oversight, may lead to future unintended and negative consequences.

In order to address the current workforce crisis facing all parts of the NHS, we need to retain clinicians already within the system. The College believes the government should seriously reflect on the findings of our research as they prepare to reform the NHS pensions system. If the government values our experienced NHS staff, they would commit to action now to reform this punitive and unfair process, and ensure that valuable staff are not punished for their contribution to our health service and patient care.

Consultation questions

Do you have any suggestions on how employers, the NHS Pension Scheme and trades unions can work to support staff in understanding these issues, to minimise the administrative burden of personal finance management on hard working clinicians?

The current NHS system is unduly complex. Our membership should not require to take independent financial advice before agreeing to cover additional hospital shifts at a time of widespread workforce shortages.

In this context, NHS employers should commission their own expert advisory service to advise Consultants and GPs on pensions and financial planning issues.

The case for pension flexibility

1. Who do you think pension flexibility should be available to?
● *NHS GPs and consultants who may be affected by the annual allowance tax charge*
● *Other NHS clinicians who may be affected by the annual allowance tax charge*
● *Non-clinicians in the NHS who may be affected by the annual allowance tax charge*
● *All members of the NHS workforce, regardless of their tax position*
● *Other group*
● *None of the above*
Please provide evidence to support your views

Pension flexibility is not our preferred option to address this issue.

However, if it were to be introduced, it is the individuals at the end of their careers who are affected most by this issue. This would be senior NHS Clinicians (Consultants) and GPs.

Other groups who would require flexibility would include those in the NHS who conduct intermittent extra or unscheduled work.

Proposed pension flexibility

2. Do you think the proposal for a more tailored approach to pension accrual is flexible enough for senior clinicians to balance their income, pension growth and tax liability? *Please set out the reasons for your answer.*

Limiting contributions to a tax year at the start of the year would allow people to avoid sudden liability for tax bills.

We remain concerned that a “tailored” and “flexible” approach could mean an additional level of complexity in the system, which would be unwelcome.

3. If not, in what ways could the proposals be developed further?
No answer

4. We’re proposing that large pay increases for high-earning staff should only be included in their pensionable income gradually. Do you agree or disagree with this proposal? *Please set out the reasons for your answer.*

We believe that there is a case for non-pensionable pay not to be included in the tapering allowance.

One major reason for an increase in pay would be the award of a Clinical Excellence Awards or Merit Awards. These are intended to reward work above and beyond contracted duties and indicates that an individual is achieving clinical excellence in their work. The receipt of such an award should not trigger a significant tax bill. A graduated proposal may have merits but it risks making the system even more complex where simplicity should be the main criteria.

Improving Scheme Pays

5. Currently, the NHS Pension Scheme has a notional defined contribution pot (NDC) approach to Scheme Pays deductions. We’re proposing to replace this with

the debit method. Do you agree or disagree with this? *Please set out the reasons for your answer.*

Any change should not put the individual at a financial or other disadvantage.

Equality Impact Assessment

6. What impact, if any, do you think the following will have on people with one or more protected characteristics:

a) The proposal to target the flexibility to clinicians who have a reasonable prospect of an annual allowance tax charge

b) The proposal to provide flexible accrual to clinicians who have a reasonable prospect of an annual allowance tax charge

c) Other proposals in the consultation document *e.g. phasing pensionable pay increases and/or commissioning a modeller to help individuals understand their tax liability and flexibility options*

d) Adopting the debit method for scheme pays

None envisaged

7. Are there any further equality considerations that the Department should be aware of from groups outside the data set?

None envisaged

Other questions within the body of the text not included in the Section on proposed questions

1. **Do you agree that a structural solution should be provided within the NHS Pension Scheme architecture?**

The College considers that the taxation system should be reviewed and made more equitable as a matter of priority.

2. **Do you agree with the rationale for targeting pension flexibility at GPs and consultants? If not, why not?**

It would seem sensible to target those most likely to be affected. However, we are aware that younger consultants on lower salaries are also reducing their hours to avoid taxation.

3. **Do you agree with the proposal to extend such flexibility to all clinicians, with an expectation of exceeding their annual allowance, as they are in an analogous position? If you agree, please provide evidence that annual allowance tax charges affect other clinical staff groups in a way that leads to a reduction in NHS service capacity and impacts patient care. If you disagree, please explain why you disagree.**

This appears sensible; however, the immediate need is the group highlighted.

4. **Do you agree that pension flexibility should be limited to clinical staff only? If you disagree, please explain and provide evidence for why you believe annual allowance tax charges affect non-clinical staff in a way that leads to a reduction in NHS service capacity and impacts patient care.**

Any future changes should be targeted at clinical staff.

5. **Do you agree that the proposal should be limited to high-earning staff with a reasonable expectation of exceeding their annual allowance? If you disagree, please explain why you believe that extending the flexibility to all staff members would have a positive impact on NHS capacity and service delivery.**

We agree that such staff should be the main focus of any changes, but that any reforms should avoid creating additional complexity within the system.

1. **Recognising that changes to the pension tax system are not under consideration, does a 50:50 option, combined with the ability to purchase Additional Pension, create the right balance of incentives for clinicians to continue to provide the services the NHS needs? Please set out the reasons for your answer.**

It is clear that a 50:50 option will not remove the risk of significant excess tax. Our independent expert advice is that it unworkable.

2. **If not, in what ways could the 50:50 proposal be developed further?**

We do not support the 50:50 proposal.

3. **Should any refinements be made to the 50:50 proposal in order to account for the different employment models for clinicians and any consequent limitations on how the flexibility will assist particular groups?**

We do not support the 50:50 proposal.

4. **Are there other changes to the NHS Pension Scheme that Government should consider that provide the right balance of incentives and maintain pensions that are fair to both members and the taxpayer?**

It is clear that the current system does not promote the correct balance to maintain the current workload of the NHS

Dr Richard Hull FRCP Glasgow
Honorary Secretary

Royal College of Physicians and Surgeons of Glasgow

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